

Notice of a public meeting of

Audit & Governance Committee

| | |
|---------------|---|
| To: | Councillors Pavlovic (Chair), Fisher (Vice-Chair), Mason, D Taylor, Wann, Webb, and Lomas |
| Date: | Wednesday, 15 July 2020 |
| Time: | 4.30 pm |
| Venue: | Remote Meeting |

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 - 4)

To approve and sign the minutes of the meeting held on 11 March 2020.

3. Public Participation

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

Please note that our registration deadlines have changed to 2 working days before the meeting, in order to facilitate the management of public participation at remote meetings. The deadline for registering at this meeting is 5:00pm on Monday, 13 July 2020.

To register to speak please contact Democratic Services, on the details at the foot of the agenda. You will then be advised on the procedures for dialling into the remote meeting.

Webcasting of Remote Public Meetings

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

During coronavirus, we've made some changes to how we're running council meetings. See our coronavirus updates (www.york.gov.uk/COVIDDemocracy) for more information on meetings and decisions.

4. Finance and Governance Update Presentations (Pages 5 - 16)

Finance Update – The Head of Corporate Finance & Commercial Procurement will give a short presentation to update the committee on challenges and the financial response in relation to the coronavirus pandemic.

Governance Update – The Monitoring Officer will give a give a short presentation to update the committee on changes to guidance and practice in relation to the coronavirus pandemic.

5. Annual Report of the Head of Internal Audit (Pages 17 - 42)

This report summarises the outcome of internal audit work undertaken in 2019/20 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

6. Internal Audit & Counter Fraud Plans 2020/21 (Pages 43 - 60)

This report seeks the committee's approval for the planned programme of internal audit work to be undertaken in 2020/21. It also includes details of the planned programme of counter fraud work.

7. Annual Report of the Monitoring Officer (Pages 61 - 70)

The Audit and Governance Committee will receive a report of the Monitoring Officer since her appointment in December 2019, addressing the Council's governance and assurance frameworks. It is intended that this report shall support the Council's Annual Governance Statement.

8. Treasury Management Annual Report & Review of Prudential Indicators 2019/20 (Pages 71 - 84)

The Audit and Governance Committee are asked to note and scrutinise the Treasury Management Annual Report and Review of Prudential Indicators 2019/20 at Annex 1.

9. Statement of Accounts 2019/20 (Pages 85 - 274)

The Audit and Governance Committee are asked to note the draft pre-audit statement of accounts, including the Annual Governance Statement, for the financial year ended 31 March 2020.

10. Amendments to the Constitution by the Monitoring Officer since 23 March 2020 (Pages 275 - 284)

Committee Members are asked to note the Monitoring Officer's amendments to the Council's Constitution since 23 March 2020.

11. Urgent Business

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

Democracy Officer:

Name – Michelle Bennett

Telephone – 01904 551573

E-mail – michelle.bennett@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

| | |
|-----------|---|
| Meeting | Audit & Governance Committee |
| Date | 11 March 2020 |
| Present | Councillors Pavlovic (Chair), Cullwick (substitute for Cllr Fisher), Lomas, Fenton (substitute for Cllr Mason), D Taylor, Wann and Webb Mr Mendus (Independent Member) |
| Apologies | Councillors Fisher and Mason |

Part A - Matters Dealt With Under Delegated Powers

Chair's Remarks - Independent Member

The Chair announced that one of the Independent Members, Mr Mann, had decided to resign from the committee. A new appointment would be made in due course.

54. 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.

Cllr Cullwick declared a personal interest in in Agenda Item 4 (Review of the Council's Constitution), insofar as the proposals related to the Lord Mayoralty, as he was the Lord Mayor Elect.

55. Minutes

Resolved: That the minutes of the meeting held on 5 February 2020 be approved and then signed by the Chair as a correct record.

56. Public Participation

It was reported that two members of the public had registered to speak at the meeting under the Council's Public Participation Scheme. Neither was present at the meeting, but both had submitted written representations.

Having taken advice from the Monitoring Officer, the Chair indicated that the comments of the first speaker, Michael Hammill, would be held over to the next meeting since they did not relate to the review of the Constitution. He then read out the comments of the second speaker, Gwen Swinburn, which detailed concerns about a number of the proposed amendments to the Constitution and the lack of reasons provided for each of the proposals.

Part B - Matters Referred to Council

57. Review of the Council's Constitution

Members considered a report which set out the amendments proposed to the City of York Council's Constitution and asked Members to recommended these to Full Council for approval.

Proposals to review the Constitution had been agreed by both Audit and Governance Committee and Executive at their meetings in September 2019. A staged approach had been agreed, with the first stage being a review of the current Constitution document for accuracy and consistency. Appendix 1 to the report set out the amendments proposed as a result of that review, including proposed changes to the Audit & Governance Committee's terms of reference at Appendix 1A. Also attached, at Appendix 2, were draft terms of reference for a Governance Review Working Group that would be convened for the second stage of the review.

Officers explained that the document at Appendix 1 was essentially a work in progress and would be edited to correct any typographical errors and inconsistencies before being presented to Council. Consideration would also be given to how best to make the Constitution available online. Members then gave full consideration to Appendix 1 and agreed a number of further amendments. With regard to Appendix 1A, it was agreed that officers make further changes on the basis of Members' comments and circulate the revised document by email for their approval.

Guidance was also sought on the draft terms of reference for the Governance Review Working Group at Appendix 2. Members advised that the proposed membership of the Group be increased and amended in order to properly reflect the

membership of the council and ensure there was no political bias.

Recommended: (i) That the amendments set out in the tracked changed version of the Constitution at Appendix A to the report, as further amended by the changes set out below, be approved:

Section 2

Article 5, page 25 (Role and Function of the Lord Mayor)

Delete '4 year' from the second sentence.

Article 16, page 64 (Review/Revision of the Constitution)

In 2.6, include a requirement for minor changes to the Constitution to be reported to the Chair of Audit & Governance Committee.

Section 3

3C, pages 103-104 (Responsibility for Functions)

In the final sentence under paragraph (c), after 'the head of HR', insert '*in consultation with the Head of Paid Service, the Monitoring Officer or the S151 Officer*'.

3D, page 122 (Powers of Officers)

To the end of (i), add: 'in consultation with the appropriate Chair'.

Section 6

Members' Scheme of Allowances, page 353

Remove the reference to Itrent.

(ii) That the proposed amendments to the Terms of Reference for Audit & Governance Committee at Appendix 1A to the report be approved, as further amended by the additional changes to be agreed by Audit & Governance Committee via email.

- (iii) That the proposed changes to the Constitution be considered at the Annual Council meeting on 21 May 2020 and approval given to implement the amended Constitution immediately after that meeting.
- (iv) That approval be given for the Director of Governance to liaise with the Corporate Management Team to ensure that each service area has in place a system to deliver the consistent compliance with the requirements in the Constitution that relate to delegated decisions taken and recorded by officers.
- (v) That approval be given for the Director of Governance to undertake a review of the Protocols and Procedures that support the provisions of the Constitution and the council's overall guidance framework to ensure they are comprehensive, accurate and up to date.
- (vi) That approval be given for the Director of Governance to collate a central record of the Protocols and Procedures that support the provisions of the Constitution, which will be available electronically to all Members, officers and the public.
- (vii) That approval be given for the Director of Governance, in consultation with Group Leaders and Corporate Management Team to provide training to Members and officers to improve the understanding across the council of the requirements set out in the Constitution.

Reason: To ensure that the Council's Constitution is accurate and consistent and that there is compliance with the provisions set out therein.

Cllr M Pavlovic, Chair

[The meeting started at 5.40 pm and finished at 8.40 pm].



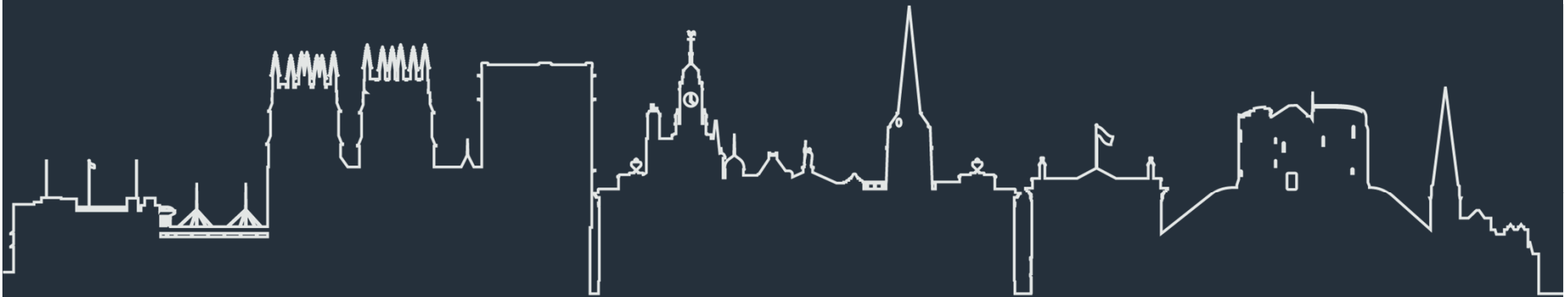
CITY OF
YORK
COUNCIL

Audit & Governance Committee

Finance

15th July

Debbie Mitchell



Immediate response

- Separate recording of covid related spend
- Guidance on financial matters issued to managers
- Setting up range of supplier reliefs
- Support to residents including enhanced YFAS
- Support to businesses, including distribution of Govt grants and business rate reliefs and York Micro Grant scheme



Working together to improve and make a difference

Ongoing issues and work

- Regular reporting to MHCLG on financial impact
- Regular discussions with regional finance officers
- Completion of 2019/20 final accounts (official deadlines extended to August, completed by end of June)
- Government announcements on funding and financial issues
- Initial review of budgets to identify funds for key recovery priorities



Working together to improve and make a difference

Ongoing issues and work (2)

- Full review of Key Corporate Risks
- Procurements were paused, now restarted and working through prioritised list of work
- Ongoing budget monitoring and assessing financial implications of recovery



Working together to improve and make a difference

The immediate future...

- More budget monitoring – revenue and capital
- Review of all capital programme assumptions
- Financial implications of recovery
- Gradual reinstatement of “business as usual” processes
- Assessing longer term financial impact beyond 2020
- Refresh of 2021/22 budget strategy and medium term financial strategy



Working together to improve and make a difference

This page is intentionally left blank



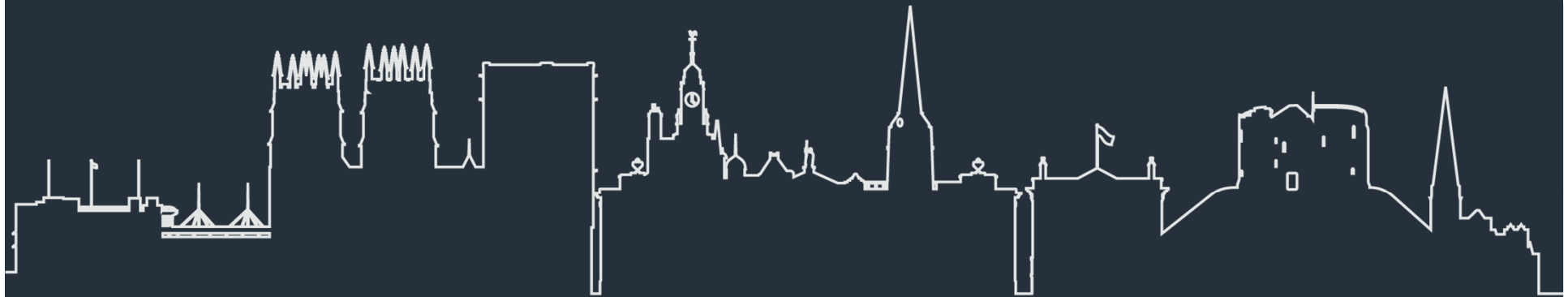
CITY OF
YORK
COUNCIL

Audit & Governance Committee

Governance

15th July

Janie Berry, Director of Governance & Monitoring Officer



Ability to make urgent decisions

- Introduced on 23rd March and remains in place
- Amendment to the constitution and use the existing delegated authority of the Interim Head of Paid Service in consultation with the Leader of the Council
- Decisions reported on the council's website



Remote Meetings

From 4th April 2020, Regulations issued to allow for remote meetings until 7th May 2021; impact of this is:

- Further amendment to the Constitution (procedure rules) to allow for remote meetings
- Now delivering an increased range of meetings
- Recent amendment to public participation rules
- All amendments published in the council's website
- All remote meetings are live streamed via Youtube



Working together to improve and make a difference

Amendments to the Constitution and Guidance

The following have all been published on the Council's website:

- Urgent Decision Making Guidance issued on 23rd March 2020;
- Remote Meetings Guidance and amendment to Standing Orders issued on 29th April 2020;
- Delivery of Scrutiny guidance issued on 21st May 2020;
- Amendments to Public Participation Rules issued on 22nd June 2020



Working together to improve and make a difference

Current Practice

- All arrangements remain under constant review by the Monitoring Officer and Democratic Services
- Decision-making has largely returned to business as usual but the temporary amendments to the Constitution do remain in place
- Delivering a comprehensive range of Member meetings remotely
- Meetings calendar published until October 2020, and work on-going in planning for the remainder of the municipal year which will take into account the national position and any future guidance which may be published



This page is intentionally left blank



Agenda Item

Audit and Governance Committee

15 July 2020

Report of the Head of Internal Audit

Annual Report of the Head of Internal Audit

Summary

- 1 This report summarises the outcome of internal audit work undertaken in 2019/20 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

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 respect of reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
 - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit Committee.

- (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.
- 3 The Audit Committee approved the annual internal audit plan for 2019/20 at its 6 March 2019 meeting. This report summarises the delivery of the agreed plan and the other information required for the annual report as set out in paragraph 1 above.

Internal audit work carried out 2019/20

- 4 A summary of the audit work completed and the reports issued in the year is attached as Annex 1 to this report.
- 5 Internal audit normally measures performance by the number of audit reports issued compared to the agreed plan. Due to Covid-19, most audit work had to be suspended in March 2020. This included a number of audits where the fieldwork had been fully or substantially completed. Where possible, these reports have now been issued but it has not been possible to complete all the planned audit work. Before work was suspended due to Covid-19, we were on target to exceed the agreed target of 93% completion of the audit plan.
- 6 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. The outcomes of internal audit work have also been reported to this committee as part of our regular progress reports.
- 7 All of the actions agreed with services as a result of internal audit work are followed up to ensure that the underlying control weaknesses are addressed. The results of follow up work are usually summarised twice yearly for this committee. The last report in September 2019 confirmed that management were continuing to make good progress to implement agreed actions.
- 8 Breaches of council financial regulations and contract procedure rules are identified from time to time, through ongoing internal audit work. Where breaches are identified,

these are reported to management for remedial action. There were no material breaches of financial regulations or procedure rules identified in 2019/20.

Opinion of the Head of Internal Audit

- 9 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the council is that it provides **Substantial Assurance**.
- 10 This opinion is however qualified, in light of the current coronavirus pandemic and the impact of this on the council. The opinion is based on internal audit work undertaken, and substantially completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.
- 11 No reliance was placed on the work of other assurance bodies in reaching this opinion. The opinion is based on internal audit work completed during the year including that detailed in annex 1 and in monitoring reports to the committee during the year.
- 12 In giving this opinion attention is drawn to the following significant control issue which is considered relevant to the preparation of the 2019/20 Annual Governance Statement:
 - **Information Security & GDPR:** Whilst good progress continues to be made, further improvements are required to ensure compliance with the council's policies for handling and storing personal and confidential information.

There are also a number of issues still outstanding, relating to actions agreed in July 2019, following a GDPR readiness audit. These actions relate to policies, guidance, contract clauses; the information asset register; privacy notices; mandatory data protection training; management information on data security incidents.

Conformance with the Public Sector Internal Audit Standards & Internal Audit Charter

- 13 Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards, specifically the Public Sector Internal Audit Standards (PSIAS).
- 14 This Quality Assurance and Improvement Programme (QAIP) includes ongoing quality assurance arrangements and activities, annual self-assessment, external assessments at least once every five years, as well as an annual survey of senior management in each client organisation.
- 15 A detailed self-assessment to evaluate performance against the Standards is undertaken every year. This self-assessment has been carried out using the CIPFA checklist published in April 2019. The most recent external assessment of Veritau internal audit working practices was undertaken in November 2018³. This concluded that Veritau internal audit activity generally conforms to the PSIAS.
- 16 The outcome of the QAIP demonstrates that the service continues to generally conform to the PSIAS, including the Code of Ethics and the Standards. Further details of the QAIP are given in Annex 2.
- 17 The Internal Audit Charter sets out how internal audit at the council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.

Other Matters

- 18 Veritau set up a Covid-19 Response Team to provide timely advice and support to our member councils to help them to manage the fraud risks and other challenges caused by the pandemic. A specific Covid-19 fraud risk assessment was completed for the council with targeted actions to reduce the emerging fraud risks. Advice and support was also given on

³ Reported to Audit and Governance committee in February 2019.

the administration of government and council business support grants.

- 19 CIPFA has recently issued guidance on the use of audit opinions by local authority internal audit teams. The guidance includes a recommendation that standard opinions and definitions should be adopted by the sector. The rationale is that it will provide more clarity, improve understanding, allow for easier comparison, reduce disruption (if providers of internal audit services change), allow assurances to be shared more readily across public bodies, and help with training. Annex 3 sets out the recommended opinions and definitions. Adoption of the standard opinions and definitions is not mandatory, however Heads of Internal Audit will be expected to justify why they are not using them. It is expected that most local authorities will adopt the new wording. Apart from a reduction in the number of opinions in use the proposed changes are not considered significant. Council officers have been consulted on the change and the new opinions will be used for all 2020/21 audits.

Consultation

- 20 Not relevant for the purpose of the report.

Options

- 21 Not relevant for the purpose of the report.

Analysis

- 22 Not relevant for the purpose of the report.

Council Plan

- 23 The work of internal audit helps the council achieve its objectives by evaluating and promoting improvement in the effectiveness of risk management, control and governance processes.

Implications

- 24 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

- 25 The council will not comply with proper practice for internal audit if the results of audit work are not reported to senior management and the Audit and Governance Committee.

Recommendation

- 26 Members are asked to:

- (a) note the results of internal audit work undertaken.

Reason

To enable members to consider the implications of internal audit findings.

- (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 .

Reason

To enable members to consider the implications of internal audit findings.

- (c) note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with Public Sector Internal Audit Standards.

Reason

To enable members to consider the opinion of the Head of Internal Audit.

- (d) note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.

Reason

To enable the Annual Governance Statement to be prepared.

- (e) note the new audit opinions and definitions to be adopted from 2020/21 onwards

Reason

To comply with internal audit recommended practice

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
01904 552940

Chief Officer responsible for the report:

Janie Berry
Director of Governance and Monitoring
Officer
Telephone: 01904 551100

**Report
Approved**

Date 15 July
2020

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- 2019/20 Internal Audit Plan
- Internal Audit and Monitoring Reports to Audit and Governance Committee in 2019/20 (September, December)
- The Public Sector Internal Audit Standards 2017
- CIPFA – The Role of the Head of Internal Audit in Public Sector Organisations

Annexes

- Annex 1 - 2019/20 audit work carried out

- Annex 2 - Quality Assurance and Improvement Programme (QAIP)
- Annex 3 – audit opinions and definitions (for 2020/21 audit work)

INTERNAL AUDIT WORK UNDERTAKEN IN 2019/20

| AUDIT WORK COMPLETED / REPORTS ISSUED | STATUS ¹ |
|--|--|
| Corporate & Cross-Cutting | |
| Absence Management | Fieldwork completed |
| Data Quality | Fieldwork completed (Substantial Assurance) |
| Financial Resilience | Fieldwork completed (No opinion given) |
| Health and Safety | Draft report issued (High Assurance) |
| Home Working | Draft report issued (Substantial Assurance) |
| Information Security Checks | Reasonable Assurance |
| ICT – Licence Management | Draft report issued (Reasonable Assurance) |
| ICT – Server Administration & Security | Draft report issued (Substantial Assurance) |
| Project Risk Management | Fieldwork completed (Reasonable Assurance) |
| Transparency | Fieldwork completed |

¹ Draft audit opinions have been included where reports have not been finalised due to Covid-19. The opinion could change if significant new information is received which changes the auditors opinion of risk and control.

| AUDIT WORK COMPLETED / REPORTS ISSUED | STATUS ¹ |
|--|--|
| | (Substantial Assurance) |
| | |
| Main Financial Systems | |
| Council Tax & NNDR | Draft report issued (Substantial Assurance) |
| Council Tax Support and Housing Benefits | Fieldwork completed |
| Debtors | Fieldwork completed |
| Ordering and Creditor Payments | Fieldwork completed (Substantial Assurance) |
| Payroll | Draft report issued (Reasonable Assurance) |
| Creditors – regular data analytic work | No opinion given |
| | |
| Health, Housing and Adult Social Care | |
| Housing Delivery Programme | Fieldwork completed |
| Older People’s Accommodation Programme | Fieldwork completed |
| Housing Rents | Draft report issued (Reasonable Assurance) |
| Social Care Financial Assessments | Fieldwork completed |

| AUDIT WORK COMPLETED / REPORTS ISSUED | STATUS ¹ |
|---|--|
| | (Substantial Assurance) |
| Public Health – Healthy Child Service | Fieldwork completed (Reasonable Assurance) |
| | |
| Economy and Place | |
| Cash Handling | Draft report issued (High Assurance) |
| Taxi Licensing Follow Up | Final report issued (No opinion given) |
| | |
| Children, Education and Communities | |
| Adoption Services | Substantial Assurance |
| Home to School Transport | Draft report issued (Substantial Assurance) |
| Schools Maintenance Programme | Substantial Assurance |
| Schools Funding | Draft report issued |
| Schools themed audit – Financial Management Systems | Draft report issued |
| Schools themed audit – Procurement Cards | Draft report issued |
| Schools: Ralph Butterfield Primary School | Substantial Assurance |

| AUDIT WORK COMPLETED / REPORTS ISSUED | STATUS ¹ |
|--|---------------------|
| Danesgate PRU | Limited Assurance |
| Data Quality – Children’s Social Care (addition to plan) | No opinion given |
| School Investigations (2) | No opinion given |
| | |
| Other work | |
| Assurance Mapping | No opinion given |
| Follow up of agreed actions | No opinion given |

INTERNAL AUDIT OPINIONS

The following categories of opinion were used for audit reports during 2019/20.

| Opinion | Level of Assurance |
|----------------|---|
| 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. |

No opinion was given where the audit work was non-assurance or limited in scope. This included work such as grant claims, fact-finding work, projects, a review of follow-up implementation or consultancy work.

This page is intentionally left blank



INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- the requirement for all audit staff to complete annual declarations of interest
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- induction programmes, training plans and associated training activities
- attendance on relevant courses and access to e-learning material
- the maintenance of training records and training evaluation procedures
- membership of professional networks
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing and other associated work documented using the company's automated working paper system (Galileo)

- file review by senior auditors and audit managers and sign-off of each stage of the audit process
- the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets monitored and reported to each client on a regular basis
- regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, samples of completed audit files are also subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by a senior audit manager. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment and professional networking are used to identify any areas requiring further

development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board¹ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey – 2020

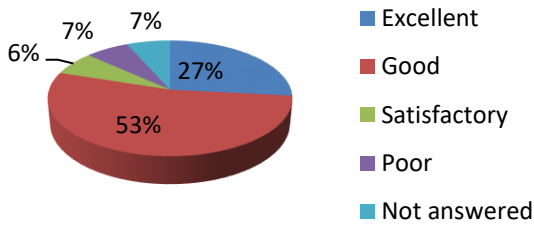
Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2020. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 136 surveys (2019 – 171) were issued to senior managers in client organisations. 15 completed surveys were returned representing a response rate of 11% (2019 - 12%). The surveys were sent using Survey Monkey and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

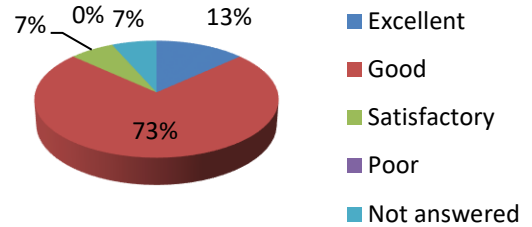
¹ As defined by the relevant audit charter.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below:

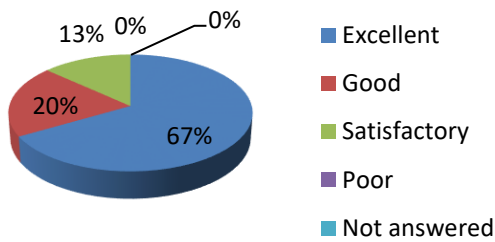
Quality of audit planning / overall coverage



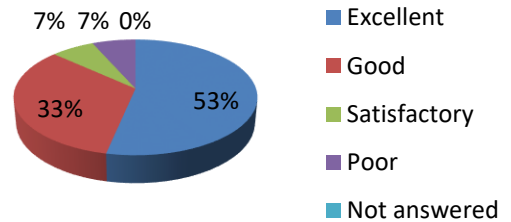
Provision of advice / guidance



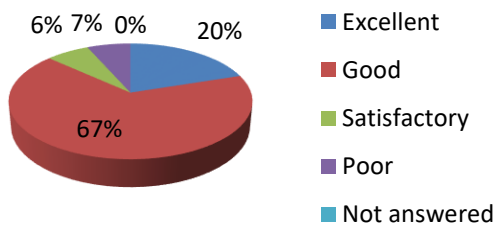
Staff - conduct / professionalism



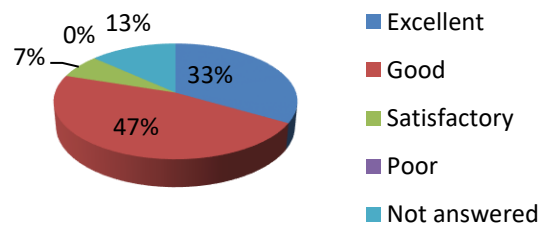
Ability to establish positive rapport with customers



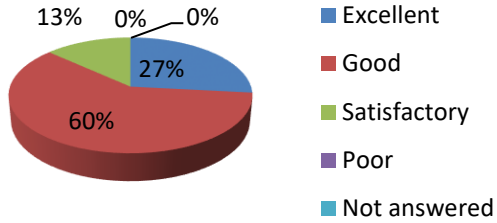
Knowledge of system / service being audited



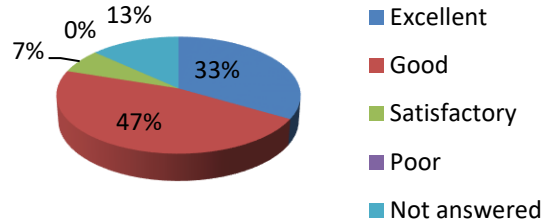
Minimising disruption to the service being audited



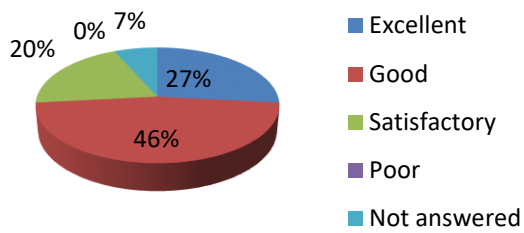
Communicating issues during the audit



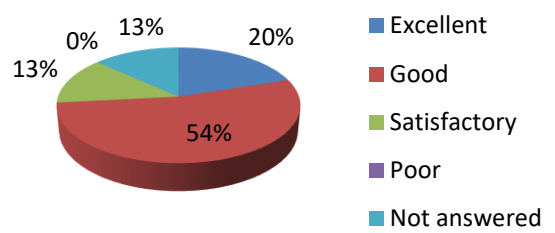
Quality of feedback at end of audit



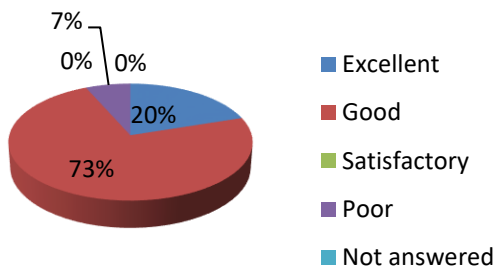
Accuracy / format / length / style of audit report



Relevance of audit opinions / conclusions



Overall rating for Internal Audit service



The overall ratings in 2020 were:

| | 2020 | | 2019 | |
|--------------|------|-----|------|-----|
| Excellent | 3 | 20% | 11 | 55% |
| Good | 11 | 73% | 6 | 30% |
| Satisfactory | 0 | 0% | 3 | 15% |
| Poor | 1 | 7% | 0 | 0% |

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-Assessment Checklist – 2020

CIPFA prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 and has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards. In April 2019, CIPFA published a modified version of the checklist and this has been used to complete the latest self-assessment. The revised checklist includes some additional guidance on what constitutes compliance, and amalgamates a number of relevant checklist areas.

The current working practices are considered to be at standard. However, a few areas of non-conformance have been identified. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant and the existing arrangements are considered appropriate for the circumstances and hence require no further action.

The table below showing areas of non-compliance has been updated to reflect the new checklist.

| <u>Conformance with Standard</u> | <u>Current Position</u> |
|---|--|
| Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the | Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the |

| <u>Conformance with Standard</u> | <u>Current Position</u> |
|---|--|
| engagement was accepted? | Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau. |
| Does the risk-based plan set out the respective priorities of audit work? | Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee). |
| Are consulting engagements that have been accepted included in the risk-based plan? | Consulting engagements are commissioned and agreed separately. |
| Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources? | An approach to using other sources of assurance, where appropriate is currently being developed (see below). |

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report was reported to this committee in February 2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS² and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014.

5.0 Improvement Action Plan

The external assessment identified a number of areas for further consideration and possible improvement. An action plan was developed to address these areas. One action remains to be completed, as follows:

| Recommendation | Current Position |
|---|---|
| <p>Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are</p> | <p>This work is ongoing. Other potential sources of assurance have been identified for each client. This information is now being used to develop more detailed assurance mapping. A standard methodology and approach is also being developed.</p> |

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

| Recommendation | Current Position |
|--|------------------|
| not duplicating effort. (Attribute Standard 2050). | |

In 2019/20, the Quality Assurance group reviewed internal processes for undertaking and recording testing of internal controls. The review identified that testing methodologies were generally good, were relevant to the controls being tested and that appropriate conclusions were being reached. However, improvements were needed to the documentation of testing in some areas. The review also found some cases where the use of data analytics should have been considered, rather than relying on sample testing. This could have improved the level of assurance obtained and provided more useful data for the client. Further training will be delivered to the internal audit teams, covering these areas, in 2020/21.

The following areas will also continue to be a priority in 2020/21:

- Further development of in-house technical IT audit expertise
- Investment in new data analytics capabilities

We also plan to review the audit opinions used for reporting to ensure they remain aligned with best practice.

6.0 Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

This page is intentionally left blank

INTERNAL AUDIT OPINIONS – 2020/21

The opinions and related definitions now being recommended by CIPFA are:

| Opinion | Definition |
|-----------------------|---|
| Substantial Assurance | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited |
| Reasonable Assurance | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited |
| Limited Assurance | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited |
| No Assurance | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited |

This page is intentionally left blank



Audit and Governance Committee**15 July 2020**Report of the Head of Internal Audit

Internal Audit & Counter Fraud Plans 2020/21

Summary

- 1 This report seeks the committee's approval for the planned programme of internal audit work to be undertaken in 2020/21. It also includes details of the planned programme of counter fraud work.
- 2 The audit plan includes an allocation of time for work already undertaken in the period, in response to Covid-19.

Background

- 3 The council's internal audit service has to comply with the Public Sector Internal Audit Standards, and the council's own Internal Audit Charter. The standards and charter require that the Head of Internal Audit gives an annual opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control. The basis for the opinion is the programme of work that internal audit carries out. The plan is required to be approved by this committee as part of its responsibility for overseeing the work of internal audit.
- 4 An indicative risk based audit plan is drawn up each year, setting out what work will be done. The plan is a working document, and changes are made throughout the year to reflect changes in risk and issues that may arise. This is particularly pertinent this year due to the need to remain responsive to issues that arise as a result of the impact of Covid-19 on all areas of the council.

- 5 The Audit and Governance committee were consulted on the audit plan in February 2020. The results of that consultation have been taken into account in the production of the plan.
- 6 In addition to internal audit, Veritau also provides the council with specialist counter fraud services. To reflect the independent nature of the counter fraud and internal audit services, and for the purposes of transparency, counter fraud work is reported in a separate plan.

2020/21 Internal Audit Plan

- 7 Annex 1 sets out proposed internal audit work for 2020/21. The planned audit work is based on an assessment of risk undertaken by Veritau alongside discussions with chief officers and members.
- 8 The impact of Covid-19 has been considered in the planning process. This includes an updated assessment of risk by Veritau, using existing knowledge, professional networks and sector guidance. The plan was also produced with reference to the council's Covid-19 Recovery and Renewal Plan.
- 9 Total planned days for 2020/21 are 1,095. An allocation of 185 days is included for work in the first part of the year, during the initial response to Covid-19. A further 910 days is included, to be scheduled over the remainder of the year.
- 10 The 2020/21 plan aims to ensure that audit resources are prioritised towards those systems which are considered to be the most risky, or which contribute the most to the achievement of the council's priorities and objectives. For 2020/21 this will be significantly influenced by the impact of Covid-19.
- 11 The plan reflects the continued need to look at key corporate financial systems. These areas will have been significantly impacted by Covid-19 issues. The plan also recognises the continued need to meet statutory obligations for adult and children's social care and effective financial management in these areas.
- 12 The plan allocates time to key service areas within the council and identifies potential audits that will be undertaken within those areas. In order to be flexible and responsive to

emerging risks, issues and client needs, the individual audits will be agreed with officers during the year. Significant variations from the attached plan will continue to be reported to the committee during the year.

- 13 During the 2020/21 audit year regular liaison will take place with senior officers across the council, in order to determine the audits that will be done and the timing of the work. Audits will be drawn from the indicative audit plan.

2020/21 Counter Fraud Plan

- 14 Annex 2 sets out proposed areas of counter fraud work for 2020/21. No estimate of time is made for each area as this will depend on levels of suspected fraud reported to the team. Reactive investigations (determined by allegations of fraud received) account for the largest proportion of work. Priorities for work in the remaining areas will be determined in accordance with the council's Counter Fraud Strategy and Counter Fraud Risk Assessment (presented to the committee in February).
- 15 The plan includes an allocation of time for work on Covid-19 related fraud issues during the first part of 2020/21. This included support on emerging counter fraud risks and development of a Covid-19 fraud risk assessment, undertaking counter fraud checks as part of grant payment processes and the investigation of suspected Covid-19 related grant fraud. It is expected that the level of reactive fraud investigations resulting from Covid-19 related issues will continue to increase as issues come to light through post payment assurance processes.
- 16 Total planned days for 2020/21 are 1,060, which is the same as for 2019/20.

Consultation

- 17 In preparing the audit and counter fraud plans consultation has taken place with the Audit and Governance Committee, and key officers across the council.

Options

- 18 Not relevant for the purpose of the report.

Analysis

- 19 Not relevant for the purpose of the report.

Council Plan

- 20 The work of internal audit and counter fraud supports overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

- 21 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

- 22 The council will be non-compliant with the Public Sector Internal Audit Standards if the internal audit plan is not approved by the committee, and it may be subject to increased scrutiny and challenge.

Recommendation

- 23 Members are asked to
- approve the 2020/21 internal audit plan and note the proposed counter fraud plan.

Reason

In accordance with the committee's responsibility for overseeing the work of internal audit and the counter fraud service.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Ltd
Telephone: 01904 552940

Chief Officer Responsible for the report:

Janie Berry
Director of Governance and Monitoring
Officer
Telephone: 01904 551100

**Report
Approved**



Date

6/7/20

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Annexes

Annex 1 – 2020/21 Internal Audit Plan
Annex 2 – 2020/21 Counter Fraud Plan

This page is intentionally left blank



**CITY OF YORK COUNCIL
INTERNAL AUDIT PLAN 2020/21**



Annual Internal Audit Plan 2020/21

1. INTRODUCTION

- 1.1 This plan sets out the proposed 2020/21 programme of work for the internal audit service provided by Veritau for the City of York Council. The plan includes an allocation of time for work already undertaken in 2020/21, in response to Covid-19 issues.
- 1.2 In accordance with the Public Sector Internal Audit Standards (PSIAS), internal audit is required to prepare an indicative annual audit plan. The plan is a working document, and changes are made throughout the year to reflect changes in risk and issues that may arise. This is the case every year, but is more likely to be a factor in 2020/21 due to the need to remain responsive to issues that arise as a result of the impact of Covid-19 on all areas of the council.
- 1.3 This indicative plan is based on a risk assessment that is maintained by internal audit. This risk assessment and has been updated to reflect risks arising from the impact of Covid-19.
- 1.3 The content of the audit plan is subject to consultation with directors and other senior council officers. This revised plan has been shared with the council's Governance, Risk and Assurance Group (GRAG). The plan is formally approved by the Audit and Governance Committee. The 2020/21 audit plan was originally scheduled to be presented to Audit and Governance committee for approval in April 2020. Following cancellation of that meeting Veritau has been undertaking work in response to Covid-19 issues and finalising 2019-20 work; a line is included in the plan for this work.
- 1.4 The plan sets out potential areas for audit in 2020/21. It will not be possible to carry out all of these audits and the list is not exhaustive and may change as the year progresses depending on emerging risks. Changes to the plan are agreed through the council's client management arrangements and are notified to the committee. Proposed audit work is also discussed with the council's external auditors, to ensure that there is no duplication of effort. Further details about the approach to audit planning can be found in the Audit Charter.

Annual Internal Audit Plan 2020/21

2. 2020/21 AUDIT PLAN

- 2.1 The impact of Covid-19 will be a significant influence on this year's audit plan. However, the principle remains the same, in that the approach adopted is to focus on higher risk systems.
- 2.2 The council continues to face significant budgetary pressures, and these are likely to be increased by the impact of Covid-19. Covid-19 also presents many other challenges, including implementing central government legislative and regulatory changes, administering government grants, new community services, different ways of working and redeployments. In addition to this, some core financial and corporate systems remain vital to the effective operation of the council.
- 2.3 The approach adopted is to focus on higher risk systems / areas including those:
- where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential
 - areas of known concern, where a review of risks and controls will add value to operations
 - areas of significant change. This may include providing direct support / challenge to projects, reviewing project management arrangements, or consideration of the impact of those changes on the control environment for example where the reduction in resources may result in fewer controls.

These remain the core principles in identifying areas for audit. Covid-19 has changed the context in which the council operates. It has resulted, in significant changes but these areas remain the appropriate criteria for prioritising audit resources.

- 2.2 Internal Audit resources are limited and the audit plan is intended to prioritise resources towards those systems which are considered to be the most risky and / or which contribute the most to the achievement of the council's priorities and objectives. This plan has been developed with particular reference to the council's Covid-19 recovery and renewal plan.
- 2.3 The plan includes an allocation of days for key service areas within the Council. The individual audits to be conducted within these areas will be agreed with senior officers during the year.

Annual Internal Audit Plan 2020/21

- 2.4 Audit work will include a mixture of assurance reviews of areas that remain higher risk for the council, reviews of the council's response to Covid-19 issues; reviews and advice and support on control and process design in light of Covid-19; and forward looking advice and support on the implementation of recovery and renewal plans.
- 2.5 Details of the 2020/21 plan are set out below. The table includes specific reference to Covid-19 related risks in some areas. However, it is the case that in most areas the audits listed would also cover additional risks due to Covid-19.

Annual Internal Audit Plan 2020/21

| Area | Days | Potential audits / activity (the scope and objectives for audits will cover risks relating to Covid-19) |
|--|------|--|
| Corporate & cross cutting (Corporate strand of Recovery and Renewal Plan) | 210 | Budgeting and savings plans Covid-19 Recovery and Renewal Plan Health and safety Data quality (Public Health focus) Information governance and security Procurement and contract management Project management Democratic Services New ways of working (home, remote, social distancing, digital services) Records management |
| Financial / corporate systems | 120 | Payroll Main accounting system / general ledger Debtors Ordering and creditor payments Council tax / NNDR Council tax support and benefits Covid-19 grant(s) assurance work Asset management Treasury management |
| ICT | 50 | Cyber security ICT assets and technical infrastructure ICT supplier management ICT projects and systems development |
| Health, Housing and Adult Social Care (Communities strand of Recovery and Renewal Plan) | 160 | Adult social care budgets / financial management Public health Continuing healthcare Safeguarding Placements and commissioning Homelessness Building services / council house repairs Early intervention and prevention Mental health services |

Annual Internal Audit Plan 2020/21

| | | |
|--|-----|---|
| <p>Children, Education and Communities (Communities strand of Recovery and Renewal Plan)</p> | 130 | <p>Children’s social care budget / financial management Special Educational Needs and/or Disabilities (SEND) Community hubs Contract management / commissioning – leisure facilities, Explore libraries and archives, Make it York Early intervention and prevention Ward committees Dedicated schools grant Schools – themed audits Schools – individual school audits</p> |
| <p>Economy and Place (Economic strand of Recovery and Renewal Plan)</p> | 90 | <p>Environmental health Household waste and recycling Business continuity / emergency planning Transport and Place Strategy Covid-19 business support York Central Carbon reduction / climate change</p> |
| <p>Covid-19 response work & completion of 2019-20 work</p> | 185 | <p>Covid-19 related risk assessments, guidance, direct support on administration of grant schemes. Completion of assurance work delayed in 2019-20 by Covid-19 impact.</p> |
| <p>Contingency</p> | 20 | <p>New or emerging risks Requests from A&G or officers Significant changes Work arising from fraud investigations</p> |
| <p>Follow-ups</p> | 40 | <p>Follow-up of previously agreed audit actions</p> |
| <p>Support, Advice and Liaison, including audit planning</p> | 40 | <p>Support and advice to officers Attendance at GRAG and support with Annual Governance Statement preparation Audit planning Monitoring of plans and resourcing External audit liaison</p> |

Annual Internal Audit Plan 2020/21

| | | |
|--------------------------------|--------------------------|---|
| Audit and Governance Committee | 30 | Preparing committee reports Attendance at committee Support and Additional advice for committee |
| Data Analysis | 10 | Development of data analysis Specific data matching exercises |
| FOI Act Requests | 10 | Providing responses Answering queries about audit work from councillors and the public |
| TOTAL | <hr/> 1,095 <hr/> | |

This page is intentionally left blank



**CITY OF YORK COUNCIL
COUNTER FRAUD PLAN**

2020/21



1. INTRODUCTION

- 1.1 This plan sets out the activities that the counter fraud service delivers for the City of York Council. The plan was originally scheduled to be presented to Audit and Governance committee for approval in April 2020. Following the cancellation of that meeting Veritau has been undertaking work in response to Covid-19 fraud related issues as well as other types of fraud occurring during this period.
- 1.2 A total of 1,060 days of counter fraud work has been agreed for 2020/21. A large proportion of this work will comprise reactive investigations which are determined by referrals received from officers and the public about suspected fraud. Other work will be undertaken in accordance with priorities determined by the Counter Fraud Risk Assessment and Counter Fraud Strategy Action Plan (presented to the Audit and Governance Committee in February).
- 1.3 The plan includes an allocation of time for work already undertaken in 2020/21, in response to Covid-19 issues. The counter fraud service is supporting the council with advice on emerging counter fraud threats as a result of the pandemic and with resources to support counter fraud checks around payment of grants to businesses.

2. 2020/21 COUNTER FRAUD PLAN

- 2.1 A summary of planned areas of work is set out in the table below.

| Area | Scope |
|-----------------------|--|
| Counter Fraud General | <p data-bbox="655 1346 1422 1641">Monitoring changes to regulations and guidance, review of counter fraud risks, and support to the council with maintenance of the counter fraud framework. This will include completion of the annual counter fraud risk assessment and review of the counter fraud policy and strategy.</p> <p data-bbox="655 1688 1433 1897">The counter fraud team has provided support to the council on counter fraud risks during its initial response to Covid-19, including preparation of updated fraud risk assessments to reflect current threats during the emergency.</p> |

| Area | Scope |
|---------------------------------|---|
| Proactive Work | <p>This includes:</p> <ul style="list-style-type: none"> • raising awareness of counter fraud issues and procedures for reporting suspected fraud - for example through training and provision of updates on fraud related issues • targeted proactive counter fraud work - for example through local and regional data matching exercises • support and advice on cases which may be appropriate for investigation and advice on appropriate measures to deter and prevent fraud. <p>The counter fraud team has been supporting the council in the first few months of 2020/21 by undertaking pre-payment counter fraud checks to help prevent and detect fraudulent applications for Covid-19 related grants to businesses. Further post payment assurance checks will also be undertaken.</p> |
| Reactive Investigations | <p>Investigation of suspected fraud affecting the council. This includes feedback on any changes needed to procedures to prevent fraud recurring.</p> <p>A number of potentially fraudulent applications for Covid-19 business grants have already come to light and further cases are expected – for example as a result of post payment assurance work. The team will continue to investigate cases and support the recovery of funds.</p> |
| National Fraud Initiative (NFI) | <p>Coordinating submission of data to the Cabinet Office for the NFI national fraud data matching programme and investigation of matches.</p> |
| Fraud Liaison | <p>Acting as a single point of contact for the Department for Work and Pensions, to provide data to support their housing benefit investigations.</p> |

This page is intentionally left blank



ANNUAL REPORT OF THE MONITORING OFFICER

1. Purpose/Summary

To receive a report of the Monitoring Officer since her appointment in December 2019, addressing the Council's governance and assurance frameworks. It is intended that this report shall support the Council's Annual Governance Statement. This report covers the period 2019-2020 but where necessary provides updating information from 1st April 2020, to the point of submission of the Annual Governance Statement in June 2020.

2. Information

The Council's Director of Governance & Monitoring Officer commenced in post on 16th December 2019. This is a newly created senior post and has strategic management of the following services:

- Legal Services;
- Information Governance and Customer Complaints;
- Democratic Services & Civic Office;
- Elections; and
- Internal Audit

Since her appointment, the Monitoring Officer has:

- Met with the Council's Head of Paid Service and s151 Officer;
- Met with the Head of Internal Audit and the Council's External Auditor, Mazars;
- Met with the Corporate Directors [Amanda, Sharon, Sharon, Neil];
- Been consulted on and contributed to the Council's current Code of Corporate Governance;
- Been consulted on and contributed to the Council's Annual Governance Statement for 2019/2020; and
- Undertaken a review of the Council's constitution and in doing so has attended a number of constitutionally prescribed

meetings so as to gain an initial insight as to the effectiveness of the Council's governance and assurance frameworks.

3. Role of the Monitoring Officer

The law requires the Council to designate one of its senior officers as the Monitoring Officer. The Monitoring Officer is a member of the Council's Corporate Management Team.

The Monitoring Officer:

- Maintains an up-to-date version of the Constitution and ensures that it is widely available for consultation by Councillors, Officers and the public;
- Ensures that the Council acts and operates within the law, advising on whether decisions of the Executive are lawful and in accordance with the Budget and Policy Framework;
- Is required to report to the full Council or to the Executive if she considers that any proposal, decision or omission would give rise to unlawfulness. Such a report would have the effect of stopping the proposal or decision being implemented until the report has been considered;
- Reports to the Audit & Governance Committee and Full Council where the Local Government and Social Care Ombudsman issues a Public Report in respect of maladministration or a failure to provide services or a failure in any services provided, under section 31 of the Local Government Act 1974;
- Helps to promote and maintain high standards of conduct by Council members, officers, partners and contractors;
- When required, processes complaints about alleged breaches of the code of conduct in accordance with the local arrangements and work with the Joint Standards Committee to deal with breaches and to achieve high standards; and
- Ensures that the register of councillors' disclosable pecuniary interests is being maintained and considers applications in relating to the granting of dispensations.

4. Other Proper Officer roles

In addition to the above strictly Monitoring Officer roles this Report also covers other roles related to the Council's wider governance that do not necessarily result from the statutory functions of the Monitoring Officer. In particular, the roles of:

- Senior Responsible Officer in respect of the Regulation of Investigatory Powers Act and reporting on Covert Surveillance;
- Senior Information Risk Owner (SIRO), with overall accountability and responsibility for information risk within the Council and shared risks with delivery partners and third party suppliers. This includes leading and fostering a culture that values, protects and uses information for the public good;
- Deputy Returning Officer for Elections; and
- Nominated Officer point of contact for the Council's Whistleblowing policy.

This Report covers all of these various responsibilities.

5. Statutory Monitoring Officer Reports

There were no occasions where the Monitoring Officer had reason to believe that there was a likelihood that the Council was about to take a decision that would be unlawful or give rise to maladministration. Consequently, no reports have been issued to the council under Section 5(2) of the Local Government and Housing Act (1989).

6. The Constitution

Prior to her appointment, the Council had made a commitment to undertake and had commenced a review of the Constitution; the Monitoring Officer was consulted as part of this review. The proposed amendments were considered by the Audit & Governance Committee on 5th February 2020 whose role is to act as the custodian of the Constitution ensuring it remains a robust, fit for purpose document. Unfortunately, due to the COVID-19 pandemic, it has not yet been possible for these amendments to be considered by Full Council.

The Monitoring Officer is of the opinion that the Constitution, as a fundamental governance framework for the Council, should remain under constant review to ensure it remains a robust toolkit which can deliver decision-making at pace and with certainty for the council. The COVID-19 pandemic has required urgent revisions of the constitution [detailed within this report] to be implemented by the Monitoring Officer. Whilst the Constitution is effective in its current form, it is proposed that a further review of the Constitution is undertaken to build upon the work considered by the Audit & Governance Committee and the changes required due to COVID-19.

The Joint Standards Committee acts as the custodian of the Council's ethical governance framework. It is accepted by this Committee that a

review of the Members Code of Conduct is needed so as to incorporate where possible the findings arising from the Committee for Standards in Public Life and is awaiting receipt of the LGA's Model Code of Conduct to contribute to the review which is needed. The Monitoring Officer is of the opinion that the Member Code of Conduct and the Procedure for dealing with Complaints about Councillors is in need of review to ensure it can remain fit for purpose and supports fairness and transparency for all concerned.

7. Role of Governance, Risk and Assurance Group

The Council has an established Governance, Risk and Assurance Group, known hereafter as GRAG. The Monitoring Officer has taken responsibility for GRAG and has refreshed the terms of reference and membership of this group. There are clear reporting lines to CMT and to the Audit & Governance Committee and GRAG takes an active role in the preparation of the Annual Governance Statement. All aspects of the Council's governance framework are able to be reviewed by this Group.

The Monitoring Officer is working closely with the Corporate Director of Children, Education & Communities and the Corporate Director of Health, Housing & Adult Social Care across a range of governance improvement initiatives to address longstanding and systemic failures. For example, failures in Children's Social Care were identified when the new management team came into post. The Monitoring Officer is satisfied that the Senior Management Team have commissioned a range of external reviews to support improvement planning and established a new governance structure in the form of an Improvement Board for social care and one for SEND. Both of these have external representation and challenge and were in place prior to the Ofsted Focused visit and SEND inspection.

8. Opinions received from the Council's external regulators

Ofsted

On 3rd June 2020, the Council submitted a Written Statement of Action in response to the Local Area Inspection of Special Educational Needs and/or Disabilities.

Local Government and Social Care Ombudsman (LGSCO)

In 2019-2020 there were 44 cases received by the LGSCO. Of these:

- 17 were considered outside of the LGSCO's jurisdiction or closed after initial enquiries
- 4 no fault was found by the LGSCO
- 13 are ongoing
- 10 cases of maladministration without a report, were found

There were no cases resulting in maladministration with a public report under section 31 of the Local Government Act 1974.

The LGSCO publishes decision notices on its website in anonymised form whether or not a finding is made against the Council as well as in its annual review letter to the council.

Housing Ombudsman (HO)

In 2019-2020 there were 4 cases received by the HO. Of these:

- 0 were considered outside of the HO's jurisdiction or closed after initial enquiries
- 1 no fault was found by the LGSCO
- 0 are ongoing
- 3 cases of maladministration without a report, were found

There were no cases resulting in maladministration with a public report.

Information Commissioner (ICO)

We are not made aware of every concern or complaint against the council made to the ICO, however in 2019-2020 there were 7 cases in regards to FOI and EIRs where the ICO produced and published a decision notice. Of these:

- 3 were upheld in favour of the complainant
- 1 was not upheld
- 3 were partially upheld in favour of the complainant

Senior Information Risk Owner

In 2019-2020 the below information security incidents were recorded and investigated by the council:

- 850 automatically detected and blocked requests to malicious websites

- 15,830,996 phishing/scam emails and attempts by customers to visit malicious website were automatically blocked by the council's CYC's corporate malware detection services
- 238 scam/phishing emails, which managed to evade the corporate malware detection services, were reported by customers to ICT for the Information Security team to investigate.
- 5 potentially high risk information security incidents involving council information or systems, which could have potentially led to a data loss were investigated by the council
- 11 mobile phone/handsets were reported as lost or stolen
- 1 laptop was reported as lost or stolen

There were 257 potential breaches of data protection recorded and investigated by the council. Of these:

- 161 were near misses or had no further action to be taken
- 7 are ongoing
- 86 resulted in actions being taken to improve processes or to reduce further risk of human error

3 of the reported potential breaches and information security incidents were subject to onward reporting to the Information Commissioners Officer (ICO).

9. Response to COVID -19

Responding to Coronavirus required the Council to completely transform the way the council operates, reprioritising support to those most in need and to facilitate the ongoing delivery of critical services. This also included how the Council operates its governance and decision-making frameworks.

To ensure that the Council was still able to respond effectively the following amendments to the Constitution were implemented by the Monitoring Officer. These have all been published on the Council's website.

Urgent Decision Making Guidance implemented on 23rd March 2020

In the absence of being able to hold face to face member meetings due to the implications of the national lockdown, decision-making transferred to the Interim Head of Paid Service in consultation with key statutory officers such as the s151 Officer, Director of Public Health

and the Monitoring Officer. Decisions made were and continue to be published on the Council's website.

Remote Meetings Guidance to amend the Council's Standing Orders in the Constitution implemented on 29th April 2020

Following the implementation of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, the Monitoring Officer amended the council's constitution to provide for remote member meetings. This amendment to the Standing Orders will remain in force until 7th May 2021, but remain under review in the meantime.

In response to these Regulations, the Council postponed its Annual Meeting on 21st May 2020, and all constitutional appointments remain in place.

Guidance for the delivery of Scrutiny issued on 19th May 2020

Recognizing that a vital aspect of the council's decision-making is the delivery of scrutiny, arrangements have been put in place to support meetings of the Customer and Corporate Services Scrutiny Management Committee [hereafter referred to as CCSSMC] which satisfies the requirements of the Local Government Act 2000 and Article 6 of the constitution]. The remaining scrutiny committees which form sub committees of the CCSSMC, will be supported informally. The delivery of scrutiny will remain under review.

10. Other Governance issues

Elections

The Council had conducted a number of national elections during this year and no petitions were received following the declaration of the respective results. The Monitoring Officer in her capacity as Deputy Returning Officer with Full Powers has liaised closely with the Electoral Commission in respect of delivery of the Elections, and has commenced plans for the delivery of the (now postponed) Police, Crime and Fire Commissioner election.

RIPA

Responsibility for overseeing the Council's activities under the Regulation of Investigatory Powers Act (RIPA) transferred from

Veritau to the Council's Monitoring Officer in March 2020. There were two RIPA applications authorised during this year. The Monitoring Officer acts as the Senior Responsible Officer and is supported by the Information Governance Manager. The Council's procedures have not been inspected by the Surveillance Camera Commissioner during this year.

Whistleblowing

The administration of the Whistleblowing Policy rests with the Head of Internal Audit who ensures that, where necessary, Audit & Governance Committee receive a report detailing the whistleblowing activity. The Council's Monitoring Officer acts as an Officer point of contact within the Council and liaises where necessary with the Head of Internal Audit.

Councillors' Code of Conduct

In 2019-2020 there have been a number of informal and formal complaints that councillors and parish councillors had allegedly breached the respective Codes of Conduct. The Joint Standards Committee has routinely received an update in respect of the progress of complaints received and has also held Sub-Committees to determine the outcome of some of the complex cases made.

The Council appoints Independent persons to assist it in determining any outcomes of an investigation.

Register of Councillors' disclosable pecuniary interests

All Councillors have made entries on their register of disclosable pecuniary interests. A number of councillors amended their entries during the year as their circumstances changed. This includes any declarations of gifts and hospitality received during the year.

Register of Officers' Interests

Managers continue to ensure that officers are aware of their obligations in respect of the Register of Officers' Interests. The register is maintained by the Monitoring Officer. This includes any declarations of gifts and hospitality received during the year.

11. Opinion of the Monitoring Officer

Based on her work to date, the Monitoring Officer is of the opinion that effective governance and assurance frameworks are currently in place but it is also acknowledged that action does need to be taken to ensure that the council's governance and ethical governance frameworks remain robust and fit for purpose.

Janie Berry
Director of Governance & Monitoring Officer
City of York Council

June 2020

This page is intentionally left blank



Audit & Governance Committee**15th July 2020**

Report of the Director of Customer & Corporate Services

Treasury Management Annual Report & Review of Prudential Indicators 2019/20**Summary**

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2019/20 approved by full Council on 28 February 2019.
2. Attached at Annex 1 is the draft Treasury Management Annual Report and Review of Prudential Indicators 2019/20, which provides an update on treasury management activity during the year.

Recommendation

3. Audit & Governance Committee note and scrutinise the Treasury Management Annual Report and Review of Prudential Indicators 2019/20 at Annex 1

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

Background

4. The report reviews the economic and market conditions and provides an update on the outturn position for the year, including details of new loans taken during the year.
5. The COVID-19 pandemic has not impacted on the 2019/20 outturn, and will only have a limited impact on treasury management due to the long term nature of investment counter parties. The situation will be kept under review and we will continue to keep members informed on any impact on the Council's borrowing and investments as the situation evolves.

Consultation

6. Not applicable

Options

7. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice “the Code”. No alternative options are available.

Council Plan

8. Treasury management is an integral part of the council’s finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council’s priority areas as set out in the council plan. It therefore underpins all of the council’s aims.

Implications

9. The implications are
 - Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
 - Human Resources - there are no human resource implications to this report.
 - One Planet Council / Equalities - there are no One Planet Council or equality implications to this report.
 - Legal - there are no legal implications to this report.
 - Crime and Disorder - there are no crime and disorder implications to this report.
 - Information Technology - there are no information technology implications to this report.
 - Property –there are no property implications to this report.
 - Other – there are no other implications to this report.

Risk Management

10. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local

Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

| | | | |
|--|-----------------|--|--|
| Contact Details | | | |
| Author: | | Chief Officer responsible for the report: | |
| Debbie Mitchell Head of Corporate Finance & Commercial Procurement | | Debbie Mitchell Head of Corporate Finance & Commercial Procurement | |
| | Report approved | <input checked="" type="checkbox"/> | Date 30/6/2020 |
| Specialist Implications Officer(s) None | | | |
| Wards Affected: <i>List wards or tick box to indicate all</i> | | | All <input checked="" type="checkbox"/> |

For further information please contact the author of this report
Background Working Papers
 None

Annexes

Annex One - Treasury Management Annual Report and Review of Prudential Indicators 2019/20
 Annex to above report – Prudential Indicators 2019/20

This page is intentionally left blank

Prudential Indicators 2019/20 Outturn

| | Prudential Indicator | | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|--|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1 | Capital expenditure To allow the authority to plan for capital financing as a result of the capital programme and enable the monitoring of capital budgets. | GF | £56.9m | £137.6m | £129.6m | £96.4m | £34.0m | £16.3m |
| | | HRA | £28.8m | £56.4m | £49.5m | £37.9m | £34.6m | £8.3m |
| | | PFI | £0.0m | £0.0m | £0.0m | £0.0m | £0.0m | £0.0m |
| | | <u>Total</u> | <u>£85.7m</u> | <u>£194.0m</u> | <u>£179.1m</u> | <u>£134.3m</u> | <u>£68.6m</u> | <u>£24.6m</u> |
| 2 | CFR as at 2019/20 outturn Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR. | GF | £225.1m | £303.4m | £318.0m | £326.5m | £318.7m | £309.5m |
| | | HRA | £146.4m | £146.4m | £146.4m | £146.4m | £146.4m | £146.4m |
| | | PFI / Lease | £46.3m | £45.2m | £48.0m | £46.8m | £45.7m | £44.7m |
| | | <u>Total</u> | <u>£417.8m</u> | <u>£495.0m</u> | <u>£512.4m</u> | <u>£519.7m</u> | <u>£510.8m</u> | <u>£500.6m</u> |
| 3 | Ratio of financing costs to net revenue stream An estimate of the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from rents. | GF | 10.89% | 14.06% | 20.40% | 21.74% | 23.01% | 24.10% |
| | | HRA | 11.95% | 11.63% | 11.32% | 11.01% | 10.70% | 10.43% |
| | | <u>Total</u> | <u>11.11%</u> | <u>13.56%</u> | <u>18.48%</u> | <u>19.42%</u> | <u>20.29%</u> | <u>21.02%</u> |
| 4 | External debt To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR. | Gross Debt | £302.8m | £389.7m | £414.5m | £440.6m | £452.3m | £462.2m |
| | | Invest | £13.9m | £10.0m | £10.0m | £10.0m | £10.0m | £10.0m |
| | | <u>Net Debt</u> | <u>£288.9m</u> | <u>£379.7m</u> | <u>£404.5m</u> | <u>£430.6m</u> | <u>£442.3m</u> | <u>£452.2m</u> |

| | Prudential Indicator | | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--------|--|--|--|--|--|--|--|--|
| 5 a | <p>Authorised limit for external debt</p> <p>The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities.</p> | Borrowing / Other long term liabilities | <p>£463.2m</p> <p>£30.0m</p> <hr/> <p>£493.2m</p> <p>(£493.2m Set at 19/20 Strategy)</p> | <p>£509.6m</p> <p>£30.0m</p> <hr/> <p>£539.6m</p> <p>(£539.6m set at 20/21 Strategy)</p> | <p>£524.4m</p> <p>£30.0m</p> <hr/> <p>£554.4m</p> <p>(Based on current CFR projection)</p> | <p>£529.7m</p> <p>£30.0m</p> <hr/> <p>£559.7m</p> <p>(Based on current CFR projection)</p> | <p>£520.9m</p> <p>£30.0m</p> <hr/> <p>£550.9m</p> <p>(Based on current CFR projection)</p> | <p>£510.6m</p> <p>£30.0m</p> <hr/> <p>£540.6m</p> <p>(Based on current CFR projection)</p> |
| 5 b | <p>Operational boundary for external debt</p> <p>The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.</p> | Borrowing / Short Term Liquidity Requirement | <p>£453.2m</p> <p>£10.0m</p> <hr/> <p>£463.2m</p> <p>(£463.2m set at 19/20 Strategy)</p> | <p>£499.6m</p> <p>£10.0m</p> <hr/> <p>£509.6m</p> <p>(£509.6m set at 20/21 Strategy)</p> | <p>£512.4m</p> <p>£10.0m</p> <hr/> <p>£524.4m</p> <p>(Based on current CFR projection)</p> | <p>£519.7m</p> <p>£10.0m</p> <hr/> <p>£529.7m</p> <p>(Based on current CFR projection)</p> | <p>£510.9m</p> <p>£10.0m</p> <hr/> <p>£520.9m</p> <p>(Based on current CFR projection)</p> | <p>£500.6m</p> <p>£10.0m</p> <hr/> <p>£510.6m</p> <p>(Based on current CFR projection)</p> |

| 6 | Maturity structure of fixed rate borrowing To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk. | Maturity profile of debt against approved limits | Maturity Profile | Debt (£) | Debt (%) | Approved Minimum Limit | Approved Maximum Limit | | |
|---|--|--|------------------|------------------|----------|------------------------|------------------------|------|---|
| | | | | Less than 1 yr | £15.0m | 6% | 0% | 30% | In line with the TMSS Lobo loans are shown as due at their next call date as this is the date the lender could require payment. |
| | | | | 1 to 2 yrs | £7.0m | 3% | 0% | 30% | |
| | | | | 2 to 5 yrs | £24.3m | 9% | 0% | 40% | |
| | | | | 5 to 10 yrs | £63.2 m | 25% | 0% | 40% | |
| | | | | 10 yrs and above | £147.0m | 57% | 30% | 90% | |
| | | | | Total | £256.5m | 100% | - | - | |
| 7 | Upper limit for total principal sums invested for over 364 days The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio. | | £15m | £15m | £15m | £15m | £15m | £15m | |

This page is intentionally left blank



Executive**23rd July 2020**

Report of the Head of Corporate Finance & Commercial Procurement
Portfolio of the Executive Member for Finance & Performance

**Treasury management annual report and review of prudential indicators
2019/20****Summary**

1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
2. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
3. This report also confirms that the Council has complied with the requirement under the Code to give prior scrutiny to treasury management reports by Audit & Governance Committee.

Recommendations

4. Executive is asked to:

Note the 2019/20 performance of treasury management activity and prudential indicators outlined in annex A.

Reason: to ensure the continued performance of the treasury management function can be monitored and to comply with statutory requirements.

Background and analysis

The Economy and Interest Rates

5. There has been significant market uncertainty since the end of March 2020 but the Bank of England (MPC) and UK Government have introduced unprecedented measures to protect the UK economy and financial markets. This includes a cut in UK Bank Rate to 0.10% and the approval of additional £200bn Quantitative Easing. The Chancellor has also implemented financial support packages for businesses and employees to mitigate some of the initial risks arising from the enforced Covid-19 lockdown during April and May 2020.
6. In the lead up to the end of the 2019/20 financial year, large parts of the UK economy were placed in enforced lockdown to deal with a global Covid-19 pandemic. These restrictions continued throughout April and May 2020 and the Government and Bank of England implemented financial packages to support the UK economy. Even with these measures, UK GDP is expected to fall by circa 14% in this calendar year and whilst there is expected to be a bounce back of circa 15% in GDP in 2021, there is still significant uncertainty in the future path of economic growth, unemployment, fiscal and monetary policy.
7. We will continue to keep members informed on the subsequent impact on the Council's borrowing and investments as the situation evolves.

Overall treasury position as at 31 March 2020

8. The Council's year end treasury debt and investment position for 2019/20 compared to 2018/19 is summarised in the table below:

| Debt | 31/03/2020 | Average Rate | 31/03/2019 | Average Rate |
|------------------------------------|------------|--------------|------------|--------------|
| | £m | % | £m | % |
| General Fund debt | 110.1 | 3.83 | 103.4 | 4.01 |
| Housing Revenue Account (HRA) debt | 146.4 | 3.31 | 139.0 | 3.31 |
| PFI | 46.3 | n/a | 47.4 | n/a |
| Total debt | 302.8 | 3.54 | 289.8 | 3.61 |
| Investments | | | | |
| Councils investment balance | 13.9 | 0.74 | 44.3 | 0.69 |

Table 1 summary of year end treasury position as at 31 March 2020

The Strategy for 2019/20

9. Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the Monetary Policy Committee would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.
10. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets.
11. Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

Borrowing requirement and debt

12. The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

| | 31 March 2020 Actual £m | 31 March 2020 Budget £m | 31 March 2019 Actual £m |
|------------------|-------------------------------|-------------------------------|-------------------------------|
| CFR General Fund | 225.1 | 269.3 | 214.4 |
| CFR HRA | 146.4 | 139.0 | 139.0 |
| PFI | 46.3 | 44.9 | 47.4 |
| Total CFR | 417.8 | 453.2 | 400.8 |

Table 2 capital financing requirement

Borrowing outturn for 2019/20

13. During 2019-20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

14. A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
15. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future. These spare cash balances have now been used and therefore we are starting to borrow again, as was outlined in the 2020/21 budget reports in February 2020.
16. Two new loans were taken during the year, both on 20th March 2020, one PWLB loan of £10m over 47years at 2.77% and one PWLB loan of £10m over 13 years at 2.67%.
17. No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Investment outturn for 2019/20

18. The Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 28th February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
19. The Council maintained an average investment balance of £48.699m in 2019/20 compared to £93.531m in 2018/19. The surplus funds earned an average rate of return of 0.74% in 2019/20 compared to 0.69% in 2018/19.
20. The comparable performance indicator for the Councils investment performance is the average London Inter Bank Bid Rate (LIBID) which represents the average interest rate at which major London banks borrow from other banks. Table 3 shows the rates for financial year 2019/20 and shows that for all cash holdings the rate of return exceeds the levels of the usual 7 day and 3 month benchmarks.

| Benchmark | Benchmark Return | Council Performance |
|-----------|------------------|---------------------|
| 7 day | 0.53 | 0.74 |

| | | |
|---------|------|------|
| 3 month | 0.63 | 0.74 |
|---------|------|------|

Table 3 – LIBID vs. CYC comparison

21. This compares with a budget assumption of an average investment balance of £21,791m at an average 1.00% investment return.

Consultation

22. The report has been reviewed and scrutinised by Audit and Governance Committee on 15th July 2020.

Options

23. Not applicable.

Council Plan

24. Effective treasury management ensures the Council has sufficient liquidity to operate, safeguards investments, maximises return on those investments and minimises the cost of debt. This allows more resources to be allocated for delivering the Council's priorities as set out in the Council Plan.

Implications

25. This report has the following implications:
- **Financial** are contained throughout the main body of the report.
 - **Human Resources (HR)** There are no HR implications.
 - **One Planet Council / Equalities** There are no One Planet Council or equalities implications.
 - **Legal** Treasury management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice.
 - **Crime and Disorder** There are no crime and disorder implications.
 - **Information Technology (IT)** There are no IT implications.
 - **Property** There are no property implications.
 - **Other** There are no other implications.

Risk Management

26. The treasury function is a high-risk area due to the large value transactions that take place. As a result, there are strict procedures set out as part of the treasury management practices statement. The scrutiny of this and

other monitoring reports is carried out by Audit and Governance Committee as part of the Council's system of internal control.

Contact Details

| | | | |
|---|--|--|--|
| Authors: | Chief Officer Responsible for the report: | | |
| Debbie Mitchell Head of Corporate Finance Commercial Procurement Tel No (01904) 554161 | Debbie Mitchell Head of Corporate Finance Commercial Procurement | | |
| | Report Approved | | Date |
| Wards Affected: List wards or tick box to indicate all | | | All <input checked="" type="checkbox"/> |
| For further information please contact the author of the report | | | |

Background Papers:

None

Annexes:

Annex A: Prudential Indicators 2019/20

List of Abbreviations Used in this Report

CIPFA - Chartered Institute of Public Finance & Accountancy
 MRP - Minimum Revenue Provision
 CFR - Capital Financing Requirement
 MPC - Monetary Policy Committee
 PWLB - Public Works Loan Board
 CLG – (Department for) Communities and Local Government
 LIBID – The London Interbank Bid Rate



Audit & Governance**15 July 2020**

Report of the Head of Corporate Finance and Procurement (Interim S151 Officer)

Statement of Accounts 2019/20**Summary**

1. The purpose of this report is to present for information the draft 2019/20 Statement of Accounts before they are audited.

Recommendation

2. Audit & Governance Committee note the draft pre-audit statement of accounts, including the Annual Governance Statement, for the financial year ended 31 March 2020.

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

Background

3. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the statutory deadlines to prepare draft Accounts by 31st May to 31st August, and approve final audited accounts from 31st July to 30th November. Since March the Finance team have been working to support the response efforts to Covid-19, however are pleased to report that the draft Accounts were ready for audit and inspection 2 months ahead of the revised deadline.
4. The Council has to prepare an annual Statement of Accounts and present them to Audit & Governance Committee. Members are not being asked, at this stage, to approve these draft pre-audit accounts. The Chief Financial Officer has already signed the draft accounts ahead of the amended statutory deadline of 31st August and the audited accounts will be brought back to this Committee in September for approval on behalf of the Council.

5. Following the authorisation of the Chief Finance officer on 30th June the accounts have been available for public inspection since 1st July and will continue to be available for 30 working days. During this period local government electors for the area may also exercise their rights to question the auditor about the accounts. Mazars are the Council's external auditors and they expect to issue a report and opinion by the end of September.
6. The pre-audit Statement of Accounts 2019/20 has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK and is produced in line with International Financial Reporting Standards (IFRS) which are the accounting standards used across the world making Local Authorities' Accounts more comparable with the private sector and worldwide.
7. The first section of the accounts (the Narrative Report) explains the main information included in the accounts, gives an overview of the Council 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.
8. The impact of Covid-19 and the subsequent lockdown on 23rd March is discussed in detail in section 10 in the narrative report, however to summarise, given the lockdown measures were introduced in the last week of the financial year, the impact on the 2019/20 Statement of Accounts is not considered to be material. We expect any impact to be reflected in the 2020/21 Statement of Account and will highlight these areas to the Committee in next year's Accounts.
9. These accounts also include the Annual Governance Statement for review by the committee. The Local Code of Corporate Governance has been reviewed as part of the preparation of the Annual Governance Statement and a revised version of the Code, including tracked changes, is attached for information.

Options

10. As this is a statutory requirement, no options are presented as part of this report.

Corporate Priorities

11. The Statement of Accounts 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. It is a statutory requirement that the accounts are approved by the Audit & Governance Committee after the audit but 30th November 2020.

Implications

12. The implications are
 - Financial – The Statement of Accounts show that for 2019/20 there is a provisional under spend of £128k. The full details of the outturn position will be reported to Executive on 23rd July.
 - Human Resources - there are no human resource implications to this report
 - Equalities - there are no equality implications to this report
 - Legal - there are no legal implications to this report
 - Crime and Disorder - there are no crime and disorder implications to this report
 - Information Technology - there are no information technology implications to this report
 - Property - there are no property implications to this report
 - Other - there are no other implications to this report

Risk Management

13. Areas of risk identified throughout the final accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met.

Conclusion

14. The production and publication of the statement of accounts is a statutory requirement that provides members and interested parties with the chance to see the full financial position of the Council.
15. Bringing the statement of accounts to audit & governance provides an opportunity for Member led debate and compliance with defined best practice. It is an important part of member involvement in corporate governance that scrutiny is undertaken of the Council's accounts.

Contact Details

Author:

Emma Audrain
Technical Accountant
Emma.audrain@york.gov.uk

Chief Officer responsible for the report:

Debbie Mitchell
Corporate Finance & Procurement
Manager (Interim S151 officer)
debbie.mitchell@york.gov.uk

Report approved: 30/6/20

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all* **All**

For further information please contact the author of this report

Annexes

- A – Explanation of core statements
- B – Draft Statement of Accounts 2019/20 (including the Annual Governance Statement)
- C – Updated Local Code of Corporate Governance

Abbreviations:

IFRS – International Financial Reporting Standards
CIPFA – Chartered Institute of Public Finance and Accountancy
IAS - International Accounting Standard

A brief explanation on the constituent parts of the Annual Financial Report

Narrative Report

1. This is designed to help give readers an understanding of the accounts. It sets out a description of all the individual sections, gives an overview of the revenue and capital position in the year, identifies the position on the Council's borrowing powers and reserves and future issues that may influence how the Council is run. It also provides the opportunity to explain any changes in accounting policies that have been used in the preparation of the Accounts.

Auditors' Report

2. This is the auditor's certificate on the accuracy or otherwise of the authority's accounts and is issued at the end of the audit process. This will be inserted into the Statement of Accounts for approval by Members of Audit & Governance Committee at the end of September.

Annual Governance Statement

3. The 2007 guidance also introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a Statement of Internal Control (SIC) for 2007/08, and future accounting years. In preparing the AGS, the Council must address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

Statement of Responsibilities

4. This is a simple statement that sets out the different legal responsibilities of the Council and the 'Section 151 Officer' / Chief Finance Officer). It is where the certificate has to be signed by the CFO to authorise the draft pre-audit Statement of Accounts to state that the accounts represent fairly the position of the Council.

Statement of Accounting Policies

5. This statement sets out all the policies that have been followed in preparing the accounts. It is also intended to demonstrate where, if at all, the policies followed by Council differ from either the best practice or the CIPFA guidelines.

Comprehensive Income and Expenditure Statement

6. The Income and Expenditure Statement shows the net cost of all the functions for which the Council is responsible. It compares the cost of service provision with the income raised by fees and charges, from specific Central Government grants and from the Collection Fund. The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure, where income and expenditure are measured using essentially the same accounting conventions that a large (but unlisted) company would use in preparing its audited annual financial statements.

7. This statement also attempts to analyse changes in the council's asset base due to:
 - Surplus or deficits on income and expenditure
 - The revaluation of the council's fixed assets
 - Changes in pension liabilities due to actuarial revaluationIn many instances these revaluations impact primarily on the council's balance sheet.

Movement in Reserves Statement

8. This account reconciles the amounts that must be taken into account when determining the Council Tax of the Council in accordance with statute and non-statutory proper practices and the sums included in the Income and Expenditure Account.

Balance Sheet

9. The balance sheet shows the overall financial position of the Council with external bodies by bringing together the year-end balances of all the Council's accounts. It shows the balances and reserves at the Council's disposal, the long-term indebtedness, the net current assets and summary information on the fixed assets held.

Cash Flow Statement

10. This statement provides a link between the Balance Sheet at the beginning of the year, the revenue accounts for the year and the Balance Sheet at the end of the year. It summarises on a subjective basis the expenditure and income of the Council for revenue and capital purposes.

Housing Revenue Account Income and Expenditure

11. This account summarises the income and expenditure of providing Council houses. There is a statutory requirement to keep this account separate from other Council activities.

Statement of Movement on the Housing Revenue Account Balance

12. 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

13. This fund shows the transactions of the Council acting as Charging Authority in relation to Council Tax, Community Charge and Non-Domestic Rating in aid of local services and shows how much has been distributed to the Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority and parish councils.

This page is intentionally left blank



Statement of Accounts

2019/20

DRAFT

BLANK

NARRATIVE REPORT

STATEMENT OF ACCOUNTS

| Contents | Page |
|--|------|
| NOTES INDEX..... | ii |
| NARRATIVE REPORT..... | v |
| INDEPENDENT AUDITOR'S REPORT..... | 2 |
| STATEMENT OF ACCOUNTS | 3 |
| STATEMENT OF RESPONSIBILITIES | 4 |
| CORE FINANCIAL STATEMENTS..... | 6 |
| Comprehensive Income and Expenditure Statement | 7 |
| Movement in Reserves Statement | 8 |
| Balance Sheet | 11 |
| Cash flow Statement..... | 12 |
| NOTES TO THE CORE FINANCIAL STATEMENTS..... | 13 |
| SUPPLEMENTARY STATEMENTS..... | 107 |
| HOUSING REVENUE ACCOUNT..... | 108 |
| COLLECTION FUND | 120 |
| ANNUAL GOVERNANCE STATEMENT | 125 |
| GLOSSARY..... | 140 |

NARRATIVE REPORT

NOTES INDEX

| | |
|--|----|
| NOTES INDEX..... | ii |
| NARRATIVE REPORT..... | v |
| STATEMENT OF ACCOUNTS | 3 |
| STATEMENT OF RESPONSIBILITIES | 4 |
| CORE FINANCIAL STATEMENTS..... | 6 |
| Comprehensive Income and Expenditure Statement | 7 |
| Movement in Reserves Statement | 8 |
| Balance Sheet | 11 |
| Cash flow Statement..... | 12 |
| NOTES TO THE CORE FINANCIAL STATEMENTS..... | 13 |
| 1. ACCOUNTING POLICIES..... | 14 |
| 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED | 33 |
| 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES | 33 |
| 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY | 34 |
| 5. MATERIAL ITEMS OF INCOME AND EXPENSE | 35 |
| 6. EVENTS AFTER THE REPORTING PERIOD | 35 |
| 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS | 36 |
| 8. TRANSFERS TO/FROM EARMARKED RESERVES..... | 40 |
| 9. OTHER OPERATING EXPENDITURE | 42 |
| 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE | 42 |
| 11. TAXATION AND NON SPECIFIC GRANT INCOME | 42 |
| 12. PROPERTY, PLANT AND EQUIPMENT | 43 |
| 13. HERITAGE ASSETS..... | 46 |
| 14. INVESTMENT PROPERTY..... | 48 |
| 15. INTANGIBLE ASSETS..... | 49 |
| 16. FINANCIAL INSTRUMENTS..... | 51 |
| 17. INVENTORIES..... | 58 |
| 18. TRUST FUNDS..... | 59 |

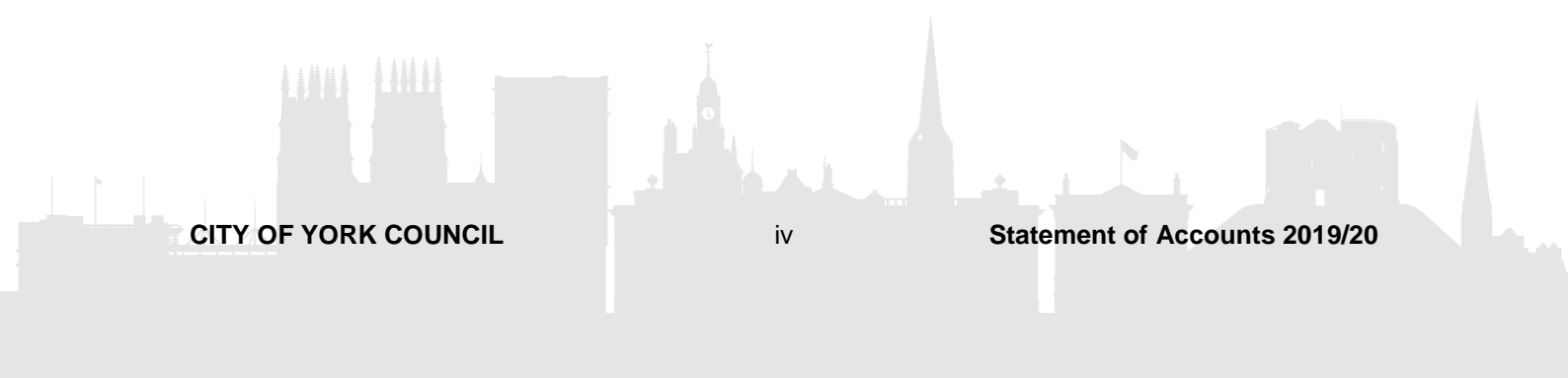
NARRATIVE REPORT

| | |
|---|----|
| 19. DEBTORS..... | 59 |
| 20. LONG TERM DEBTORS..... | 60 |
| 21. CASH AND CASH EQUIVALENTS..... | 60 |
| 22. ASSETS HELD FOR SALE..... | 60 |
| 23. CREDITORS..... | 61 |
| 24. PROVISIONS..... | 61 |
| 25. USABLE RESERVES..... | 62 |
| 26. UNUSABLE RESERVES..... | 62 |
| 27. CASH FLOW STATEMENT – OPERATING ACTIVITIES..... | 68 |
| 28. CASH FLOW STATEMENT – INVESTING ACTIVITIES..... | 69 |
| 29. CASH FLOW STATEMENT - FINANCING ACTIVITIES..... | 69 |
| 30. EXPENDITURE AND INCOME ANALYSED BY NATURE..... | 71 |
| 31. ACQUIRED AND DISCONTINUED OPERATIONS..... | 71 |
| 32. TRADING OPERATIONS..... | 71 |
| 33. AGENCY SERVICES..... | 72 |
| 34. ROAD CHARGING SCHEMES..... | 72 |
| 35. POOLED BUDGETS..... | 72 |
| 36. MEMBERS ALLOWANCES..... | 73 |
| 37. OFFICERS' REMUNERATION..... | 74 |
| 38. EXTERNAL AUDIT COSTS..... | 78 |
| 39. DEDICATED SCHOOLS GRANT..... | 78 |
| 40. GRANT INCOME..... | 79 |
| 41. RELATED PARTIES..... | 81 |
| 42. CAPITAL EXPENDITURE AND FINANCING..... | 85 |
| 43. LEASES..... | 86 |
| 44. PFI AND SIMILAR CONTRACTS..... | 88 |
| 45. IMPAIRMENT LOSSES..... | 90 |
| 46. CAPITALISATION OF BORROWING COSTS..... | 90 |

NARRATIVE REPORT

| | |
|--|-----|
| 47. TERMINATION BENEFITS | 90 |
| 48. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES | 90 |
| 49. DEFINED BENEFIT PENSION SCHEMES | 91 |
| 50. CONTINGENT LIABILITIES | 96 |
| 51. CONTINGENT ASSETS | 96 |
| 52. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS..... | 96 |
| 53. EXPENDITURE AND FUNDING ANALYSIS (EFA)..... | 104 |
| SUPPLEMENTARY STATEMENTS | 107 |
| HOUSING REVENUE ACCOUNT..... | 108 |
| COLLECTION FUND | 120 |
| ANNUAL GOVERNANCE STATEMENT | 125 |
| GLOSSARY..... | 140 |

DRAFT



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

These accounts set out the financial results of the City of York Council activities for the year ending 31st March 2020. They are prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) which requires that the accounts show a true and fair view of the financial position of the Council. Suitable accounting policies have been adopted and applied consistently. Where necessary judgements and estimates have been made which comply with the Code.

This narrative report explains the main information included in the accounts, gives an overview of the Council as at 31st March 2020 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.

In the final week of the financial year the COVID-19 pandemic resulted in a significant change to the way we work and live. The financial impact of COVID-19 on 2019/20 has been limited and therefore it has not significantly changed the outturn. It does, however, have a significant effect on all areas of the council going forward and is considered further in section 10 of this narrative report

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.

NARRATIVE REPORT

Notes and Accounting Policies

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

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

Expenditure and Funding Analysis (EFA)

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

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

Housing Revenue Account Income and Expenditure Statement

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

Movement on the Housing Revenue Account Statement

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

Collection Fund

This fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to the Council, the Police and Crime Commissioner for North Yorkshire, North Yorkshire Fire and Rescue Authority, parish councils and central government of council tax and national non-domestic rates.

Annual Governance Statement (AGS)

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

Glossary

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

NARRATIVE REPORT

2. ABOUT THE COUNCIL

The policies of the Council are directed by the political leadership and implemented by the Corporate Management Team and officers of the Council. There are 47 Councillors who are elected every four years by local residents on a ward by ward basis. The May 2019 elections resulted in a new administration when the Liberal Democrats and the Green Party formed a partnership to lead the council and councillors from both parties sit on the ruling Executive.

Our Council Plan 2019 – 2023 sets out our priorities over the coming years and details what steps we'll take to ensure York continues to make history and build communities. We've focused our plan on eight key outcomes (seven of which will improve the quality of life for all residents, and one will enhance the way we work):

- good health and wellbeing
- well paid jobs and an inclusive economy
- getting around sustainably
- a better start for children and young people
- a greener and cleaner city
- creating homes and world-class infrastructure
- safe communities and culture for all
- an open and effective council

It's really important that we have capable, confident people, working positively for York. Therefore we all share a set of values, to help guide what we do and how we engage with our communities, our residents and each other. Our three values are:

- We work together
- We improve
- We make a difference

The people plan for 2016-2020 sets out the high level plan, to ensure we will have the right workforce in place to achieve the objectives set out in the Council Plan. The plan focuses on five key areas:

- Performance and Change
- Resourcing
- Pay Reward & Recognition
- Skills and Behaviours Development
- Wellbeing & Engagement

NARRATIVE REPORT

3. REVIEW OF THE FINANCIAL POSITION

Funding Context and Financial Planning

At the start of 2019/20 York had the 9th lowest band D council tax, the 4th lowest spend per head of population and the 4th lowest government funding per head of any unitary council in England. All aspects of the public sector were already facing 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 added pressure of additional expenditure and loss of income from fees and charges due to the COVID-19 pandemic adds to an already difficult financial position for local government as a whole.

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

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

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

In shaping the budget all the issues are carefully considered to ensure a budget that is both prudent and protects vulnerable people. Ensuring that there is the capacity to invest is a critical part of the budget deliberations. In relation to council tax, the 2020/21 budget includes a council tax increase in of 1.99%, plus an additional increase of 2% 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. As outlined elsewhere in this report, the impact of the pandemic will be significant and the strategy will be refreshed to reflect this changing context.

Revenue Outturn 2019/20

The Council's General Fund budget for its own net expenditure was set at £123m. To this sum the parish precepts added a further £0.8m. Band D Council Tax, including both Police and Fire Authority precepts, was set at £1,657.29. This was a 4.2% 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 £128k. 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.

NARRATIVE REPORT

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. A review of earmarked reserves was carried out in March and this identified some £1.4m that could be released to support the position. Full details on the individual service areas position for 2019/20 will be reported to Executive in July 2020.

The overall outturn position for the Council is shown below;

| Directorate | 2019/20 Net Budget | 2019/20 Net expenditure | Variation |
|-------------------------------------|-----------------------|----------------------------|-------------|
| | £'000 | £'000 | £'000 |
| Children, Education & Communities | 25,252 | 26,812 | +1,560 |
| Economy & Place | 18,956 | 18,605 | -351 |
| Customer & Corporate Services | 20,261 | 19,589 | -672 |
| Health, Housing & Adult Social Care | 49,981 | 53,593 | +3,612 |
| Central budgets | 8,922 | 6,567 | -2,355 |
| Contingency | | -500 | -500 |
| Review of Reserves | | -1,422 | -1,422 |
| TOTAL | 123,372 | 123,244 | -128 |

Reserves

At the end of the financial year 2019/20 the useable reserves stood at £118m, compared to £138m at the end of 2018/19. This decrease is primarily due to the use of reserves as outlined above and the use of the DSG to support education expenditure. The table below summarises the position on useable reserves

| | Opening Balance | Net movement in year | Closing Balance at 31.3.20 |
|--|--------------------|----------------------------|----------------------------------|
| | £'000 | £'000 | £'000 |
| General Fund balance | 10,115 | -272 | 9,843 |
| Earmarked General Fund Reserves | 35,475 | -13,650 | 21,825 |
| Housing Revenue Account | 24,497 | +1,903 | 26,400 |
| Earmarked Housing Revenue Account Reserves | 17,310 | -4,551 | 12,759 |
| Major Repairs Reserve | 4,346 | +374 | 4,720 |
| Capital Receipts Reserve | 18,858 | -3,437 | 15,421 |
| Capital Grants Unapplied | 27,297 | -469 | 26,828 |
| Total | 137,898 | -20,102 | 117,796 |

The Council takes a risk based approach to the management of useable reserves and as part of setting the annual budget, the s151 Officer undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve, and this was incorporated into the Council budget reports. For 2019/20, it was determined 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 £7.5m.

NARRATIVE REPORT

The General Fund reserve balance of £9.8m in the table above also includes individual school balances of £2.2m. These earmarked reserves are not for Council use and the level of reserve, in accordance with the Code, forms part of the Movement in Reserves Statement. In compliance with the Education Reform Act 1988, individual school balances will be carried forward into 2020/21. The slight reduction in the general fund balance from £10.1m to £9.8m is due to the use of these balances by schools.

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

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

Risks and opportunities

The financial impact of the COVID-19 pandemic is significant and likely to last for a number of years. Central Government funding of £10.4m has been received to support the financial pressures being faced by councils, but this is unlikely to be sufficient. The latest estimate of the financial impact on this council identified a potential budget gap of some £24m, although this is an indicative estimate and the true scale of the financial impact very much depends how quickly the local economy recovers. It is likely that the full impact will not be felt for some months to come. This is the single largest risk facing the council but, at the time of writing, there are still many unknowns. An initial review of the budget has been undertaken and further work is ongoing to review capital expenditure and funding assumptions. The Medium Term Financial Strategy will also be reviewed to ensure a clear plan is in place for the budget in 2021/22 and beyond.

Through the 2020/21 budget setting process the council continues to support economic growth, recognising the significant financial benefits in the form of retained business rates, and creation of jobs. Ensuring that there is a strong link between the capital and revenue budgets to support the delivery of council priorities is essential. The Capital Strategy sets out significant capital investment, and details regarding some of the major capital schemes that will impact on the economy of the city.

At a time of significant reductions in grants and rising demand it is absolutely essential to set a prudent, stable and achievable budget. Many councils across the country are now experiencing very severe financial challenges. Whilst the challenges for this council are significant, through sound financial planning, and in year management, the council retains strong financial health. In response to a shift in demand led expenditure pressures and reductions in grant funding, the council is taking steps to enable itself, residents and communities to work together as equal partners to meet their future needs and priorities.

The financial impact of Brexit is as yet uncertain but it could potentially impact on interest and inflation rates, property and rental values as well as the local business economy.

In terms of investment, the council spends a significant amount of its budget on protecting vulnerable people through its social care services. In 2019/20 the net cost of adult social care was £54.9m, 44% of the council's net budget.

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

NARRATIVE REPORT

The budget process adopted a risk based approach, and in particular prioritises statutory services to vulnerable adults and children, and key frontline services. Whilst all areas are asked to consider the long term implications of up to a 30% reduction in their net spend over a 4 year period, assessment of options, risks, and links with priorities took place in formulating the final proposals.

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

Key performance indicators

The Executive for the Council Plan (2019-23) agreed a core set of indicators to help monitor the council priorities and these provide the structure for performance updates in this report. The indicators have been grouped around the eight outcome areas included in the Council Plan

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

4. HOUSING REVENUE ACCOUNT (HRA)

In April 2012 the Localism Act introduced a significant change to the way that council housing is financed by 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.

In 2015 the Government announced a reduction in social housing rents by 1% per year for a period of four years with 2019/20 being the last year, as such the HRA has made significant efficiencies in order to mitigate the reduction in income without reducing the HRA balance below prudent and sustainable levels.

Throughout 2019/20 an additional £2m was invested to improve the housing stock condition and make the properties more energy efficient, this additional funding resulted in a deficit HRA budget of £489k for 2019/20. The year ended with a surplus of £1,903k, £2,392k above the agreed budget. The majority of the underspend, £2,040k, related to delays in the capital schemes funded from revenue, other significant variances were an overspend of £219k on repairs and maintenance, savings of £384k on general management, reduced income from rents of £184k and a savings of £207k from lower than budgeted contribution to the bad debt provision.

5. BUSINESS RATES AND COUNCIL TAX

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

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.

NARRATIVE REPORT

The Council is a member of the North and West Yorkshire 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 2019 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 fourteen authorities. The pool is led by a Joint Committee made up of the leaders from nine authorities and is administered by Leeds City Council. The Joint Committee is responsible for making decisions about the use of pool receipts.

The North and West Yorkshire pool was successful in an application to be a 75% business rates pilot from 2019/20. This opportunity builds on many years of successful regional collaboration, providing members and partners with the opportunity to further develop existing relationships and processes to help in the move towards powers, resources and decision-making being undertaken at the optimum level to deliver a growing, inclusive economy. This scheme, along with national changes to business rates in future years will see an increase in the amount of growth in business rates retained by the council and the council will also benefit from one off gains. As the 75% pilot is for only for one year, these gains cannot be assumed as ongoing.

In 2020/21, the Council remains a member of the North and West Yorkshire business rates pool. In this scheme the pool retain 50% of retained business rates.

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 2020. 97.6% of the total sum collectable for 2019/20 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 97.8% of the 2019/20 bills..

6. CAPITAL EXPENDITURE

Capital expenditure for the year totalled £85.707m (2018/19 £77.402m). 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 2019/20 and how it was funded is shown below:

| | 2019/20 Outturn £m |
|--|-----------------------------------|
| Capital Expenditure | |
| Children, Education & Communities | 7.081 |
| Health, Housing & Adult Social Care – Adult Social Care | 4.606 |
| Health, Housing & Adult Social Care – Housing & Community Safety | 30.652 |
| Economy & Place – Transport, Highways & Environment | 18.652 |
| Economy & Place – Regeneration & Asset Management | 11.707 |
| Community Stadium | 8.285 |
| Corporate Schemes | 0.844 |
| IT Development Plan | 3.880 |
| Total expenditure | 85.707 |
| Funding | |
| Prudential Borrowing | 27.293 |
| HRA & RTB Receipts | 10.353 |

NARRATIVE REPORT

| | |
|--------------------------------|---------------|
| Capital Receipts | 1.421 |
| Grants and other contributions | 32.503 |
| Earmarked Reserves | 14.137 |
| Total Funding | 85.707 |

Over a 5 year programme investment of some £560m is planned in a wide range of projects. Significant sums have been set aside in the Venture Fund to assist with the delivery of a number of major projects where there are some short term cash flow issues. This makes adequate provision to ensure these projects do not impact on the revenue budget and that they can be progressed to completion. Some of the major projects are outlined in the following paragraphs.

Progress continues with the development of York Central, a large brownfield site to the west of the city's railway station. This development presents a unique opportunity for housing and economic growth in the centre of York. It lies between the A19 and A59 road corridors, and is contained by operational rail lines. The area contains existing buildings which will be retained which include the National Railway Museum, private housing and businesses. The rest of the site is largely underused, having historically been occupied by the rail industry. A collaborative development partnership which includes the Council, Network Rail, the National Railway Museum and Homes England is progressing investment and delivery for the site. The site has been designated a Housing Zone as well as an Enterprise Zone and public investment is planned to deliver key infrastructure with a view to de-risk and accelerate this project. The outline planning application was approved by Planning Committee in March 2019. Following an announcement by the Government in the Budget in March 2020 the council has been awarded funding of £77m from MHCLG and the council currently awaits the detailed conditions of the funding. This should allow a funding package to be finalised along with West Yorkshire Transport Funding and CYC funding and allow the first stage of infrastructure to be commenced including the construction of a new bridge over the East Coast Main Line and new road into the York Central site.

The programme also includes significant investment in the York Station Frontage scheme. This scheme will result in the removal of Queen Street bridge to enable the reorganisation of the highway and relocation of bus stops, removal of "Parcel Square" to enable the relocation of taxis away from the station portico, relocation of short stay parking and provision of new public realm at Tea Room square. The council currently has identified £11m funding from West Yorkshire Transport Fund and a further sum of £14.5m from the Transforming Cities fund.

Following the approval of the New Home Building Programme of £153.9m in January 2019 the first site at Lowfield Green is currently under construction and the first properties will be completed and occupied in 2020/21. Planning applications for the next sites at Burnholme, Duncombe Barracks and Hospital Fields Road are due to be submitted in the first half of 2020/21 and construction due to commence in 2021/22.

The York Stadium Leisure Complex project, or York Community Stadium, is a council-led scheme to deliver a new football and rugby stadium for professional and community sport and leisure facilities for the city of York and will provide a unique combination of sporting, health and educational facilities. Construction is primarily complete and the site will include an 8,000 all seater stadium to be shared by York City Football Club and York City Knights Rugby League Club and new community leisure facilities. These are expected to open later in 2020/21.

Construction to refurbish and redevelop the Guildhall commenced in 2019/20 and the scheme is due to be completed in 2021/22. This £20m scheme will provide safeguard this historic city asset and provide a Business Hub and restaurant with river views.

NARRATIVE REPORT

In October 2019 the Department for Transport (DfT) announced that a £26m funding package for dualling a section of the A1237 from the A19 to A64 Malton Rd had been approved. In February 2020 the council agreed to amalgamate the delivery of the scheme alongside the West Yorkshire Transport Fund scheme of roundabout improvements. The combined schemes total £72m to be delivered over the 5 year programme.

The delivery strategy for the Castle Gateway scheme was approved in January 2020 which includes a new coach and multi-storey car park at St George's Field, junction improvements on Fishergate gyratory and a new apartment building on the former car park site at Castle Mills. Further work includes replacing Castle Car Park with a new public space and events area, opening up the rear of the Castle Museum with a new pedestrian bridge over the Foss and new commercial and apartment developments on the rear of the Coppergate Centre and on Piccadilly.

The Covid 19 outbreak has impacted the financial assumptions around a number of the major projects and going forward these will be reviewed prior to further Executive report decision points

7. TREASURY MANAGEMENT

The Council's year end treasury debt position for 2019/20 compared to 2018/19 is summarised in the table below:

| Debt | 31/03/2020 £000 | 31/03/2019 £000 |
|--|----------------------------|----------------------------|
| Balance brought forward | 245,432 | 260,083 |
| Reversal of previous years carrying value | (2,967) | (3,024) |
| Add new loans taken | 20,000 | 406 |
| Less loans matured in year | (6,000) | (15,000) |
| Total debt as per Treasury Management Outturn Report | 256,465 | 242,465 |
| In year carrying value adjustment | 1,018 | 2,967 |
| Total Debt at 31 st March | 257,483 | 245,432 |

Two new PWLB loans were taken during the year totalling £20m; £10m at 2.67% interest with a fixed repayment date of 20/09/2033 and £10m at 2.77% interest with a fixed repayment date of 20/09/2067. Two PWLB loans totalling £6m were repaid during the year.

The Council maintained an average investment balance of £48.699m in 2019/20 compared to £93.531m in 2018/19. The surplus funds earned an average rate of return of 0.74% in 2019/20 compared to 0.69% in 2018/19. These balances are 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 2020.

Looking ahead, there has been significant market uncertainty since the end of March 2020 but the Bank of England (MPC) and UK Government have introduced unprecedented measures to protect the UK economy and financial markets. This includes a cut in UK Bank Rate to 0.10% and the approval of additional £200bn Quantitative Easing. The Chancellor has also implemented financial support packages for businesses and employees to mitigate some of the initial risks arising from the enforced Covid-19 lockdown during April and May 2020. Therefore the continued economic uncertainty is forecast to continue.

NARRATIVE REPORT

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 31st March 2019. 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 31st March 2020.

The Council's overall pension liability is £142.400m (an increase from £139.864m in 2018/19). The Fair Value of assets has remained relatively constant with the increase being primarily due to an increase in the present value of funded defined benefit obligation. Further details can be found in the pensions note 49.

9. NON CURRENT ASSETS

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

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

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

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

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

The 2019/20 balance sheet value of the council's non current assets (including current assets held for sale) is £1,202.945m. This has increased by £147.149m from the 2018/19 value of £1,055.796m.

Capital enhancements to the value of £78.971m were made to these assets during 2019/20 and Assets to the value of £13.028m were disposed of during the year. The disposals figure includes £5.070m in relation to 6 schools which converted to Academies during 2019/20 and are therefore accordingly removed from the council's balance sheet.

Non current assets were depreciated by £22.345m during 2019/20. This figure includes amortisation of intangible assets.

NARRATIVE REPORT

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 2019/20 this programme included Park & Ride sites, libraries, Day & Training Centres, and Travellers Sites. Investment Properties over £0.5m were also valued as these are valued annually.

The council's housing stock normally has a full revaluation every 5 years, and desktop revaluations are undertaken on the interim years. The five yearly full revaluation was last undertaken in 2015/16, however an additional full revaluation was undertaken in 2017/18. This was to ensure accurate valuations due to changes in the housing market causing large increases in some housing areas. In 2019/20, a desktop revaluation was undertaken. The value of the council's housing stock increased by £21.155m as a result of the desktop revaluation this year.

The HRA has increased the type of housing offered with the Shared Ownership Programme. In total, 31 properties have been purchased to date, including 20 in 2019/20. Of the properties purchased, 30 have now been sold, with customers purchasing initial shares of between 50 and 75%. The budget for this scheme is modelled on 50% of each home being funded by the HRA and resources from Homes England funding. The matched funding is received as a capital receipt when the purchaser buys an equity share of the property, as such the receipts from the sale of the shared ownership homes are required to be reinvested back in to programme. The budget for this programme is currently £8.119m.

The revaluation of some investment properties led to an increase in their valuation of £0.070m. This is reflected in note 14 and in the Comprehensive Income and Expenditure statement.

The council's heritage assets increased in value by £52.213m during 2019/20. This is mainly due to an increase in the insurance valuation for the Art Gallery collection following a review of the value of assets insured. This increase is reflected in note 13 and also in note 26.

10. COVID-19 ISSUES

When a new strain of coronavirus, Covid-19, was noted in Wuhan, China, in late 2019, few could have realised the global significance of this illness. As a new strain, there was no immunity within the general population, which led to a rapid spread across most parts of the world. The first cases in the UK were identified in York on 31 January.

Countries across the globe have responded to reduce the likelihood of infection, through social distancing and lockdown measures. On 23 March, the UK entered what is commonly termed "lockdown", meaning people were required to stay at home apart from leaving for only exceptional reasons. These restrictions have been eased gradually throughout May and June of this year.

Responding to COVID-19 has required a complete transformation of the way the council operates, reprioritising support to those most in need and facilitating the ongoing delivery of critical services. From late March onwards a huge number of changes were made, supporting the city's wider response to keep people safe.

The degree of change required across the city and in the way the council operates as a result of coronavirus cannot be overstated. In a short period, the lives of every resident have been impacted and every service has been affected. Each area has had to rework business processes and approaches to work remotely and support staff members working in different ways. Where services were suspended or changed in nature, the situation was kept under review to ensure that as those services have resumed, it has been when it was safe and possible to do so.

NARRATIVE REPORT

This challenge, however, has seen an incredible response in York, from residents, communities and organisations. The city is indebted to those individuals, including Council Officers, who have worked tirelessly to keep people safe and supported at this time.

The council's immediate priority was to both connect the most vulnerable to the help they needed and where possible, and provide assistance to local businesses. In response, we provided a package of support for vulnerable residents, including residents who have been impacted financially and local small / micro businesses.

To achieve this, we identified and redeployed staff from nonessential roles into priority areas, including community, care, frontline or customer service roles, in order to ensure that we could quickly distribute support to those who most needed it.

The commitment and response from staff has been exemplary, with many staff working weekends and evenings to ensure residents and communities are supported across the city. The Council's Executive and Corporate Management Team have been issuing regular communications to staff, in order to highlight support on offer to them during this period and to thank staff for their efforts.

As part of the North Yorkshire Local Resilience Forum (LRF), information sharing commenced on 31st January and the emergency response arrangements were enacted fully on 3rd March. The LRF brings together partners from health, police, fire and rescue, local authorities, military and a range of other organisations to coordinate responses to emergencies. It has a range of protocols, used in response to all emergency situations, for ensuring information is passed between the relevant agencies and Government, that risks are identified and addressed, and that action is taken in a coordinated way. In doing so, the emergency response was coordinated at a sub-regional, regional and national level, working across all responding organisations.

City of York Council is a full part of these arrangements. It does, however, retain the decision-making responsibilities around council services and their safe operation. Internal Gold and Silver command meetings were established (initially in person and then via Skype) to provide coronavirus-specific decision-making forums. Gold provides strategic decisions, involving the Interim Head of the Paid Service, Directors and leads for corporate services. Silver includes representatives from all service areas and takes tactical or operational decisions.

Executive and other elected members have been kept involved in a number of ways. At Executive level, regular discussions have taken place including on all key decisions and other significant matters. Weekly meetings with Group Leaders have also been held to ensure all elected members are aware of events, and a daily communications briefing has been provided to all members.

The council also took part in a wide range of regular meetings with regional and national partners, including NHS, Police and Government Agencies and Departments. These arrangements have worked effectively with the council responding rapidly to the changing operating context in tandem with key partners.

On 7 May, the Council reported to Executive on the council's initial response to the pandemic. Since then, the council has continued to prioritise the support of residents, communities and businesses to protect people's health and wellbeing. This will continue to be a primary focus for the council whilst coronavirus remains a threat. Specific examples of work undertaken to date include:

a. The swift processing of the Government's Business Support Grants, and the Business Rates relief scheme, to ensure that money was in businesses' bank accounts as quickly as possible. Over £100m has been paid out in direct grants or in business rates relief.

NARRATIVE REPORT

b. Additionally, the creation of a small and micro business fund direct from the council to support those businesses who were not eligible for Government Support. This was subsequently when the Government released further funding for discretionary grants.

c. The prioritisation of ongoing communications to households, including through print and online media, social media, direct leaflets and Our City, addressed to all residential properties.

Work has continued within services to adapt to the changing environment and to allow service levels to return to normal as far as possible. Significant work across the council and with education partners has been undertaken to facilitate an increase the number of pupils attending schools across York.

Democratic Services have recommenced meetings, with Executive, Licensing and Planning committees, and Corporate and Scrutiny Management committees being scheduled as remote meetings.

Activities to bring services back to full operational delivery in a new operating context and adapt to changing circumstances will continue. To shape and coordinate this, the Council agreed a Recovery and Renewal Strategy in late June to set out the approach that the council will take and the priority activities required.

The Recovery and Renewal Strategy itself discusses the role of the plan and how it relates to other recovery work. In summary, it describes the key areas of focus for the coming year for the council in order to prioritise recovery for the city and continue to deliver the outcomes described within the Council Plan 2019-2023.

During 2020/21, the Council Plan will be reviewed to take into consideration the changed context of the city. At this point, we believe the outcomes contained within with Council Plan remain appropriate and correct, but the activities needed in order to achieve them may need to change. From 2021 onwards, the Council Plan will include the ongoing recovery activity as part of the core-business of the council.

Alongside the 1 year Recovery and Renewal Strategy, a 10 year City Plan is being discussed with partner organisations, to define and promote a longer term set of ambitions for the city as a whole.

The Recovery and Renewal Strategy is underpinned by a variety of more detailed plans and strategies which will continue to be developed over coming weeks and months. It is also likely that additional plans will be required as the context changes

We have carried out a review of the impact of Covid-19 on the Statement of Accounts for 2019/20. Given the lockdown was introduced on 23rd March 2019, the last week of the 2019/20 financial year, the review has concluded that there is no material impact on the Statement of Accounts this year. We do however expect there to be an impact during 2020/21 and will report back on the details of this in next year's Statement of Accounts.

INDEPENDENT AUDITOR'S REPORT

DRAFT

INDEPENDENT AUDITORS REPORT

STATEMENT OF ACCOUNTS

DRAFT

STATEMENT OF RESPONSIBILITIES

DRAFT



STATEMENT OF RESPONSIBILITIES

1. THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the 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 SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 officer has also:

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

3. CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Debbie Mitchell

Signed

Dated 30/06/2020

Debbie Mitchell, ACMA

Head of Corporate Finance and Procurement (Interim S151 officer)

4. APPROVAL OF THE ACCOUNTS

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

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

Signed

Dated

Cllr Pavlovic

Chair, Audit and Governance Committee

CORE FINANCIAL STATEMENTS

DRAFT



Comprehensive Income and Expenditure Statement

| | | 2019/20 | | | 2018/19 | | |
|--|-------------|-------------------------|------------------|-----------------------|-------------------------|------------------|-----------------------|
| | Note | Gross Exp. £000's | Income £000's | Net Exp. £000's | Gross Exp. £000's | Income £000's | Net Exp. £000's |
| Service Costs | | | | | | | |
| Customer and Corporate Services | | 81,698 | (48,585) | 33,113 | 80,640 | (49,170) | 31,470 |
| Childrens and Education Services | | 119,263 | (92,450) | 26,813 | 120,235 | (91,034) | 29,201 |
| Communities and Equalities | | 9,195 | (3,194) | 6,001 | 9,167 | (3,477) | 5,690 |
| Housing Revenue Account | | 28,335 | (39,028) | (10,693) | 25,650 | (35,278) | (9,628) |
| Adult Social Care | | 95,425 | (32,053) | 63,372 | 85,608 | (26,303) | 59,305 |
| Housing and Community Safety | | 14,885 | (9,991) | 4,894 | 7,042 | (5,163) | 1,879 |
| Public Health | | 9,721 | (9,187) | 534 | 6,888 | (9,476) | (2,588) |
| Economy and Place | | 65,536 | (45,086) | 20,450 | 56,944 | (30,212) | 26,732 |
| Cost of Services | | 424,058 | (279,574) | 144,484 | 392,174 | (250,113) | 142,061 |
| Other Operating Expenditure | (9) | | | 7,392 | | | 42,016 |
| Financing and Investment Income and Expenditure | (10) | | | 12,420 | | | 11,630 |
| Taxation and Non-Specific Grant Income | (11) | | | (162,673) | | | (162,727) |
| (Surplus)/Deficit on Provision of Services | (30) | | | 1,623 | | | 32,980 |
| Revaluation (gains) on non current assets | (26) | | | (93,687) | | | (10,139) |
| Impairment losses on non current assets | | | | - | | | - |
| Surplus/loss arising on the revaluation of available-for-sale financial assets | | | | - | | | - |
| Re-measurement of net defined benefit/ liability | (49) | | | (11,367) | | | (27,397) |
| Other Comprehensive Income and Expenditure | | | | (105,054) | | | (37,536) |
| Total Comprehensive Income and Expenditure | | | | (103,431) | | | (4,556) |

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

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|----------------------|---------------------------------|-------------------------|------------------------|-----------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| 2019/20 | | | | | | | | | | |
| Balance at 1 April 2019 | (10,115) | (35,475) | (24,497) | (17,310) | (4,346) | (18,858) | (27,297) | (137,898) | (523,322) | (661,220) |
| Movement in Reserves during 2019/20 | | | | | | | | | | |
| (Surplus) /Deficit on Provision of Services | 8,753 | - | (7,130) | - | - | - | - | 1,623 | - | 1,623 |
| Other Comprehensive Income and Expenditure movement | - | - | - | - | - | - | - | - | (105,054) | (105,054) |
| Total Comprehensive Expenditure and Income | 8,753 | - | (7,130) | - | - | - | - | 1,623 | (105,054) | (103,431) |
| Adjustments between accounting basis & funding basis under regulations | 7 5,169 | - | 9,778 | - | (374) | 3,437 | 469 | 18,479 | (18,479) | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 13,922 | - | 2,648 | - | (374) | 3,437 | 469 | 20,102 | (123,533) | (103,431) |
| Transfers to/from Earmarked Reserves | 8 (13,650) | 13,650 | (4,551) | 4,551 | - | - | - | - | - | - |
| Increase/Decrease in Year | 272 | 13,650 | (1,903) | 4,551 | (374) | 3,437 | 469 | 20,102 | (123,533) | (103,431) |
| Balance at 31 March 2020 carried forward | (9,843) | (21,825) | (26,400) | (12,759) | (4,720) | (15,421) | (26,828) | (117,796) | (646,855) | (764,651) |

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.

MOVEMENT IN RESERVES STATEMENT

2018/19:

| | | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|------|----------------------|---------------------------------|-------------------------|------------------------|-----------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|
| | Note | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance at 1 April 2018 | | (10,931) | (49,433) | (29,420) | (9,014) | (3,568) | (18,116) | (29,178) | (149,660) | (507,005) | (656,665) |
| Movement in Reserves during 2018/19 | | | | | | | | | | | |
| (Surplus) /Deficit on Provision of Services | | 38,203 | - | (5,223) | - | - | - | - | 32,980 | - | 32,980 |
| Other Comprehensive Income and Expenditure movement | | - | - | - | - | - | - | - | - | (37,536) | (37,536) |
| Total Comprehensive Expenditure and Income | | 38,203 | - | (5,223) | - | - | - | - | 32,980 | (37,536) | (4,556) |
| Adjustments between accounting basis & funding basis under regulations | 7 | (23,429) | - | 1,850 | - | (778) | (742) | 1,881 | (21,218) | 21,218 | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | | 14,774 | - | (3,373) | - | (778) | (742) | 1,881 | 11,762 | (16,318) | (4,556) |
| Transfers to/from Earmarked Reserves | 8 | (13,958) | 13,958 | 8,296 | (8,296) | - | - | - | - | - | - |
| Increase/Decrease in Year | | 816 | 13,958 | 4,923 | (8,296) | (778) | (742) | 1,881 | 11,762 | (16,318) | (4,556) |
| Balance at 31 March 2019 carried forward | | (10,115) | (35,475) | (24,497) | (17,310) | (4,346) | (18,858) | (27,297) | (137,898) | (523,322) | (661,220) |

Split of General Fund Balance between Schools and GF

| | 31-Mar-20 | 31-Mar-19 |
|---|------------------|-----------|
| | £000's | £000's |
| Amount of General Fund Balance held by governors under schemes to finance schools | (2,274) | (2,535) |
| Amount of General Fund Balance generally available for new expenditure | (7,569) | (7,580) |
| Total General Fund Balance | (9,843) | (10,115) |

DRAFT

Balance Sheet

| | Note | 31 March 2020 | 31 March 2019 Restated |
|---|-------------|------------------|------------------------------|
| | | £000's | £000's |
| Property, Plant and Equipment | (12) | 1,038,906 | 945,778 |
| Investment Property | (14) | 60,260 | 57,399 |
| Intangible Assets | (15) | 3,060 | 3,265 |
| Heritage Assets | (13) | 99,559 | 47,346 |
| Long - Term Investments | (16) | 5,271 | 5,507 |
| Long - Term Debtors | (20) | 5,170 | 5,288 |
| LONG - TERM ASSETS | | 1,212,226 | 1,064,583 |
| Short-Term Investments | (16) | 0 | 5,000 |
| Assets Held for Sale | (22) | 1,160 | 2,008 |
| Inventories | (17) | 417 | 451 |
| Short-Term Debtors | (19) | 49,378 | 39,615 |
| Cash and Cash Equivalents | (21) | 11,430 | 41,356 |
| CURRENT ASSETS | | 62,385 | 88,430 |
| Short-Term Borrowing | (16) / (52) | (11,698) | (9,698) |
| Provisions due to be settled within 12 months | (24) | (1,192) | (1,184) |
| Short-Term Creditors | (23) | (45,940) | (43,135) |
| Other Short-Term Liabilities | (23) | (4,628) | (4,402) |
| CURRENT LIABILITIES | | (63,458) | (58,419) |
| Provisions | (24) | (13,395) | (11,755) |
| Long-Term Borrowing | (16) / (52) | (245,489) | (235,399) |
| Other Long-Term Liabilities | (16) | (45,218) | (46,326) |
| Liability related to Defined Benefit Pension Scheme | (26) / (49) | (142,400) | (139,894) |
| LONG-TERM LIABILITIES | | (446,502) | (433,374) |
| NET ASSETS | | 764,651 | 661,220 |
| RESERVES | | | |
| <u>Usable Reserves</u> | | | |
| Capital Receipts Reserve | | (15,421) | (18,858) |
| General Fund Balance | | (9,843) | (10,115) |
| Housing Revenue Account Reserve | | (26,400) | (24,497) |
| Major Repairs Reserve | | (4,720) | (4,346) |
| Capital Grants Unapplied | | (26,828) | (27,297) |
| Earmarked Reserves | (8) | (34,584) | (52,785) |
| | MIRS | (117,796) | (137,898) |
| <u>Unusable Reserves</u> | | | |
| Revaluation Reserve | | (386,182) | (297,993) |
| Capital Adjustment Account | | (406,525) | (365,213) |
| Financial Instruments Adjustment Account | | 1,309 | 1,397 |
| Financial Instruments Revaluation Reserve | | (2,651) | (2,887) |
| Pensions Reserve | | 142,400 | 139,894 |
| Collection Fund Adjustment Account | | 1,274 | (1,914) |
| Employee Benefit Adjustment Account | | 3,520 | 3,394 |
| | (26) | (646,855) | (523,322) |
| TOTAL RESERVES | | (764,651) | (661,220) |

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

Cash flow Statement

| | Note | 2019/20 | 2018/19 restated |
|--|------|-----------------|---------------------|
| | | £000's | £000's |
| Net (Surplus)/Deficit on the provision of Services | | 1,623 | 32,976 |
| Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements | (27) | (33,645) | (83,235) |
| Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities | (27) | 41,915 | 49,369 |
| Net Cash Flows from Operating Activities | | 9,893 | (890) |
| Investing Activities | (28) | 34,947 | (7,049) |
| Financing Activities | (29) | (14,914) | 15,312 |
| Net (Increase)/Decrease in Cash and Cash Equivalents | | 29,926 | 7,373 |
| Cash and Cash Equivalents at the beginning of the reporting period | (21) | (41,356) | (48,729) |
| Cash and Cash Equivalents at the end of the reporting period | (21) | (11,430) | (41,356) |

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

NOTES TO THE CORE FINANCIAL STATEMENTS

DRAFT



1. ACCOUNTING POLICIES

I. General

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 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 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

IV. Exceptional Items

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

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

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

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

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

VI. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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, using a discount rate of 2.3% as at 31st March 2020.
- 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 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
 - o 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

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

Financial Liabilities

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

For the majority of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to

the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Financial Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Where material, impairment and expected Credit Losses are recognised in the Statement of Accounts as either a debit or credit to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Profit of Loss

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

The fair value measurements of the financial assets are based on the following techniques:

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

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.

Fair Value through Other Comprehensive Income

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

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

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

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

When an equity instrument is derecognised the fair value is reversed out of the Financial Instruments Revaluation Reserve Account and transferred to the General Fund balance.

Further information on designated equity at Fair Value through Other Comprehensive Income can be found in the Financial Instruments section of the Statement of Accounts under note 16.

XI. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

XII. Heritage Assets

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

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

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

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

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

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

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

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

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

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

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

Mansion House Collection and Civic Regalia –are recorded on the 2019/20 balance sheet using the valuations provided by a fine art external valuation expert who revalued the assets in the collection in March 2018. The Regalia and items in the Mansion House are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation. The policy for acquisitions, made by purchase or donation, is the same as for the art collection.

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

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

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

Heritage Assets – General

Impairment: The carrying amounts of heritage assets are reviewed and where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity, it is recognised and measured in accordance with the Council's general policies on impairment – see section on impairment in PPE note XX 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 XX 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 reviewed annually by the Council's Property and Asset Management team (Royal Institute of Chartered Surveyors registered valuer) according to market conditions at the year-end. Properties over £0.5m are revalued annually whilst properties below this level are revalued under the rolling programme or in the intervening periods if there is considered to be a material difference between the carrying value and the fair value of the property reflecting market conditions at the balance sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

XVIII. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of 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 (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

XIX. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019/20 (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 has a de minimis level of £10k for Property assets. Any properties valued at less than this are not generally added to the Council's balance sheet. The exception to this is when capital money has been used to buy the property, and it would then be included on the balance sheet.

The Council recognises schools in line with the provisions of the Code of Practice, consequently schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria.

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 and have not been included in any Academy conversion.

All elements of the 17 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 68% 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).

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 was previously owned by the council however converted to Academy during 2018/19, therefore the accounting treatment is now the same as the other schools which are Voluntary Aided and belong to the church diocese.

As Hob Moor has now converted to an Academy and St Oswalds and St Barnabas are VA schools 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.

Councils are required by the Accounts and Audit Regulations 2015 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. Under the new arrangements in the self-financing HRA, to establish the resources available on an annual basis in the Major Repairs Reserve, the regulations require the MRR to be credited with an amount equivalent to the total depreciation charges for all HRA assets.

Unusable Reserves

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

XXIV. Revenue Expenditure Funded from Capital under Statute

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

XXV. 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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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.

At the balance sheet date, the following new standards have been published but not yet adopted by the Code of Practice:

IFRS 16 Leases – This standard will require local authorities that are lessees to recognise most leases on their balance sheets and right-of-use assets with corresponding lease liabilities. Cipfa/LASAAC have deferred implementation of IFRS16 for local government until 1st April 2021.

IAS19 Employee Benefits – This standard will require the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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. The Government has already announced that the move to 75% business rates retention and changes to how funding is distributed between councils under the fair funding review will not now go ahead next year and therefore whilst this uncertainty continues it is highly likely that there will be no immediate change to the level of funding. Given that this increased uncertainty is directly linked to the COVID-19 pandemic it is considered that, with the Government funding already received and reprioritisation of existing budgets, 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

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 2020 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. Variations in the key assumptions would have the following impact on the net liability:

- A 0.1% increase in the discount rate would reduce the net pension liability by £16.624m
- A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £15.041m
- An increase in one year of longevity would increase the net pension liability by £25.332m

Property, Plant & Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Other than specifically disclosed elsewhere, there are no material items of income and expenditure requiring separate disclosure.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Corporate Finance & Procurement (Interim S151 officer) on 30 June 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Adjusting Events:

Adjusting events after the balance sheet date are those that are indicative of conditions that arose after the reporting period. The Code sets out that where material the financial statements should be amended to reflect the impact of these events.

Non- adjusting Events:

Non Adjusting events after the balance sheet date are those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect these events however material items are disclosed in terms of the nature of the events and their financial effects.

There are no adjusting or non-adjusting events after the balance sheet in 2019/20.

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 – 2019/20

2019/20

| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (12,888) | (8,381) | | | | 21,269 |
| Revaluation losses on Property Plant and Equipment | 10,658 | (853) | | | | (9,805) |
| Movements in the market value of Investment Properties | 44 | 25 | | | | (69) |
| Amortisation of intangible assets | (1,053) | (23) | | | | 1,076 |
| Capital grants and contributions applied | 28,133 | 5,373 | | | | (33,506) |
| Revenue expenditure funded from Capital under statute | - | - | | | | - |
| Revenue expenditure funded from Capital under statute - Prior Year Reversal | (6,736) | - | - | | | 6,736 |
| 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 | (6,120) | (6,908) | | | | 13,028 |
| Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 9,745 | | | | | (9,745) |
| Capital expenditure charged against the General Fund and HRA balances | 82 | 6,958 | | | | (7,040) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 1,777 | | | | (1,777) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | (2,246) | | | | 2,246 | - |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement | 510 | 8,368 | | (8,878) | | - |
| Transfer of cash loan repayment to the Capital Receipts Reserve | | | | (100) | | 100 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | 9,850 | | (9,850) |
| Contribution from the Capital Receipts Reserve towards revenue costs under Capital Receipts flexibility | | | | | | - |

| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool | | (1,179) | | 1,179 | | - |
| Contribution from the Capital Receipts Reserve to finance disposal costs | | (75) | | 75 | | - |
| Contribution from the Capital Receipts Reserve to finance repayment of 141 RTB receipts | | (1,311) | | 1,311 | | - |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 8,380 | (8,380) | | | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | 8,006 | | | (8,006) |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 89 | | | | | (89) |
| Adjustments primarily involving the Financial Instruments Revaluation Reserve | | | | | | |
| Movement in fair value of Financial Instruments | (236) | | | | | 236 |
| Adjustment primarily involving the Pensions Reserve: | | | | | | |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (53,666) | (2,375) | | | | 56,041 |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 40,390 | 1,779 | | | | (42,169) |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (3,188) | | | | | 3,188 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (126) | | | | | 126 |
| Total Adjustments: | 5,169 | 9,778 | (374) | 3,437 | 469 | (18,479) |

Adjustments between Accounting Basis and Funding Basis under Regulations – 2018/19

2018/19

| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> | | | | | | |
| Charges for depreciation and impairment of non-current assets | (13,076) | (7,999) | | | | 21,075 |
| Revaluation losses on Property Plant and Equipment | 752 | 7 | | | | (759) |
| Movements in the market value of Investment Properties | (533) | | | | | 533 |
| Amortisation of intangible assets | (973) | (38) | | | | 1,011 |
| Capital grants and contributions applied | 39,040 | 832 | | | | (39,872) |
| Revenue expenditure funded from Capital under statute | (4,318) | | | | | 4,318 |
| Revenue expenditure funded from Capital under statute - Prior Year Reversal | 1,164 | | | | | (1,164) |
| 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 | (45,129) | (5,204) | | | | 50,333 |
| <u>Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:</u> | | | | | | |
| Statutory provision for the financing of capital investment | 9,524 | | | | | (9,524) |
| Capital expenditure charged against the General Fund and HRA balances | 293 | 2,269 | | | | (2,562) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 3,363 | | | | (3,363) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | (5,244) | | | | 5,244 | - |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement | 4,622 | 6,757 | | (11,379) | | - |
| Transfer of cash loan repayment to the Capital Receipts Reserve | | | | (100) | | 100 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (43) | | 8,098 | | (8,055) |
| Contribution from the Capital Receipts Reserve towards revenue costs under Capital Receipts flexibility | (268) | | | 268 | | - |

| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool | | (1,179) | | 1,179 | | - |
| Contribution from the Capital Receipts Reserve to finance disposal costs | | (35) | | 35 | | - |
| Contribution from the Capital Receipts Reserve to finance repayment of 141 RTB receipts | | (1,157) | | 1,157 | | - |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 7,999 | (7,999) | | | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | 7,221 | | | (7,221) |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | (395) | | | | 395 |
| Adjustments primarily involving the Financial Instruments Revaluation Reserve | | | | | | |
| Movement in fair value of Financial Instruments | 2,887 | | | | | (2,887) |
| Adjustment primarily involving the Pensions Reserve: | | | | | | |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 13,513 | 1,658 | | | | (15,171) |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (28,514) | (2,017) | | | | 30,531 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 224 | | | | | (224) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (361) | | | | | 361 |
| Total Adjustments: | (23,429) | 1,850 | (778) | (742) | 1,881 | 21,218 |

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 2019/20:

| | Transfers Out During Year £000's | Transfers In During Year £000's | Net mov't During Year £000's | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|---------------------------------------|---|---|---------------------------------------|-----------------------------------|-----------------------------------|
| General Fund | | | | | |
| Venture Fund | 1,434 | (1,685) | (251) | (3,980) | (3,729) |
| Developers Contributions Unapplied | 7,176 | (5,088) | 2,088 | (8,446) | (10,534) |
| Waste Management Reserve | 231 | - | 231 | (1,933) | (2,164) |
| Pay and Pensions Reserve | 630 | (248) | 382 | (349) | (731) |
| Yearsley Pool Reserve | 243 | (281) | (38) | (1,421) | (1,383) |
| York Central | 200 | - | 200 | (661) | (861) |
| Employment Matters reserve | 729 | (299) | 430 | - | (430) |
| WYTF Reserve | 450 | - | 450 | (165) | (615) |
| Contingency Reserve | 805 | (155) | 650 | - | (650) |
| Insurance Fund | 609 | (649) | (40) | (278) | (238) |
| Bus Lane enforcement | 375 | - | 375 | (150) | (525) |
| Miscellaneous | 30,875 | (21,702) | 9,173 | (4,442) | (13,615) |
| Subtotal General Fund | 43,757 | (30,107) | 13,650 | (21,825) | (35,475) |
| HRA | | | | | |
| 53rd Week Rent | 525 | (1,050) | (525) | - | 525 |
| HRA Investment Reserve | 5,087 | (11) | 5,076 | (12,759) | (17,835) |
| Subtotal HRA | 5,612 | (1,061) | 4,551 | (12,759) | (17,310) |
| Total Earmarked Reserves | 49,369 | (31,168) | 18,201 | (34,584) | (52,785) |

Reserves

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

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

Waste Management Reserve – When the Long Term Waste Contract was agreed by Council, it was agreed to set aside additional funds in order to build up sufficient budget to fund the contractual obligations. These increased budgets have funded waste contractual increases such as Landfill Tax and the balance has been added to a Waste Reserve. This reserve has funded and will continue to

fund one off costs relating to the Waste Project such as s106 obligations, highway improvements and lease payments.

Pay and Pensions Reserve – Underspends from the Pay and Pensions budgets are included in this reserve to enable the Council to spread out the pay and pension growth required in the annual budget process as evenly as possible over the medium term.

Yearsley Pool Reserve – This reserve was created following a Council decision in February 2015 to approve a sum of £1.5m over a 5 year period towards support for maintaining Yearsley Pool, to be funded from unallocated New Homes Bonus monies

York Central Reserve – This reserve holds the earmarked revenue contributions agreed by the Council towards the York Central development in addition to other external contributions to the projects

Employment Matters Reserve – This reserve relates to costs for ongoing and future pay and employment claims

WYTF Reserve – From 1st April 2017 the council has formally joined the West Yorkshire Transport Fund and the expenditure on delivery of its key major schemes (York Central and York Outer Ring Road) is reimbursed from West Yorkshire Combined Authority. The council pays an annual levy to WYCA to contribute towards the overall debt costs of the capital expenditure. Prior to the arrangement to formally join the West Yorkshire Transport Fund the council had set aside funds in order to progress its major schemes in lieu of joining the fund. Over 3 years a total of £1,500k had been identified in the budget through a combination of Economic Infrastructure Fund and Council budgets. As at 31st March 2017 a total of £530k had been spent progressing these schemes leaving a balance of £970k which was transferred to a reserve at year end

Contingency Reserve – This includes prior year Council Underspend and contingency budget underspend. All allocations made from this reserve are agreed at Full Council.

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

Insurance Fund – This reserve was established to absorb any unexpected liabilities such as claims paid under the MMI scheme of arrangement and where historical cover cannot be proven.

Bus Lane Enforcement - This reserve was established to hold the remaining fine income received from the Lendal Bridge and Coppergate ANPR enforcements following the closure of the fine repayment process. The funds are earmarked towards supporting various transport schemes.

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

| | 2019/20 | 2018/19 |
|--|----------------|---------|
| | £'000's | £'000's |
| Parish council precepts | 752 | 726 |
| Payments to the Government Housing Capital Receipts Pool - Prior Year Repayments | 1,311 | 1,157 |
| Payments to the Government Housing Capital Receipts Pool | 1,179 | 1,179 |
| Gains/losses on the disposal of non-current assets | 4,150 | 38,954 |
| Total | 7,392 | 42,016 |

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £'000's | £'000's |
| Interest payable and similar charges | 13,733 | 15,194 |
| Net interest on the net defined benefit liability | 3,140 | 3,678 |
| Interest receivable and similar income | (329) | (779) |
| Income and expenditure in relation to investment properties and changes in their fair value | (3,963) | (3,211) |
| Changes in value of Financial Instruments | 236 | (2,887) |
| Other investment income | (397) | (365) |
| Total | 12,420 | 11,630 |

11. TAXATION AND NON SPECIFIC GRANT INCOME

| | 2019/20 | 2018/19 |
|--------------------------------------|------------------|-----------|
| | £'000's | £'000's |
| Council tax income | (90,803) | (86,917) |
| Non domestic rates | (30,431) | (35,986) |
| Non-ring fenced or government grants | (17,033) | (16,794) |
| Capital grants and contributions | (24,406) | (23,030) |
| Total | (162,673) | (162,727) |

NOTES TO THE CORE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

| 2019/20 | 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 Property, Plant & Equipment |
|--|-------------------|------------------------|-----------------------------|-----------------------|------------------|----------------|---------------------------|-----------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| <u>Cost or Valuation (GCA)</u> | | | | | | | | | |
| At 1 April 2019 | 461,616 | 266,517 | 32,897 | 171,082 | 115 | 20,592 | 68,349 | 1,021,168 | 41,294 |
| Additions | 9,406 | 14,135 | 2,857 | 8,259 | - | - | 41,255 | 75,912 | - |
| Acc Dep & Imp WO to GCA | (7,616) | (1,319) | - | - | - | (128) | - | (9,063) | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 21,146 | 14,195 | - | - | - | 6,133 | - | 41,474 | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 9 | 10,646 | - | - | - | (850) | (11) | 9,794 | - |
| Derecognition - Disposals | (3,723) | (9,659) | (1,966) | - | - | (491) | - | (15,839) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | 848 | - | 848 | - |
| Assets reclassified (to)/from Investment Property | - | - | - | - | - | - | 25 | 25 | - |
| Other movements in Cost or Valuation | 720 | (1,293) | 765 | 6,246 | - | (1,168) | (6,013) | (743) | - |
| At 31 March 2020 | 481,558 | 293,222 | 34,553 | 185,587 | 115 | 24,936 | 103,605 | 1,123,576 | 41,294 |
| <u>Accumulated Depreciation & Impairment</u> | | | | | | | | | |
| At 1 April 2019 | (7,616) | (8,169) | (22,523) | (37,082) | (1) | - | 1 | (75,390) | (1,376) |
| Depreciation Charge for 2019/20 | (7,928) | (6,029) | (2,761) | (4,549) | (2) | - | - | (21,269) | (1,331) |
| Acc. Depreciation WO to GCA | 7,616 | 1,319 | - | - | - | 128 | - | 9,063 | - |
| Derecognition - Disposals | - | 991 | 1,935 | - | - | - | - | 2,926 | - |
| Other movements in Depreciation and Impairment | - | 131 | - | - | - | (128) | (3) | - | - |
| At 31 March 2020 | (7,928) | (11,757) | (23,349) | (41,631) | (3) | - | (2) | (84,670) | (2,707) |
| <u>Net Book Value</u> | | | | | | | | | |
| At 31 March 2020 | 473,630 | 281,465 | 11,204 | 143,956 | 112 | 24,936 | 103,603 | 1,038,906 | 38,587 |
| At 31 March 2019 | 454,000 | 258,348 | 10,374 | 134,000 | 114 | 20,592 | 68,350 | 945,778 | 39,918 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2018/19:

| 2018/19 | 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 Property, Plant & Equipment |
|--|-------------------|------------------------|-----------------------------|-----------------------|------------------|----------------|---------------------------|-----------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation (GCA) | | | | | | | | | |
| At 1 April 2018 | 458,837 | 297,450 | 35,262 | 153,722 | 253 | 17,568 | 43,945 | 1,007,037 | 60,385 |
| Additions | 8,848 | 5,546 | 1,686 | 11,936 | - | 1 | 44,750 | 72,767 | - |
| Acc Dep & Imp WO to GCA Revaluation | (7,518) | (3,655) | - | - | (32) | (16) | - | (11,221) | - |
| increases/(decreases) recognised in the Revaluation Reserve | 4,131 | 5,261 | - | - | (1,537) | 1,238 | - | 9,093 | - |
| increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (9) | 1,289 | - | - | (855) | 325 | (358) | 392 | - |
| Derecognition - Disposals | (4,183) | (46,714) | (5,246) | - | - | - | - | (56,143) | (19,091) |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | 1,817 | - | - | - | - | - | 1,817 | - |
| Other movements in Cost or Valuation | 1,510 | 5,523 | 1,195 | 5,424 | 2,286 | 1,476 | (19,988) | (2,574) | - |
| At 31 March 2019 | 461,616 | 266,517 | 32,897 | 171,082 | 115 | 20,592 | 68,349 | 1,021,168 | 41,294 |
| Accumulated Depreciation & Impairment | | | | | | | | | |
| At 1 April 2018 | (7,518) | (9,542) | (24,295) | (32,897) | - | - | 1 | (74,251) | (2,857) |
| Depreciation Charge for 2018/19 | (7,616) | (6,024) | (3,241) | (4,185) | (1) | (8) | - | (21,075) | (1,376) |
| Acc. Depreciation WO to GCA | 7,518 | 3,655 | - | - | 32 | 16 | - | 11,221 | - |
| Derecognition - Disposals | - | 3,702 | 5,013 | - | - | - | - | 8,715 | 2,857 |
| Other movements in Depreciation and Impairment | - | 40 | - | - | (32) | (8) | - | - | - |
| At 31 March 2019 | (7,616) | (8,169) | (22,523) | (37,082) | (1) | - | 1 | (75,390) | (1,376) |
| Net Book Value | | | | | | | | | |
| At 31 March 2019 | 454,000 | 258,348 | 10,374 | 134,000 | 114 | 20,592 | 68,350 | 945,778 | 39,918 |
| At 31 March 2018 | 451,319 | 287,908 | 10,967 | 120,825 | 253 | 17,568 | 43,946 | 932,786 | 57,528 |

Depreciation

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

- Council Dwellings & Shared Ownership Properties – 45 years
- Other Land and Buildings – 30-50 years (some exceptions apply)
- Vehicles, Plant, Furniture & Equipment – 3-10 years
- Infrastructure – 40 years

Capital Commitments

- At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost c12.660m. Similar commitments as 31 March 2019 were c£2.101m.

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.

The council's housing stock normally has a full revaluation every 5 years, with the last full revaluation undertaken in 2017/18. On the interim years, desktop revaluations are normally undertaken. The value of the council's housing stock increased by £21.155m as a result of the desktop revaluation this year.

| | 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 | - | - | 34,553 | 185,587 | - | - | 103,605 | 323,745 |
| Valued at Fair Value as at: | | | | | | | | |
| 31-Mar-20 | 481,558 | 67,810 | - | - | - | 24,936 | - | 574,304 |
| 31-Mar-19 | - | 40,268 | - | - | - | - | - | 40,268 |
| 31-Mar-18 | - | 57,677 | - | - | 115 | - | - | 57,792 |
| 30-Mar-17 | - | 102,836 | - | - | - | - | - | 102,836 |
| 31-Mar-16 | - | 24,631 | - | - | - | - | - | 24,631 |
| Total Cost or Valuation | 481,558 | 293,222 | 34,553 | 185,587 | 115 | 24,936 | 103,605 | 1,123,576 |

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 2020. The fair value of Surplus Properties as at 31 March 2020 is £24.936m. 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 |
| Cost or Valuation | | | | | |
| 1 April 2018 | 1,387 | 35,248 | 8,529 | 1,136 | 46,300 |
| Revaluations | - | 1,058 | (12) | - | 1,046 |
| 31 March 2019 | 1,387 | 36,306 | 8,517 | 1,136 | 47,346 |
| Cost or Valuation | | | | | |
| 1 April 2019 | 1,387 | 36,306 | 8,517 | 1,136 | 47,346 |
| Revaluations | - | 52,179 | - | 34 | 52,213 |
| 31 March 2020 | 1,387 | 88,485 | 8,517 | 1,170 | 99,559 |

All heritage assets in the Council are tangible assets and have been reported at valuation rather than cost. The different heritage assets have been valued in accordance with the nature of the category.

Heritage Properties

The Council’s valuer, values assets in accordance with the property RICS guidance and for heritage assets where a market value exists, the assets are valued at current value market value. Where no market value exists, the value stated is replacement cost. All valuations are recorded on a valuation certificate.

The code recognises that it may not be possible to value all heritage assets due to their size and unique historical importance. Four such assets have been identified:

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

Art Collection

The Council's collection of art is located at the City Art Gallery and is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuation is reviewed annually and used to update the values as necessary.

Mansion House Collection and Civic Regalia

An external Antiques & Fine Art valuer carried out a full valuation of the Mansion House collection and Civic Regalia in March 2018. The valuation for the Mansion House Collection and Civic Regalia is included at the Balance Sheet date.

The valuation details all contents of the Mansion House and details all items individually including furniture, pictures, works of art, ceramics & glassware, etc. Specifically the Regalia includes the Bowes Sword, the Emperor Sigismund's Sword, the Great Mace, the Lady Mayoress' staff of Honour, the Lord Mayor's gold chain of office.

Museum Collections

Both Castle Museum and Yorkshire Museum are incorporated into Museums Trust which is a separate charitable organisation. The 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

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:

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £000's | £000's |
| Commercial rental income from investment property | (4,943) | (4,884) |
| Commercial direct operating expenses arising from investment property | 980 | 1,139 |
| Net Income | (3,963) | (3,745) |

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.

| | 2019/20 | 2018/19 |
|--------------------------------------|----------------|---------|
| | £000's | £000's |
| Balance at start of the year | 57,399 | 58,698 |
| <u>Additions:</u> | | |
| Acquisitions | 2,772 | - |
| Enhancements | 67 | 7 |
| Disposals | (23) | (773) |
| Net gain or loss on Fair Value | 70 | (533) |
| <u>Transfers:</u> | | |
| to/ from Property, Plant & Equipment | (25) | - |
| Balance at end of year | 60,260 | 57,399 |

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 2020. The fair value of Investment Properties as at 31 March 2020 is £60.260m. 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. Properties valued at over £0.5m are subject to a full revaluation annually whilst those less than £0.5m are subject to a full revaluation every 5 years as part of the rolling programme, and a desktop review is undertaken on the interim years. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

15. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licenses and software.

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

| | Internally Generated Assets | Other Assets |
|--------------|--|--|
| 1 - 3 years | None | Schools & Children's Services, Corporate, Financial & Audit, Property, Legal, Highways, Environmental, Leisure, Adult Services |
| 4 - 5 years | None | Schools & Children's Services, Corporate, Financial & Audit, Highways, Environmental, Leisure, Adult Services, Housing |
| 6 - 10 years | None | Highways, Human Resources, Schools & Children's Services, Adult Services |

The carrying amount of intangible assets is amortised on a straight-line basis and the amortisation charge in 2019/20 was £1,076k (2018/19 was £1,011k), contained in this figure is £23k relating to HRA assets.

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

| | 2019/20 | | | 2018/19 | | |
|---|---|-------------------------|---------------|---|-------------------------|---------------|
| | Internally Generated Assets £000 | Other Assets £000 | Total £000 | Internally Generated Assets £000 | Other Assets £000 | Total £000 |
| Balance at start of year: | | | | | | |
| - Gross carrying amounts | | 8,695 | 8,695 | | 6,938 | 6,938 |
| Category Adjustments | | 743 | 743 | | 2,574 | 2,574 |
| - Revised Gross carrying amounts | | 9,438 | 9,438 | | 9,512 | 9,512 |
| - Accumulated amortisation | | (5,430) | (5,430) | | (5,282) | (5,282) |
| Net carrying amount at the start of the year | - | 4,008 | 4,008 | - | 4,230 | 4,230 |
| Purchases | - | 220 | 220 | - | 101 | 101 |
| Other disposals | - | (92) | (92) | - | (55) | (55) |
| Amortisation for the period | - | (1,076) | (1,076) | - | (1,011) | (1,011) |
| Net carrying amount at the end of year | - | 3,060 | 3,060 | - | 3,265 | 3,265 |
| Comprising: | | | | | | |
| - Gross carrying amounts | - | 7,686 | 7,686 | - | 8,695 | 8,695 |
| - Accumulated amortisation | - | (4,626) | (4,626) | - | (5,430) | (5,430) |
| | - | 3,060 | 3,060 | - | 3,265 | 3,265 |

16. FINANCIAL INSTRUMENTS

Categories of financial Instruments

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

Financial Assets

| | Non-Current | | | | Current | | | | Total 31-Mar-20 £'000 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------------------|--------------------|-----------------------------|
| | Investments | | Debtors | | Investments | | Debtors | | |
| | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 Restated £'000 | 31-Mar-19 £'000 | |
| Fair Value through profit or loss | - | - | - | - | - | - | - | - | - |
| Amortised cost | - | - | 5,170 | 5,288 | - | 5,000 | 33,190 | 28,211 | 38,360 |
| Fair value through other comprehensive income - designated equity instruments | 5,271 | 5,507 | - | - | - | - | - | - | 5,271 |
| Fair value through other comprehensive income - other | - | - | - | - | - | - | - | - | - |
| Total financial assets | 5,271 | 5,507 | 5,170 | 5,288 | - | 5,000 | 33,190 | 28,211 | 43,631 |
| Non-financial assets | - | - | - | - | - | - | 16,188 | 11,404 | 16,188 |
| Total | 5,271 | 5,507 | 5,170 | 5,288 | - | 5,000 | 49,378 | 39,615 | 59,819 |

Financial Liabilities

| | Non-Current | | | | Current | | | | Total 31-Mar-20 £'000 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------|
| | Borrowings | | Creditors | | Borrowings | | Creditors | | |
| | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | |
| Fair Value through profit or loss | - | - | - | - | - | - | - | - | - |
| Amortised cost | (245,489) | (235,399) | - | - | (11,698) | (9,698) | (24,587) | (31,401) | (281,774) |
| PFI | (45,218) | (46,326) | - | - | (1,108) | (1,008) | - | - | (46,326) |
| Total financial liabilities | (290,707) | (281,725) | - | - | (12,806) | (10,706) | (24,587) | (31,401) | (328,100) |
| Non-financial liabilities | - | - | - | - | - | - | (21,353) | (11,734) | (21,353) |
| Total | (290,707) | (281,725) | - | - | (12,806) | (10,706) | (45,940) | (43,135) | (349,453) |

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 - The above table does not include cash held by the authority that is either on call, instant access or on a notice period of 30 days or less. These amounts are included in Note 21 Cash and Cash Equivalents totalling £11.430m in 2019/20 (£41.356m in 2018/19). Short term investments within Note 21 Cash and Cash Equivalents total £0.000m in 2019/20 (£34.034m in 2018/19).

With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2019 as fair value through other comprehensive income:

Fair Value of Equity instruments designated at fair value through other comprehensive income

| | Nominal | 31-Mar-20 Gain / (Loss) within equity | Fair Value | 31-Mar-20 Dividend | 31-Mar-19 Dividend |
|--|--------------|---|---------------|-----------------------|-----------------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Yorwaste | 1,008 | 722 | 1,730 | - | - |
| Innovation Centre | 200 | 324 | 524 | - | - |
| Veritau Shares | - | 219 | 219 | - | - |
| Municipal Bonds Agency Shares | 40 | (40) | - | - | - |
| Make It York | - | 257 | 257 | 25 | 25 |
| City of York Trading Ltd | - | 1,038 | 1,038 | 90 | 74 |
| Leeds City Region Revolving Investment Fund | 1,372 | 131 | 1,503 | 21 | 19 |
| Total | 2,620 | 2,651 | 5,271 | 136 | 118 |

- **Yorwaste** – Equity instrument not held for trading and is held as part of a business model to meet a service objective. Following government legislation in 1992/93 all local authorities had to outsource their waste disposal functions. Yorwaste Limited created and owned by NYCC. Upon local government reorganisation at 01/04/96 CYC gained 22.27% shareholding in Yorwaste (based on % of population).
- **Innovation Centre** - Equity instrument not held for trading and is held as part of a business model to meet a service objective - the development, operation and management of the Innovation Centre in 1994.
- **Veritau Shares** - Equity instrument not held for trading and is held as part of a business model to meet a service objective - provision of internal audit and counter-fraud services. The company is jointly owned by City of York Council and North Yorkshire County Council, with each Council holding 50% of the shares.

- **Make It York** - Equity instrument not held for trading and is held as part of a business model to meet a service objective. The objects of the Company are to carry on activities which benefit the City of York and its functioning economic area within the areas of marketing, culture, tourism and business development
- **City of York Trading Ltd** - Equity instrument not held for trading and is held as part of a business model to meet a service objective – supply of temporary staff to the Council.
- **Leeds City Region Revolving Investment Fund** - Equity instrument not held for trading and is held as part of a business model to meet a strategic objective. The Leeds City Region Revolving Investment Fund provides short term loans of over £1m to support businesses to accelerate economic growth and job creation within the Leeds City Region.
- **Municipal Bonds Agency** - Equity instrument not held for trading and is held as part of a business model to meet a strategic objective. The UK Municipal Bonds Agency PLC was set up in June 2014 with the primary aim of helping to reduce local authority finance costs, backed by 56 local authority shareholders and the Local Government Association (LGA).

Fair Value

Basis for recurring fair value measurements:

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

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

| Recurring fair value measurements | Input level in fair value hierarchy | Valuation technique used to measure fair value | As at | Investment / | As at | Gain / (Loss) posted to Other Comprehensive Income and Expenditure |
|--|-------------------------------------|--|--------------|--------------|--------------|--|
| | | | 31/03/20 | Redemption | 31/03/19 | |
| | | | £'000s | £'000s | £'000s | £'000s |
| Equity Shareholding in Yorwaste | Level 3 | | 1,730 | - | 2,347 | (617) |
| Equity Shareholding in Innovation Centre | Level 3 | | 524 | - | 524 | - |
| Equity Shareholding in Veritau Shares | Level 3 | IFRS 13 Fair Value Measurement | 219 | - | 151 | 68 |
| Equity Shareholding in Make It York | Level 3 | - Adjusted Net Asset Value Method | 257 | - | 215 | 42 |
| Equity Shareholding in City of York Trading Ltd | Level 3 | | 1,038 | - | 790 | 248 |
| Equity Shareholding in Leeds City Region Revolving Investment Fund | Level 3 | | 1,503 | - | 1,474 | 29 |
| Equity Shareholding in UK Municipal Bonds Agency PLC | Level 3 | | - | - | 6 | (6) |
| Total | | | 5,271 | - | 5,507 | (236) |

Note 3 – Fair value has been measured with reference to IFRS 13 Fair Value Measurement - Adjusted Net Asset Value Method. The adjusted net asset method involves deriving the fair value of an equity instrument by reference to the fair value of the investees assets and liabilities. The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognised in an investee's statement of financial position. This method is deemed appropriate to measure the Councils equity investments as they are not held for trading and are part of specific service or strategic business models.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the borrowing rates (the alternative to the above), highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value;
- For loans taken out at concessionary rates the value of the loan is discounted using a prevailing market rate to reflect the fair value. For more information see Note 26 Unusable Reserves - Financial Instruments Adjustment Account;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months 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.
- Short-term debtors and creditors are carried at cost as this is a fair approximation of their value

The fair values calculated are as follows:

| Financial Liabilities | 31 March 2020 | | 31 March 2019 | |
|---|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying Amount £'000s | Fair Value £'000s | Carrying Amount £'000s | Fair Value £'000s |
| Financial Liabilities held at amortised cost: | | | | |
| PWLB debt | (248,435) | (368,122) | (234,384) | (312,495) |
| Interest on PWLB debt | (1,601) | (1,601) | (3,602) | (3,602) |
| Market debt | (5,000) | (13,631) | (5,000) | (10,240) |
| Interest on Market debt | (97) | (97) | (96) | (96) |
| WYCA debt | (2,054) | (2,350) | (2,015) | (2,350) |
| Interest on WYCA debt | - | - | - | - |
| Short-term creditors | (24,587) | (24,587) | (31,401) | (31,401) |
| Long-term creditors | - | - | - | - |
| PFI liabilities | (46,326) | (46,326) | (47,334) | (47,334) |
| Finance lease liabilities | - | - | - | - |
| Total | (328,100) | (456,714) | (323,832) | (407,518) |

The fair value of the liabilities 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. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £369.723m 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 £250.036m and the fair value of £369.723m is £119.687m; £119.007m PWLB fair value amount less

£0.680m PWLB carrying value adjustment. The £119.007m 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 existing PWLB loans principal amount £249.115m (Carrying value £250.036m plus £0.680m PWLB carrying value adjustment and less £1.601m accrued interest) would be valued at £286.954m, the fair value being £37.839m. 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 £119.687m.

Financial Assets

| | 31 March 2020 | | 31 March 2019 | |
|--|---------------------------|----------------------|---------------------------------------|----------------------------------|
| | Carrying Amount £'000s | Fair Value £'000s | Restated Carrying Amount £'000s | Restated Fair Value £'000s |
| Financial Assets held at amortised cost: | | | | |
| Cash and Cash Equivalents | 11,430 | 11,430 | 7,322 | 7,322 |
| Cash callable in less than 30 days | - | - | 34,000 | 34,000 |
| Investment Interest | - | - | 34 | 34 |
| Investments less than 365 days | - | - | 5,000 | 5,000 |
| Investments greater than 365 days | - | - | - | - |
| Short-term debtors | 33,190 | 33,190 | 28,211 | 28,211 |
| Long-term debtors | 5,170 | 5,170 | 5,288 | 5,288 |
| Total | 49,790 | 49,790 | 79,855 | 79,855 |

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31 March 2020

| | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|--|------------------|
| Recurring fair value measurements using: | £'000 | £'000 | £'000 | £'000 |
| Financial Liabilities | | | | |
| Financial Liabilities held at amortised cost: | | | | |
| PWLB debt | | | (369,723) | (369,723) |
| Market debt | | | (13,728) | (13,728) |
| WYCA debt | | | (2,350) | (2,350) |
| Short-term creditors | | | (24,587) | (24,587) |
| Long-term creditors | | | - | - |
| PFI liabilities | | | (46,326) | (46,326) |
| Finance lease liabilities | | | - | - |
| Total | - | - | (456,714) | (456,714) |
| Financial Assets | | | | |
| Financial Assets held at amortised cost: | | | | |
| Cash | 11,430 | | | 11,430 |
| Investments | | | | - |
| Short-term debtors | | | 33,190 | 33,190 |
| Long-term debtors | | | 5,170 | 5,170 |
| Total | 11,430 | - | 38,360 | 49,790 |

Comparator year 2018/19:

| | 31 March 2019 Comparative Year | | | Total |
|---|--|---|---|------------------|
| | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| Recurring fair value measurements using: | £'000 | £'000 | £'000 | £'000 |
| Financial Liabilities | | | | |
| Financial Liabilities held at amortised cost: | | | | |
| PWLB debt | | | (316,097) | (316,097) |
| Market debt | | | (10,336) | (10,336) |
| WYCA debt | | | (2,350) | (2,350) |
| Short-term creditors | | | (31,401) | (31,401) |
| Long-term creditors | | | - | - |
| PFI liabilities | | | (47,334) | (47,334) |
| Finance lease liabilities | | | - | - |
| Total | - | - | (407,518) | (407,518) |
| Financial Assets | | | | |
| Financial Assets held at amortised cost: | | | | |
| Cash | 7,322 | | | 7,322 |
| Investments | 39,034 | | | 39,034 |
| Short-term debtors | | | 28,211 | 28,211 |
| Long-term debtors | | | 5,288 | 5,288 |
| Total | 46,356 | - | 33,499 | 79,855 |

17. INVENTORIES

| | Consumable Stores | | Total | |
|---|-------------------|-----------|----------------|-----------|
| | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| | £000's | £000's | £000's | £000's |
| Balance Outstanding at 1 April | 452 | 218 | 452 | 218 |
| Purchases | 1,217 | 1,102 | 1,217 | 1,102 |
| Recognised as an Expense in the Year | (1,252) | (1,007) | (1,252) | (1,007) |
| Written Off Balances | - | - | - | - |
| Reversals of Write Offs in Previous Years | - | 138 | - | 138 |
| Balance Outstanding at 31 March | 417 | 451 | 417 | 451 |

18. TRUST FUNDS

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

| | Expenditure During Year £000's | Income During Year £000's | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|-------------------------|---|--|--|--|
| Haughton/Gardiner Trust | - | - | (56) | (56) |
| Staff Lottery | - | - | (16) | (16) |
| Other Funds | 17 | (20) | (28) | (25) |
| | 17 | (20) | (100) | (97) |

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

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

19. DEBTORS

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--------------------------------------|--|--|
| Trade Receivables | 36,216 | 31,232 |
| Prepayments | 10,096 | 4,145 |
| Other receivable amounts | 10,790 | 12,154 |
| Sub-total | 57,102 | 47,531 |
| Provision for Bad and Doubtful Debts | (7,724) | (7,916) |
| Total Debtors | 49,378 | 39,615 |

Other receivable amounts include statutory debtors of £9,260k due for Council Tax and NNDR (£8,577k in 2018/19) and £1,530k due from HMRC (£3,577k in 2018/19). These balances are treated as non-financial assets within the Financial Instruments Note 16. The £9,260k Council Tax and NNDR is impaired by £4,698k for bad and doubtful debt (£4,895k in 2018/19) which assumes a collection rate of 97.7% for Council Tax and 97.8% for NNDR (97.6% for Council Tax and 98.2% for NNDR in 2018/19). The £4,698k is included in the £7,724k figure for Provision for Bad and Doubtful Debts (£7,916k in 2018/19) shown in the table above. The £1,530k is a VAT amount owed from HMRC and is not impaired.

20. LONG TERM DEBTORS

| | Expenditure During Year £000's | Income During Year £000's | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|---------------------------|--------------------------------------|---------------------------------|--------------------------------------|-----------------------------------|
| Employee Loans | - | (3) | 4 | 7 |
| Housing Loans | - | (1) | 10 | 11 |
| Yorwaste Loans | - | (100) | 1,802 | 1,902 |
| Finance Lease Receivables | - | (6) | 186 | 192 |
| PFI Schemes | - | (8) | 3,168 | 3,176 |
| | - | (118) | 5,170 | 5,288 |

21. CASH AND CASH EQUIVALENTS

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

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--|-----------------------------------|-----------------------------------|
| Cash Held by the Authority | 3,859 | 4,745 |
| Short Term Deposits | - | 34,034 |
| Bank Current Accounts | 7,571 | 2,577 |
| Total Cash and Cash Equivalents | 11,430 | 41,356 |

22. ASSETS HELD FOR SALE

| | 2019/20 £000's | 2018/19 £000's |
|--|-------------------|-------------------|
| Balance outstanding at start of year | 2,008 | 5,902 |
| <u>Assets newly classified as held for sale:</u> | | |
| - Property, Plant and Equipment | 1,160 | - |
| Revaluation gains | - | - |
| <u>Assets declassified as held for sale:</u> | | |
| - Property, plant and Equipment | (2,008) | (1,817) |
| Assets sold | - | (2,077) |
| Balance outstanding at year-end | 1,160 | 2,008 |

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 2020. The fair value of Assets Held for Sale as at 31 March 2020 is £1.160m. The fair value can be higher than the balance sheet value for Assets Held for Sale as, in line with accounting policies, Assets Held for Sale are held on the balance sheet at the lower of the carrying value on transfer to this category and fair value less costs to sell.

23. CREDITORS

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Trade Payables | (24,587) | (31,401) |
| Receipts in Advance | (13,584) | (3,093) |
| Other Payables | (7,769) | (8,641) |
| Total Creditors | (45,940) | (43,135) |
| Other Short-Term Liabilities | (4,628) | (4,402) |
| Total Short-Term Liabilities | (50,568) | (47,537) |

Other payable amounts include statutory creditors of £2,128k for Council Tax and NNDR (£3,546k in 2018/19), £5,598k for payroll taxes and pension payments to HMRC and the Pension Funds (£5,075k in 2018/19), and £43k for CIS taxes to HMRC (£20k in 2018/19). These balances are treated as non-financial liabilities within the Financial Instruments Note 16.

Other Short term liabilities contain liabilities in relation to accumulated absences and PFI.

This note contains £120k (£0k 2018/19) of Capital Grants received in advance and £11,588k (£1,106k 2018/19) 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 | Other Provisions £000's | Total £000's |
|---------------------------------------|-----------------------------|--------------------------|--------------------------|-------------------------------|-----------------|
| Balance at 1 April 2019 | (2,259) | (9,874) | (500) | (308) | (12,941) |
| Additional provisions made in 2019/20 | (395) | (8,336) | - | - | (8,731) |
| Amounts Used In 2019/20 | 522 | 6,063 | 500 | - | 7,085 |
| Unused amounts reversed in 2019/20 | - | - | - | - | - |
| Unwinding of discounting in 2019/20 | - | - | - | - | - |
| Balance at 31 March 2020 | (2,132) | (12,147) | - | (308) | (14,587) |

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

| | Insurance Fund £000's | Business Rates £000's | Council Tax £000's | Other Provisions £000's | Total £000's |
|---------------------------------------|-----------------------------|--------------------------|--------------------------|-------------------------------|-----------------|
| Balance at 1 April 2019 | (343) | (532) | - | (309) | (1,184) |
| Additional provisions made in 2019/20 | - | (9) | - | - | (9) |
| Amounts Used In 2019/20 | 1 | - | - | - | 1 |
| Unused amounts reversed in 2019/20 | - | - | - | - | - |
| Unwinding of discounting in 2019/20 | - | - | - | - | - |
| Balance at 31 March 2020 | (342) | (541) | - | (309) | (1,192) |

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

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

26. UNUSABLE RESERVES

| | Balance at 2019/20 £000's | Balance at 2018/19 Restated £000's |
|---|--|---|
| Revaluation Reserve | (386,182) | (297,993) |
| Capital Adjustment Account | (406,525) | (365,213) |
| Financial Instruments Adjustment Account | 1,309 | 1,397 |
| Financial Instruments Revaluation Reserve | (2,651) | (2,887) |
| Pensions Reserve | 142,400 | 139,894 |
| Collection Fund Adjustment Account | 1,274 | (1,914) |
| Accumulated Absences Account | 3,520 | 3,394 |
| Total Unusable Reserves | (646,855) | (528,822) |

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.

| | 2019/20 | | 2018/19 | |
|---|----------|------------------|----------|------------------|
| | £000's | £000's | £000's | £000's |
| Balance at 1 April | | (297,993) | | (309,316) |
| Upward revaluation of assets | (95,932) | | (22,968) | |
| Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services | 2,245 | | 12,829 | |
| (Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services | | (93,687) | | (10,139) |
| Difference between fair value depreciation and historical cost depreciation | 3,848 | | 3,667 | |
| Accumulated gains on assets sold or scrapped | 1,650 | | 17,795 | |
| Amount written off to the Capital Adjustment Account | | 5,498 | | 21,462 |
| Properties RR movement with CAA | | | | |
| Balance at 31 March | | (386,182) | | (297,993) |

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.

| | 2019/20 £000's | 2018/19 £000's |
|--|-------------------|-------------------|
| Balance at 1st April | (365,213) | (351,963) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for depreciation and impairment of non current assets | 21,269 | 21,075 |
| Revaluation losses on Property, Plant and Equipment | (9,805) | (759) |
| Amortisation of intangible assets | 1,076 | 1,011 |
| Revenue expenditure funded from capital under Statute | 6,736 | 4,318 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 13,028 | 50,333 |
| | 32,304 | 75,978 |
| Adjusting amounts written out of the Revaluation Reserve | (5,498) | (21,462) |
| Net written out amount of the cost of non-current assets consumed in the year | 26,806 | 54,516 |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (9,850) | (8,055) |
| Use of the Major Repairs Reserve to finance new capital expenditure | (8,007) | (7,221) |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (31,259) | (34,628) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (2,246) | (5,244) |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (9,645) | (9,424) |
| Capital expenditure charged against the General Fund and HRA balances | (7,041) | (2,563) |
| | (68,048) | (67,135) |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (70) | 533 |
| Re-categorisation of RIF capital expenditure | - | (1,164) |
| Balance at 31 March | (406,525) | (365,213) |

Financial Instruments Adjustment Account

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

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

The Financial Instruments Adjustment Account is also used to manage the fair value / notional interest payable on loans at concessionary rates. For loans taken out at concessionary rates the value of the loan is discounted using a prevailing market rate to reflect the benefit obtained by the Council. The fair value is taken to the Account and amortised based on the assumed interest rate per annum and the balance on the Account is gradually written down as the value of the loan is amortised, until the value of the loan at redemption equals the value of the loan originally drawn down.

| | 2019/20 | 2018/19 |
|--|--------------|--------------|
| | £000's | £000's |
| Balance at 1st April | 1,397 | 1,002 |
| Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | (179) | 382 |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 51 | 48 |
| 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 | (128) | 430 |
| NPV / Fair Value adj. for WYCA 0% loan (loan at concessionary rate) charged to CIES | - | (73) |
| Concessionary rate loan interest charged to CIES | 40 | 38 |
| Fair Value adjustment write up to reflect the benefit of having a loan at a concessionary rate | 40 | (35) |
| Balance at 31st March | 1,309 | 1,397 |

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

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

| | 31-Mar-20 | | 31-Mar-19 | |
|--|-----------|----------------|-----------|----------------|
| | £000's | £000's | £000's | £000's |
| Balance at 1st April | | (2,887) | | |
| Upward revaluation of investments | (387) | | (2,921) | |
| Downward revaluation of investments | 623 | | 34 | |
| Change in impairment loss allowances | | | | |
| | | 236 | | (2,887) |
| Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | | - | | - |
| Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income | | - | | - |
| Balance at 31st March | | (2,651) | | (2,887) |

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-20 | 31-Mar-19 |
|--|-----------------|--------------------|
| | £000's | Restated £000's |
| Balance at 1 April | 139,894 | 151,930 |
| Actuarial gains or losses on pensions assets and liabilities | (9,715) | (23,988) |
| Net increase in assets & liabilities from disposals | (1,651) | (3,408) |
| 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 | 29,856 | 30,531 |
| Employer's pensions contributions and direct payments to pensioners payable in the year. | (15,984) | (15,171) |
| Balance at 31 March | 142,400 | 139,894 |

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-20 | 31-Mar-19 |
|--|----------------|----------------|
| | £000's | £000's |
| Balance at 1 April | (1,914) | (1,691) |
| Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements | 3,188 | (223) |
| Balance at 31 March | 1,274 | (1,914) |

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.

| | 2019/20 | | 2018/19 | |
|---|---------|--------------|---------|--------------|
| | £000's | £000's | £000's | £000's |
| Balance at 1 April | | 3,394 | | 3,033 |
| Settlement or cancellation of accrual made at the end of the preceding year | (3,394) | | (3,033) | |
| Amounts accrued at the end of the current year | 3,520 | | 3,394 | |
| | | 126 | | 361 |
| 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 | | - | | - |
| Balance at 31 March | | 3,520 | | 3,394 |

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

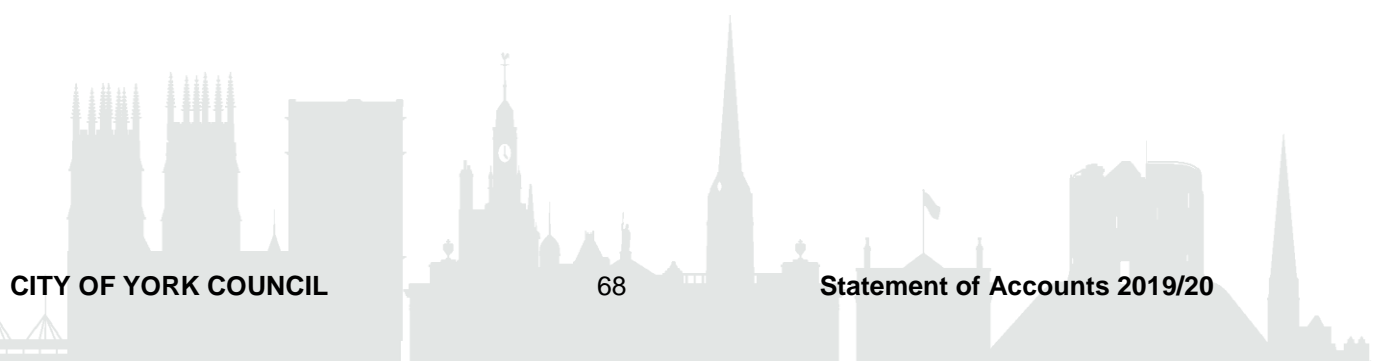
The cash flows for operating activities include the following items:

| | Balance at 31-Mar-20 | Balance at 31-Mar-19 |
|--------------------|---------------------------------|-------------------------|
| | £000's | £000's |
| Interest received | (489) | (819) |
| Interest paid | 10,896 | 9,727 |
| Dividends received | (397) | (381) |

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

| | 31-Mar-20 | 31/03/2019 restated |
|---|------------------|------------------------|
| | £000's | £000's |
| Depreciation, Impairment and Amortisation of fixed assets | (12,540) | (21,327) |
| (Increase)/decrease in impairment for bad debt | 192 | (158) |
| Increase/(decrease) in stocks and works in progress | (34) | 234 |
| Increase/(decrease) in debtors | 11,533 | 6,565 |
| (Increase)/decrease in creditors | (4,016) | (1,266) |
| Pension Liability: | | |
| Net Charge to the CIES | 15,984 | 15,171 |
| Employers contributions to pension funds and direct payments to pensioners | (29,856) | (30,531) |
| Carrying amount of non-current assets sold | (13,028) | (50,333) |
| Other non-cash items charged to the net Surplus or Deficit on the Provision of Services: | | |
| Provisions | (1,648) | (3,767) |
| Movements in the value of investment properties | 70 | (533) |
| Movements in the value of Finance Leases and PFI | (15) | (133) |
| Movement in the FIAA | (51) | (48) |
| Movement in the FIRR | (236) | 2,887 |
| Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements | (33,645) | (83,239) |

The analysis for the adjustments to the net surplus or deficit on the provision of services that are investing and financing activities are illustrated below:



| | 31-Mar-20 | 31-Mar-19 |
|---|---------------|-----------|
| | £000's | £000's |
| Proceeds from sale of property, plant and equipment, investment property and intangible assets | 8,878 | 11,378 |
| Grants applied to the financing of capital expenditure | 33,037 | 37,991 |
| Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities | 41,915 | 49,369 |

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--|-----------------------------------|-----------------------------------|
| Purchase of property, plant and equipment, investment property and intangible assets | 81,828 | 70,910 |
| Purchase of short-term and long-term investments | 324,950 | 389,619 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (8,878) | (11,378) |
| Proceeds from short-term and long-term investments | (329,916) | (418,209) |
| Other receipts from investing activities | (33,037) | (37,991) |
| Net cash flows from investing activities | 34,947 | (7,049) |

29. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--|-----------------------------------|-----------------------------------|
| Cash receipts of short-term and long-term borrowing | (20,000) | (406) |
| Other receipts from financing activities | (100) | (126) |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 1,008 | 843 |
| Repayments of short-term and long-term borrowing | 6,000 | 15,001 |
| Other payments for financing activities | (1,822) | - |
| Net cash flows from financing activities | (14,914) | 15,312 |

Reconciliation of liabilities arising from financing activities:

2019/20:

| | 2019/20 | Financing | | Non cash | 2019/20 |
|---|------------------|------------------|--------------------|-----------------|------------------|
| | 01 April | cash | | changes | 31 |
| | | flows | Acquisition | Other | March |
| | £000's | £000's | £000's | non-cash | £000's |
| | | | | changes | |
| | | | | £000's | |
| Long-term borrowings | (236,465) | (10,000) | - | - | (246,465) |
| Short-term borrowings | (6,000) | (4,000) | - | - | (10,000) |
| - Lease liabilities | - | - | - | - | - |
| - On balance sheet PFI liabilities | (47,334) | 1,008 | - | - | (46,326) |
| Total liabilities financing activities | (289,799) | (12,992) | - | - | (302,791) |

2018/19:

| | 2018/19 | Financing | | Non cash | 2018/19 |
|---|------------------|------------------|--------------------|-----------------|------------------|
| | 01 April | cash | | changes | 31 |
| | | flows | Acquisition | Other | March |
| | £000's | £000's | £000's | non-cash | £000's |
| | | | | changes | |
| | | | | £000's | |
| Long-term borrowings | (247,059) | 10,594 | - | - | (236,465) |
| Short-term borrowings | (10,000) | 4,000 | - | - | (6,000) |
| - Lease liabilities | - | - | - | - | - |
| - On balance sheet PFI liabilities | (48,177) | 843 | - | - | (47,334) |
| Total liabilities financing activities | (305,236) | 15,437 | - | - | (289,799) |

PFI liabilities include long term liabilities of £45,218k (2018/19 £46,326k) as shown in the balance sheet under 'Other Long-Term Liabilities' and short term liabilities of £1,108k (2018/19 £1,008k) as shown in the balance sheet under 'Other Short-Term Creditors'. Borrowings are included in the table above at their principal amounts.

30. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

| Expenditure/Income | 2019/20 | Restated 2018/19 |
|---|------------------|-----------------------------|
| £000 | £000 | £000 |
| Expenditure | | |
| Employee benefits expenses | 139,030 | 156,568 |
| Other services expenses | 261,620 | 217,944 |
| Support service recharges | 820 | 1,414 |
| Depreciaton, amortisation, impairment | 12,526 | 21,694 |
| Interest payments | 13,733 | 15,194 |
| Precepts and levies | 752 | 726 |
| Payments to Housing Capital Receipts Pool | 1,179 | 1,179 |
| Payments to Housing Capital Receipts Pool - Prior Year Repayments | 1,311 | 1,157 |
| Gain on the disposal of assets | 4,150 | 38,954 |
| Change in the value of Financial Instruments | 236 | - |
| Total Expenditure | 435,357 | 454,830 |
| Income | | |
| Customer and client receipts | (94,568) | (89,543) |
| Interest and investment income | (726) | (1,145) |
| Income from council tax and non domestic rates | (121,234) | (122,903) |
| Government grants and contributions | (166,089) | (171,690) |
| Other Operating Income | (51,117) | (33,682) |
| Change in the value of Financial Instruments | - | (2,887) |
| Total Income | (433,734) | (421,850) |
| Surplus or Deficit on the Provision of Services | 1,623 | 32,980 |

31. ACQUIRED AND DISCONTINUED OPERATIONS

All council operations are categorised as continuing operations.

32. TRADING OPERATIONS

The Council had no significant external trading operations in 19/20. 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

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 including Multi Academy Trusts (MATs). The service is also provided for a college and various other small organisations mostly in the voluntary sector.

| | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|
| Expenditure incurred providing Payroll Services | 69 | 67 |
| Fee income earned | (99) | (71) |
| Net Position | (30) | (4) |

34. ROAD CHARGING SCHEMES

There were no schemes under the Transport Act 2000 in 2019/20.

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

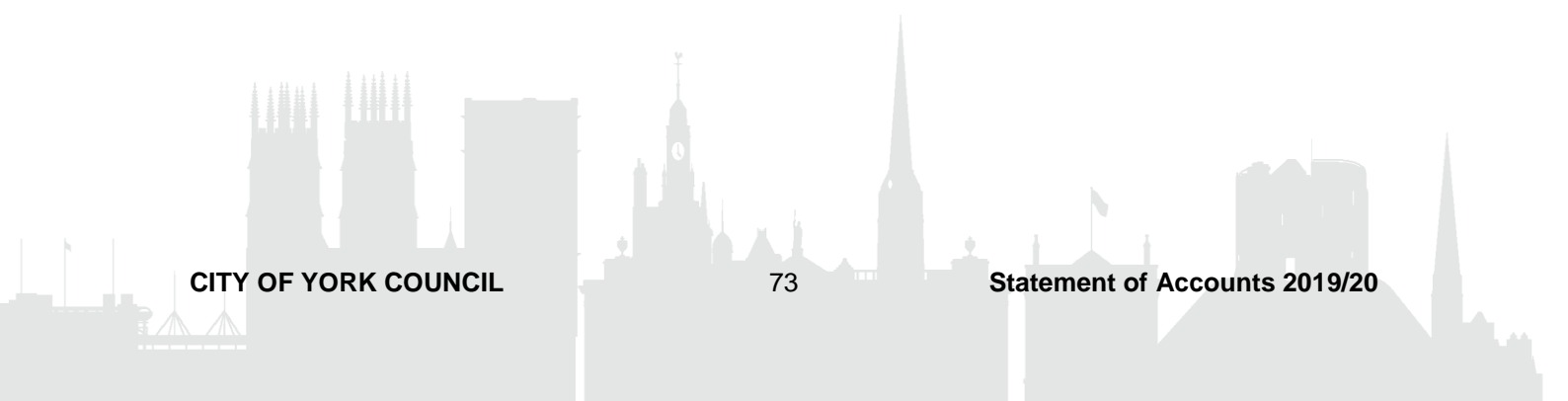
| | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|
| Contributions to the Better Care Fund | | |
| Council - Disabled Facilities Grant* | 1,294 | 1,344 |
| Council - Improved Better Care Fund Grant | 4,479 | 3,735 |
| Council - Winter pressures Grant | 732 | 732 |
| Vale of York CCG | 12,124 | 11,617 |
| | 18,629 | 17,428 |
| Expenditure met from the Better Care Fund | | |
| Council Commissioned Schemes | 10,455 | 9,560 |
| Vale of York CCG Commissioned Schemes | 8,174 | 7,868 |
| | 18,629 | 17,428 |
| Net Surplus arising on the Pooled budget during the year | - | - |

36. MEMBERS ALLOWANCES

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

| | 2019/20 | 2018/19 |
|--------------|----------------|---------|
| | £000's | £000's |
| Allowances | 750 | 639 |
| Expenses | 8 | 3 |
| Total | 758 | 642 |

DRAFT



37. OFFICERS' REMUNERATION

The Accounts and Audit Regulations (2015) requires authorities to include a note of the remuneration and the relevant authority's contribution to the person's pension of senior officers in respect of their employment by the relevant authority, whether on a permanent or temporary basis. Senior Officers are required to be listed individually and identified by way of job title only (except for persons whose salary is £150,000 or more per year, who must also be identified by name).

In addition, authorities must include in their statement of accounts, a note of the number of other employees in the financial year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £5,000 starting with £50,000.

The remuneration paid to the Council's senior employees in 2019/20 was:

| | Notes | Salary, fees and allowances ¹ £ | Expenses ² £ | Compensation for loss of office £ | Total excluding employer's pension contribution ³ £ | Employer's pension contribution £ | Total Remuneration Package £ |
|---|-------|---|----------------------------|--------------------------------------|---|--------------------------------------|---------------------------------|
| Chief Executive - Mary Weastell | A | 193,444 | 213 | - | 193,657 | 29,285 | 222,942 |
| Deputy Chief Executive & Director Customer & Corporate Services | B | 128,150 | 67 | - | 128,217 | 27,168 | 155,385 |
| Corporate Director Economy & Place | | 109,275 | - | - | 109,275 | 23,166 | 132,441 |
| Corporate Director Children, Education & Communities | | 109,275 | - | - | 109,275 | 23,166 | 132,441 |
| Corporate Director Health, Housing & Adult Social Care | | 109,268 | 152 | - | 109,420 | 23,165 | 132,585 |
| Director of Public Health | | 105,777 | - | - | 105,777 | 22,425 | 128,202 |
| Interim Assistant Director - Legal & Governance | C | 99,230 | - | - | 99,230 | 20,822 | 120,052 |
| Director of Governance | D | 27,564 | - | - | 27,564 | 5,844 | 33,408 |
| Head of Corporate Finance & Commercial Procurement Manager | E | 71,092 | 75 | - | 71,167 | 15,071 | 86,238 |
| Head of Corporate Policy and City Partnerships | | 55,683 | - | - | 55,683 | 11,805 | 67,488 |
| Total | | | | | | | 1,211,182 |

1. No bonuses or benefits in kind were paid to any senior officer during the 2019/20 financial year

2. Expenses include expenses claimed during the 2019/20 financial year

3. Employer pension contributions are not payments made directly to officers, rather they are payments made directly to the relevant pension fund. The employer contribution rate for 2019/20 was 21.2%.

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes

- A) The post-holder retired on grounds of business efficiency with effect 16/03/2020. The salary, fees and allowances column includes a payment in lieu of notice totalling £35,985.00 and holiday pay on leaving totalling £19,323.50. The full costs of this departure is disclosed within the exit packages note.
- B) The post-holder was appointed as the authority's interim Head of Paid Service on 05/08/2019. The additional remuneration received for this role during 2019/20 was £18,875.61.
- C) The post-holder joined the authority 08/04/2019 and was appointed the role of interim Monitoring Officer until 16/12/2019. The post-holder left the authority 31/03/2020.
- D) The post-holder joined the authority 16/12/2019 and was appointed the role of Monitoring Officer. The annualised remuneration package for this post excluding employer pension contributions is £94,067.
- E) The post-holder was appointed as the authority's interim Section 151 Officer 05/08/2019. The additional remuneration received for this role was during 2019/20 was £5,408.71. The post-holder also receives a market supplement allowance of £9,999.96.

The remuneration paid to the authority's senior employees during 2018/19 was:

| | Notes | Salary, fees and allowances ¹ £ | Expenses ² £ | Compensation for loss of office £ | Total excluding employer's pension contribution ³ £ | Employer's pension contribution £ | Total Remuneration Package £ |
|--|-------|---|----------------------------|--------------------------------------|---|--------------------------------------|---------------------------------|
| Chief Executive | | 140,468 | 207 | - | 140,675 | 29,779 | 170,454 |
| Deputy Chief Executive & Director Customer & Corporate Services | | 107,132 | - | - | 107,132 | 22,712 | 129,844 |
| Corporate Director Economy & Place | | 106,144 | - | - | 106,144 | 22,503 | 128,647 |
| Corporate Director Children, Education & Communities (Officer 1) | A | 57,362 | 50 | - | 57,412 | 12,161 | 69,573 |
| Corporate Director Children, Education & Communities (Officer 2) | B | 35,135 | - | - | 35,135 | 7,449 | 42,584 |
| Corporate Director Health, Housing & Adult Social Care (Officer 1) | C | 43,486 | 228 | - | 43,714 | 9,219 | 52,933 |
| Corporate Director Health, Housing & Adult Social Care (Officer 2) | D | 16,906 | - | - | 16,906 | 3,584 | 20,490 |
| Director of Public Health | | 107,224 | - | - | 107,224 | 21,836 | 129,060 |
| Assistant Director Legal & Governance | E | 78,104 | - | - | 78,104 | 16,558 | 94,662 |
| Head of Corporate Policy and City Partnerships | | 54,591 | 36 | - | 54,627 | 11,573 | 66,200 |
| Total | | | | | | | 904,447 |

1. No bonuses or benefits in kind were paid to any senior officer during the 2018/19 financial year
2. Expenses include expenses claimed during the 2018/19 financial year

NOTES TO THE CORE FINANCIAL STATEMENTS

3. Employer pension contributions are not payments made directly to officers, rather they are payments made directly to the relevant pension fund. The employer contribution rate for 2018/19 was 21.2%.

Notes

- A) The post-holder left the authority 23/09/2018.
- B) The post-holder joined the authority 03/12/2018.
- C) The post-holder left the authority 27/08/2018.
- D) The post-holder joined the authority 04/02/2019.
- E) A redundancy hearing was held 28/03/2019 and the post-holder was made redundant 30/06/2019. The full costs of this departure is disclosed within the exit packages note

Other Officers' Remuneration

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

| Remuneration band | 2019/20 | | 2018/19 | |
|---------------------|-------------|-----------|-------------|-----------|
| | Non-Schools | Schools | Non-Schools | Schools |
| £50,000 - £54,999 | 29 | 19 | 34 | 20 |
| £55,000 - £59,999 | 31 | 16 | 6 | 13 |
| £60,000 - £64,999 | 4 | 9 | 10 | 10 |
| £65,000 - £69,999 | 2 | 5 | 0 | 5 |
| £70,000 - £74,999 | 1 | 2 | 0 | 1 |
| £75,000 - £79,999 | 7 | 1 | 5 | 1 |
| £80,000 - £84,999 | 1 | 1 | 2 | 2 |
| £85,000 - £89,999 | 0 | 2 | 0 | 1 |
| £100,000 - £104,999 | 0 | 2 | 0 | 1 |
| Total | 75 | 57 | 57 | 54 |

Exit packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below:

| Exit package cost band (including special payments) | (a) | | (b) | | (c) | | (d) | | (e) | |
|---|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|--|------------|------|------|
| | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band [(b) + (c)] | | Total cost of exit packages in each band | | | |
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | £000 | £000 |
| £0 - £20,000 | 6 | 6 | 10 | 36 | 16 | 42 | 123 | 327 | | |
| £20,001 - £40,000 | 1 | 0 | 3 | 9 | 4 | 9 | 119 | 229 | | |
| £40,001 - £60,000 | 0 | 1 | 0 | 1 | 0 | 2 | 0 | 87 | | |
| £80,001 - £100,000 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 92 | | |
| £150,001 - £200,000 | 1 | 0 | 0 | 0 | 1 | 0 | 186 | 0 | | |
| £350,001 - £400,000 | 0 | 0 | 1 | 0 | 1 | 0 | 377 | 0 | | |
| Total | 8 | 8 | 14 | 46 | 22 | 54 | 805 | 735 | | |

The total cost of £805k (2018/19: £735k restated) in the table above includes £472k (2018/19: £588k restated) for exit packages that have been charged to the authority's comprehensive income and expenditure statement in the current year.

Corporate Management Team Restructure

The Council's Staffing Matters and Urgency (SMU) committee agreed on 11/10/2018 for the Chief Executive to commence with formal consultation on options for key changes to the Council's operating model and a refocusing of the Customer and Corporate Services Directorate. In December 2018, SMU agreed to a revised structure for Customer and Corporate Services.

On 30/06/2019 the Assistant Director Legal & Governance was made redundant with the post being deleted from the establishment. The total value of the exit package was £185,702.71 comprising of a £20,628.68 redundancy payment and pension strain costs totalling £165,074.03. The council has opted to meet the cost of the pension strain over a period of 5 years.

Following a meeting of the Staffing Matters and Urgency (SMU) committee 17/02/2020, the Chief Executive retired on grounds of business efficiency on 16/03/2020. The total value of the exit package was £377,115.23 comprising of a £24,884.37 redundancy payment, £65,779.06 ex-gratia payment, £35,985.00 payment in lieu of notice, and pension strain costs totalling £250,466.80. The council has opted to meet the cost of the pension strain over a period of 5 years. It should be noted that only the payment in lieu of notice was paid to the Chief Executive during 2019/20 with the remaining payments being paid in April 2020. All costs have been accounted for during the 2019/20 financial year.

The costs of both departures are included within the table above

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:

| | 2019/20 | 2018/19 |
|--|----------------|---------|
| | £000's | £000's |
| Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor | 78 | 78 |
| Fees payable in respect of other services provided by Mazars LLP | 19 | 30 |
| | 97 | 108 |

In 2019/20 the Council received a rebate from Public Sector Audit Appointments Ltd (£9k) in respect of the audit scale fee. The fees for other services payable in 2019/20 relate to assurance work on the Teachers' Pensions return (£5k) and certification of grants claims and returns (£12k) as well as additional work required on the 2018/19 accounts work (£3k). The fees for other services payable in 2018/19 relate to assurance work on the Teachers' Pensions return and also the final payment for work on an objection to the 2016/17 accounts.

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 2019/20 are as follows:

| | Central Expenditure £000's | Individual Schools Budget £000's | DSG Total £000's |
|--|----------------------------------|---|------------------------|
| Final DSG for 2019/20 before Academy recoupment | | | 132,224 |
| Academy figure recouped for 2019/20 | | | (59,384) |
| Total DSG after Academy recoupment for 2019/20 | | | 72,840 |
| Brought forward from 2018/19 | | | (827) |
| Carry forward to 2020/21 agreed in advance | | | - |
| DSG resources available for distribution in 2019/20 | 19,761 | 52,252 | 72,013 |
| In year adjustments | - | | - |
| Final resources available for distribution in 2019/20 | 19,761 | 52,252 | 72,013 |
| Less actual central expenditure | (24,887) | | (24,887) |
| Less actual ISB deployed to schools | | (51,991) | (51,991) |
| Plus Local Authority contribution for 2019/20 | - | - | - |
| Carry forward to 2020/21 | (5,126) | 261 | (4,865) |

40. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

| | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Demand on Collection Fund | (90,803) | (86,917) |
| Non-Domestic Rates | (30,431) | (35,986) |
| Capital Grants | (24,406) | (23,030) |
| Business Rates Retention Grant | (7,419) | (7,548) |
| CLG Flexible Homelessness | (115) | (73) |
| CLG Social Care | (6,249) | (5,341) |
| Other Government Grants | (1,872) | (3,137) |
| Other general grants | (1,378) | (695) |
| TOTAL | (162,673) | (162,727) |

Credited to Services

| | | |
|--|----------|----------|
| DFE Dedicated Schools Grant Base | (69,083) | (73,488) |
| DWP Council Tax, Housing Benefit & Admin Grant | (28,170) | (31,511) |
| DFE Other Education Funding | (6,935) | (6,144) |

| | | |
|---|------------------|------------------|
| Public Health Grant | (7,875) | (8,015) |
| New Homes Bonus | (3,689) | (3,690) |
| Pupil Premium Grant | (2,674) | (1,874) |
| Education Services Grant | (102) | (124) |
| Universal Infant Free Schools Meals - Revenue Funding | (1,023) | - |
| Trading Standards Institute Grant | (1,713) | (1,351) |
| Skills Funding Agency | (1,233) | (1,225) |
| PFI Revenue Support | (1,186) | (1,186) |
| MHCLG Planning & Flood recovery | (39) | 39 |
| Homes England | (355) | (118) |
| DFE Adoption Support Fund | (159) | (335) |
| DFT Grant | (261) | (399) |
| DWP Access to Work Grant | (234) | (177) |
| Homes Office Grants | (2,299) | |
| Other Grants | (6,595) | (3,632) |
| TOTAL | (133,625) | (133,230) |

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.

| | 2019/20 | 2018/19 |
|--|---------------|--------------|
| | £000's | £000's |
| Current Liabilities | | |
| Grants Receipts in Advance (Capital Grants) | | |
| Miscellaneous other grants (capital) | 120 | - |
| TOTAL | 120 | - |
| Grants Receipts in Advance (Revenue Grants) | | |
| MHCLG - S31 NNDR | 5,020 | - |
| MHCLG - COVID 19 Grant | 4,522 | - |
| DFT Opening Data Grant | 98 | - |
| DFE Adoption Support Fund | 126 | - |
| DFE Social Work Program | - | 3 |
| University of York | 16 | 38 |
| Skills for Care Social Worker Funding | 12 | - |
| Pupil Premium Grant | - | 499 |
| Leeds City Region | - | 167 |
| WYCA | - | 7 |
| Other | 1,794 | 392 |
| TOTAL | 11,588 | 1,106 |

41. RELATED PARTIES

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments and Grant receipts outstanding at 31 March 2020 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 2019/20 is shown in Note 36.

During 2019/20 no works and services of a significant value were commissioned from companies in which members had an interest outside of their Council responsibilities.

The Council paid grants totalling £619k to York Museums & Gallery Trust, a private Limited company (Company number 04381647) of which two Council appointed members serve as trustees. No other significant grants to voluntary organisations were paid during 2019/20 in which officers had positions on the governing body.

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 2019/20 no works and services of a significant value were commissioned from companies in which officers had an interest outside of their Council responsibilities.

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, CYT and Make it York please see Long Term Investments section of this note.

YPO (formerly known as the **Yorkshire Purchasing Organisation**) was established as a joint committee of Local Authorities in 1974 and City of York Council is one of the thirteen founder member authorities. One elected member is on the board of YPO Procurement Holdings Ltd. There is no remuneration for this role.

Other

The following are not entities that are controlled or significantly influenced by the Council. However, there are elected members on the board and therefore this additional information has been included below to enhance transparency.

York BID

A Business Improvement District is a specifically designated area where businesses within it work together to invest in services, special projects and events with the aim to increase economic development and growth. BID projects and programmes are in addition to services provided by the City of York Council and funded by an annual contribution of 1% of the rateable value from businesses that are within the BID area. The current BID term levy is based on 2010 business rates evaluation. The York BID was voted in by businesses by a 76% majority in November 2015. This establishes the BID to operate for five years requiring all businesses within the BID area (of rateable value threshold which is currently £12,500 and above) to pay the mandatory levy.

The York BID Board oversees the delivery of the BID initiatives set out in the BID business plan. As outlined in the Company Articles of Association, the Board is comprised of representatives from levy-paying business and representatives from the local authority and Make It York.

The Council collects income from ratepayers on behalf of the York BID and there are 2 Councillors on the board. There is no remuneration for these roles.

West Yorkshire Combined Authority

The WYCA brings together local councils and businesses so that everyone in the region can benefit from economic prosperity and a modern, accessible transport network. York is an associate member of the combined authority, which works closely with the private sector through the Leeds City Region Enterprise Partnership (LEP) to ensure that their work meets the needs of employers in the region. It is led by Combined Authority members and the LEP Board. The Council has one elected member on each of the following committees;

| Committee | Remuneration |
|-------------------------------|--------------|
| Board | None |
| Transport committee | £4,500 |
| Overview & scrutiny committee | £1,350 |

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), City of York Trading (a nominal £1) and Make it York (a nominal £1). The shares are included in the balance sheet at Fair value which differs to the nominal value as detailed in note 16.

Yorwaste

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% shareholding in Yorwaste Ltd. The majority shareholder is North Yorkshire County Council who hold the remaining 77.73%. The Company's profit and loss account is not included as part of the

Comprehensive Income and Expenditure Account. No dividend has been received in 2018/19 or 2017/18. Similarly, the Company's assets and liabilities are not in the Consolidated Balance Sheet.

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

The Director of Economy and Place is also a director of Yorwaste, however no remuneration is paid for this role.

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 £8.4k from Yorwaste in 2019/20 (£8k 18/19). 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. An officer of the Council is on the board. There is no remuneration for this role.

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. There is no remuneration for either of these roles.

City of York Trading was incorporated as a private company on the 18th November 2011 and the company is 100% owned by the Council. The company has a Chief Executive and a Board of Directors, made up of the Chief Executive, 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. On 30th August 2018 City of York Trading acquired Beaver Employment Limited, a company which specialises in placing supply teachers and support staff into education establishments and has been trading in Yorkshire and the North East for over 30 years. The newly acquired business has been integrated into the WorkwithSchools division.

Make it York is a company limited by shares created on 1 April 2015 and the Council is the sole shareholder. Of the 12 directors, 2 will represent the Council and these representatives are currently 2 members of the Council (2019/20). No remuneration is paid for either of these roles. In 2016/17 the ownership of Science City York and its remaining assets transferred from City of York Council to Make it York following Executive committee approval. No share capital transferred across, Make it York became the sole member and liable to contribute £1 in the event of the company being wound up

Net Value of Transactions and Balances at Year End

The net value of transactions during the year with entities the Council has a related party relationship with are as follows:

| | 2019/20 | | | 2018/19 | | |
|--------------------------|---------------|----------------|---------------|---------------|----------------|---------------|
| | Expenditure | Income | Net Exp | Expenditure | Income | Net Exp |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| City of York Trading Ltd | 7,905 | (52) | 7,853 | 8,284 | (180) | 8,104 |
| Make it York | 877 | (694) | 183 | 1,151 | (683) | 468 |
| Veritau | 591 | (31) | 560 | 607 | (28) | 579 |
| Yorwaste Ltd | 4,026 | (964) | 3,062 | 3,990 | (1,089) | 2,901 |
| York Science Park | - | - | - | 3 | - | 3 |
| Be Independent* | - | - | - | 275 | (11) | 264 |
| YPO | 44 | (252) | (208) | 48 | (247) | (199) |
| | 13,443 | (1,993) | 11,450 | 14,358 | (2,238) | 12,120 |

* Be Independent transferred back into Council operations from August 2018, therefore 2018/19 are part year figures and are only included in the tables for comparator purposes,

The following amounts were due from related parties at 31 March 2020 and are included in debtors:

| | 2019/20 | 2018/19 |
|--------------------------|------------|--------------|
| | £'000 | £'000 |
| City of York Trading Ltd | 76 | 106 |
| Make it York | 365 | 207 |
| Veritau | 15 | 9 |
| Yorwaste Ltd | 239 | 498 |
| YPO | 240 | 240 |
| | 935 | 1,060 |

The following amounts were due to related parties at 31 March 2020 and are included in creditors:

| | 2019/20 | 2018/19 |
|--------------------------|------------|--------------|
| | £'000 | £'000 |
| City of York Trading Ltd | 592 | 637 |
| Make it York | 3 | 4 |
| Yorwaste Ltd | 325 | 845 |
| YPO | 2 | 3 |
| | 922 | 1,489 |

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.

| | 2019/20 | 2018/19 |
|--|----------------|--------------------|
| | £000's | Restated £000's |
| Opening Capital Financing Requirement | 400,298 | 390,537 |
| Capital Investment | | |
| Property, Plant and Equipment | 75,912 | 72,767 |
| Investment Properties | 2,839 | 7 |
| Intangible Assets | 220 | 101 |
| Revenue Expenditure Funded from Capital under Statute | 6,736 | 4,318 |
| Investment in Equity | - | 208 |
| Sources of Finance | | |
| Capital Receipts | (9,850) | (8,098) |
| Government grants and other contributions | (33,505) | (39,872) |
| Direct revenue contributions | (7,052) | (2,870) |
| Major Repairs Reserve | (8,007) | (7,221) |
| MRP (Minimum Revenue Repayment) | (8,608) | (8,596) |
| PFI / PPP payments | (1,144) | (983) |
| Movement in Year | 17,541 | 9,761 |
| Closing Capital Financing Requirement | 417,839 | 400,298 |
| Explanations of movement in year | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 27,293 | 19,340 |
| MRP (Minimum Revenue Repayment) | (8,608) | (8,596) |
| PFI / PPP payments | (1,144) | (983) |
| Increase/ (decrease) in Capital Financing Requirement | 17,541 | 9,761 |

The Capital Financing Requirement increased in 2019/20 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 currently has no leased assets classified as finance leases, or assets acquired under these leases carried as Property, Plant and Equipment in the Balance Sheet.

Operating Leases

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

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

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

| | 31-Mar-20 | 31-Mar-19 |
|---|------------------|-----------|
| | £000's | £000's |
| Not later than one year | 612 | 766 |
| Later than one year and not later than five years | 782 | 926 |
| Later than five years | 303 | 149 |
| | 1,697 | 1,841 |

The expenditure charged (including payments for non-lease elements) in the Comprehensive Income and Expenditure Statement during the year in relation to these leases in 2019/20 was £1,171k (2018/19 828k)

Council as Lessor

Finance Leases

The Council acts as lessor for a small number of property leases. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end.

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

| | 2019/20 £000's | 2018/19 £000's |
|--|-------------------|-------------------|
| Finance lease debtor (net present value of minimum lease payments) | | |
| - Current | 7 | 7 |
| - Non-current | 140 | 146 |
| Unearned finance income | 40 | 45 |
| Gross Investment in the lease | 187 | 198 |

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 | |
|---|-------------------------------|-------------------|------------------------|-------------------|
| | 2019/20 £000's | 2018/19 £000's | 2019/20 £000's | 2018/19 £000's |
| Not later than one year | 11 | 11 | 7 | 7 |
| Later than one year and not later than five years | 55 | 55 | 37 | 36 |
| Later than five years | 122 | 132 | 103 | 111 |
| | 188 | 198 | 147 | 154 |

The minimum lease payments include rents that are contingent on events taking place after the lease was entered into. There were £0k contingent rents in relation to finance leases in 2019/20 (£0k 2018/19).

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:

| | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|
| Not later than one year | 3,237 | 3,058 |
| Later than one year and not later than five years | 8,959 | 8,236 |
| Later than five years | 47,156 | 47,756 |
| | 59,352 | 59,050 |

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 2019/20 contingent rents of £297k were receivable by the Council (2018/19 £469k)

44. PFI AND SIMILAR CONTRACTS

PFI - Schools

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

Property Plant and Equipment

Prior to 2018/19, the asset used to provide the services at two of the schools (Hob Moor Primary School and Hob Moor Oaks Special School, both on one site) was recognised on the Council's Balance Sheet, with movements in the value over the year detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12. The other 2 schools are voluntary aided where the asset does not revert back to the Council at the end of the contract. These assets are not included on the face of the Balance Sheet and the associated costs have been removed. However, on 1st May 2019 both Hob Moor schools converted to academy status. This means that, although still part of the PFI contract, these schools are no longer recognised on the councils balance sheet. All the entries have therefore been removed, with treatment now consistent with the two VA schools.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2020 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

| | Payment for Services £000's | Finance Payment £000's | Liability Repayment £000's | Total Payments £000's |
|---------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------|
| Within 1 Yr | 1,352 | 467 | 336 | 2,155 |
| Between 2 Yrs and 5 Yrs | 5,817 | 1,610 | 1,259 | 8,686 |
| Between 6 Yrs and 10 Yrs | 8,204 | 1,497 | 1,463 | 11,164 |
| Between 11 Yrs and 15 Yrs | 7,361 | 1,884 | 2,489 | 11,734 |
| Between 16 Yrs and 20 Yrs | 1,482 | 346 | 608 | 2,436 |
| Between 21 Yrs and 25 Yrs | | - | - | - |
| | 24,216 | 5,804 | 6,155 | 36,175 |

The payments made to the contractor are described as unitary payments and they have been calculated to compensate the contractor for the fair value of the services they provide.

PPP – Allerton Waste

Financial close for the Long Term Waste Services contract with AmeyCespa was achieved on 30th October 2014. Construction of the Allerton Waste Recovery Park commenced in January 2015 and the facility was completed becoming fully operational on 1st March 2018. The Council's commitments on the contract are: North Yorkshire County Council has entered into a contract with Amey Cespa and the City Council has entered into a Joint Waste Management Agreement with North Yorkshire which commits the City Council into the obligations set out in the main contract with Amey Cespa the main requirement being to provide a guaranteed minimum number of tonnes of municipal waste into the facility. Under the Joint Waste Management Agreement the City Council is responsible for paying 21% of the overall unitary charge.

The contract is to provide the services for 25 years at which time the asset transfers to the councils. The Council has therefore recognised 21% of the overall cost of the facility within its non current assets included on the Balance sheet during the year.

The Councils financial commitments under this are

| | Repayment of Liability | Interest Payments | Provision of Services | Lifecycle costs | Total |
|-------------------------|---------------------------|----------------------|--------------------------|--------------------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| less than one year | 772 | 4,249 | 2,676 | - | 7,697 |
| between 2 and 5 years | 3,302 | 15,730 | 11,647 | 767 | 31,446 |
| between 6 and 10 years | 4,359 | 16,385 | 16,724 | 3,446 | 40,914 |
| between 11 and 15 years | 6,901 | 12,767 | 19,037 | 4,238 | 42,943 |
| between 16 and 20 years | 12,873 | 6,088 | 21,676 | 4,087 | 44,724 |
| between 21 and 25 years | 11,963 | 110 | 13,347 | 688 | 26,108 |
| | 40,170 | 55,329 | 85,107 | 13,226 | 193,832 |

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

Value of PFI Assets

| | 2019/20 | | | 2018/19 | | |
|-----------------|---------|---------|---------|----------|---------|----------|
| | Schools | Waste | Total | Schools | Waste | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening Balance | - | 39,918 | 39,918 | 16,234 | 41,294 | 57,528 |
| Depreciation | - | (1,331) | (1,331) | - | (1,376) | (1,376) |
| Additions | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - |
| Disposals | - | - | - | (16,234) | - | (16,234) |
| Closing Balance | - | 38,587 | 38,587 | - | 39,918 | 39,918 |

Value of PFI Liabilities

| | 2019/20 | | | 2018/19 | | |
|---------------------|--------------|---------------|---------------|---------|--------|--------|
| | Schools | Waste | Total | Schools | Waste | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening Balance | 6,511 | 40,823 | 47,334 | 6,883 | 41,294 | 48,177 |
| Payments/Repayments | (355) | (653) | (1,008) | (372) | (471) | (843) |
| Additions | - | - | - | - | - | - |
| Closing Balance | 6,156 | 40,170 | 46,326 | 6,511 | 40,823 | 47,334 |

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 2019/20.

47. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £805k (£735k in 2018/19 restated) of which £472k (2018/19 £588k restated) has been changed to the Authority's Comprehensive Income and Expenditure Statement in the current year. See Note 37 for further details of the number of exit packages and total cost per band. This sum consists of termination benefits payable to officers across all of the Council's directorates, including the pension strain payable to the relevant pension fund where applicable. The note includes 10 exits from schools controlled by the authority.

48. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers Pension Scheme

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

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

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 | 2019/20 Total £000's | £000's | LGPS £000's | Teachers £000's | 2018/19 Restated Total £000's | £000's |
|---|----------------|--------------------|----------------------------|--------|----------------|--------------------|--|--------|
| Comprehensive Income and Expenditure Statement | | | | | | | | |
| Cost of Services | | | | | | | | |
| Current service cost | 26,185 | | 26,185 | | 20,473 | | 20,473 | |
| Past service cost | 173 | | 173 | | 6,117 | | 6,117 | |
| Administration expenses | 358 | | 358 | | 263 | | 263 | |
| (Gain) / Loss from settlements and curtailments | | | - | | | | - | |
| | 26,716 | - | 26,716 | | 26,853 | - | 26,853 | |
| Financing and Investment Income and Expenditure | | | | | | | | |
| Interest cost | 18,704 | 260 | 18,964 | | 19,217 | 288 | 19,505 | |
| Expected return on assets in the scheme | (15,824) | | (15,824) | | (15,827) | | (15,827) | |
| Net Interest expense | 2,880 | 260 | 3,140 | | 3,390 | 288 | 3,678 | |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | | | | | | | | |
| | 29,596 | 260 | 29,856 | | 30,243 | 288 | 30,531 | |
| Other Post Employment Benefit Charged to Comprehensive I&E statement | | | | | | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | 12,780 | | 12,780 | | (37,574) | | (37,574) | |
| Actuarial gains and losses arising on changes in demographic assumptions | (26,425) | (427) | (26,852) | | (32,360) | (444) | (32,804) | |
| Actuarial gains and losses arising on changes in financial assumptions | (15,665) | (158) | (15,823) | | 44,747 | 402 | 45,149 | |
| Experience gains and losses | 20,232 | (53) | 20,179 | | 1,208 | 33 | 1,241 | |
| Actuarial gains and losses | | | | | | | | |
| Gains and Losses from Disposals and Acquisitions | (1,651) | | (1,651) | | (3,408) | | (3,408) | |
| Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement | | | | | | | | |
| | (10,729) | (638) | (11,367) | | (27,387) | (9) | (27,396) | |
| Movement in Reserves statement | | | | | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (29,596) | (260) | (29,856) | | (30,243) | (288) | (30,531) | |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | | | |
| Employers' contributions payable to scheme | 15,463 | 521 | 15,984 | | 14,660 | 511 | 15,171 | |

Pensions Assets and Liabilities Recognised in the Balance Sheet

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 Restated | 2019/20 |
|---|-----------|-----------|-----------|-----------|---------------------|------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Present Value of Liabilities | | | | | | |
| Local Government Pension Scheme | 622,093 | 604,574 | 721,208 | 754,361 | 790,043 | 793,274 |
| Unfunded Teachers Pensions | 13,916 | 12,308 | 13,978 | 11,333 | 11,101 | 10,202 |
| Fair Value of Assets | | | | | | |
| Local Government Pension Scheme | (472,304) | (478,436) | (573,502) | (613,764) | (661,250) | (661,076) |
| (Surplus)/Deficit in the Scheme | | | | | | |
| Local Government Pension Scheme | 149,789 | 126,138 | 147,706 | 140,597 | 128,793 | 132,198 |
| Unfunded Teachers Pensions | 13,916 | 12,308 | 13,978 | 11,333 | 11,101 | 10,202 |
| Net liability arising from defined benefit obligation | 163,705 | 138,446 | 161,684 | 151,930 | 139,894 | 142,400 |

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

| | As at 31-Mar-20 | | As at 31-Mar-19 | |
|---------------------------------------|---------------------------------|--------------------------|---------------------------------|--------------------------|
| | Local Government Pension Scheme | Unfunded Teachers Scheme | Local Government Pension Scheme | Unfunded Teachers Scheme |
| | £000's | £000's | £000's | £000's |
| Opening fair value of scheme assets | (661,250) | - | (613,764) | - |
| Interest income | (15,824) | - | (15,827) | - |
| Re-measurement (gain) / loss | 12,780 | - | (37,574) | - |
| net increase in assets from disposals | 2,946 | - | 6,426 | - |
| Employer contributions | (15,463) | (521) | (14,660) | 511 |
| Contributions by scheme participants | (4,638) | - | (4,283) | - |
| Benefits/transfers paid | 20,373 | 521 | 18,432 | (511) |
| Closing fair value of scheme assets | (661,076) | - | (661,250) | - |

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

| | As at 31-Mar-20 | | As at 31-Mar-19 Restated | |
|--|--|--|--|--|
| | 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 | 790,043 | 11,101 | 754,361 | 11,333 |
| Current service cost | 26,543 | - | 20,736 | - |
| Interest cost | 18,704 | 260 | 19,217 | 288 |
| Contributions by scheme participants | 4,638 | - | 4,283 | - |
| Remeasurement (gains)/losses: | | | | |
| Actuarial gains and losses arising on changes in demographic assumptions | (26,424) | (427) | (32,360) | (444) |
| Actuarial gains and losses arising on changes in financial assumptions | (15,665) | (158) | 44,747 | 402 |
| Experience gains and losses net increases in liabilities from disposals | 20,232 | (53) | 1,208 | 33 |
| | (4,597) | - | (9,834) | - |
| Benefits/transfers paid | (20,373) | (521) | (18,432) | (511) |
| Past service costs | 173 | - | 6,117 | - |
| Curtailments | | | | |
| Settlements | - | - | - | - |
| Closing balance at 31 March | 793,274 | 10,202 | 790,043 | 11,101 |

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £142.4m (2018/19 £139.9m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit 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-20 | As at 31-Mar-19 |
|---|--------------------|--------------------|
| Life expectancy | | |
| Of a male future pensioner aged 65 in 20 years time | 23.5 | 23.9 |
| Of a female future pensioner aged 65 in 20 years time | 25.7 | 27.2 |
| Of a male current pensioner aged 65 | 21.8 | 22.2 |
| Of a female current pensioner aged 65 | 23.9 | 25.3 |

The following shows the inflation factors used:

| | As at 31-Mar- 20 | As at 31-Mar- 20 | As at 31-Mar- 19 | As at 31-Mar-19 |
|------------------------------|------------------------|------------------------|------------------------|--------------------|
| | % pa LGPS | % pa UTS | % pa LGPS | % pa UTS |
| Rate of Inflation | 2.0 | 2.0 | 2.2 | 2.2 |
| Rate of increase in salaries | 3.25 | N/A | 3.45 | N/A |
| Rate of increase in pensions | 2.0 | 2.0 | 2.2 | 2.2 |
| Discount rate | 2.3 | 2.3 | 2.4 | 2.4 |

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) | 25,332 | |
| Rate of inflation (increase by 0.1%) | 15,041 | |
| Rate of increase in salaries (increase by 0.1%) | 1,583 | |
| Rate of increase in pensions (increase by 0.1%) | 15,041 | |
| Rate for discounting scheme liabilities (increase by 0.1%) | | (16,624) |

Impact on the Council's Cash Flows

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 2021 is £12.9m. The weighted average duration of the defined benefit obligation for scheme members is 20 years (20 years in 2018/19).

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-20 | | As at 31-Mar-19 | |
|------------------|--------------------|-------|--------------------|-------|
| | % | £m | % | £m |
| Equities | 58.5% | 386.7 | 56.4% | 373.0 |
| Property | 7.3% | 48.3 | 8.4% | 55.5 |
| Government Bonds | 19.1% | 126.3 | 19.0% | 125.6 |
| Corporate Bonds | 0.0% | 0.0 | 0.0% | 0.0 |
| Cash | 4.1% | 27.1 | 4.9% | 32.4 |
| Other | 11.0% | 72.7 | 11.3% | 74.7 |
| Total | 100.0% | 661.1 | 100.0% | 661.2 |

50. CONTINGENT LIABILITIES

No contingent liabilities have been identified.

51. CONTINGENT ASSETS

No contingent assets have been identified.

52. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Nature and Extent of Risks Arising from Financial Instruments

The Authority’s activities expose it to a variety of financial risks:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following 5 years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Full Council on 28th February 2019 and is available on the Council website <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=10456&Ver=4> and <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=51161>

The key issues within the strategy were:

- The Authorised Limit for 2019/20 was set at £493.186m.
- The Operational Boundary for 2019/20 was set at £463.186m.
- The maximum and minimum exposures to the maturity structure of debt which are contained within this note under the 'Refinancing and Maturity Risk' section.

Risk management is carried out by a central treasury team, under policies approved by the council in the annual Treasury Management Strategy Statement.

Credit Risk

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

Investments

This risk is minimised through the Annual Investment Strategy set out in the annual Treasury Management Strategy Statement, which is available on the authority's website <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=51161>

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2019/20 was approved by Full Council on 28th February 2019 and is available on the Council's website

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=10456&Ver=4>
and <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=51161>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Councils Treasury Investments are shown below:

| | Balance at 31-Mar-20 £000 | Balance at 31-Mar-19 £000 |
|------------------------|--|---------------------------------|
| Fixed Term Investments | - | 5,000 |
| Notice Accounts | - | - |
| Money Market Funds | - | 34,000 |
| Total | - | 39,000 |

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £0.000m (£39.000m in 2018/19) cannot be assessed collectively as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise.

There were no circumstances known as at 31/03/20 that would require impairment on any investments.

Long Term debtors

The Council has long term debtors of £5.170m (£5.288m in 2018/19), further details can be found at Note 20.

When assessing impairment and Expected Credit Loss for long term debtors and loans to third parties the long term debtor's loan agreements and individual debtor records are assessed as well as taking into account current known facts and circumstances regarding the individual debt.

There was no evidence at 31 March 2020 that indicated any long term debt was credit impaired and Expected Credit Loss was deemed to be low, therefore no Expected Credit Loss was made.

Short term debtors

Trade receivables form part of the Council's short term debtors. The Council does not generally allow credit for its invoiced trade receivables, such that £8.206m of the £36.216m short term trade receivables debtors balance is past its due date for payment in 2019/20 (£6.103m of the £31.232m (restated) in 2018/19). A balance is past its due date if it is over 28 days old. The past due date amounts can be analysed by age as follows

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--------------------|--|-----------------------------------|
| Less than 3 months | 3,097 | 1,822 |
| 3 to 6 months | 974 | 979 |
| 6 months to 1 year | 1,339 | 1,133 |
| More than 1 year | 2,796 | 2,169 |
| Total | 8,206 | 6,103 |

When assessing impairment and Expected Credit Loss, debtors are assessed collectively rather than individually using the simplified approach allowable under IFRS 9 for short term receivables. The Council makes an annual bad debt provision and at 31 March 2020 the Council's total bad debt provision was £7.724m (£7.916m at 31 March 2019) for all short term debtors. Further details on short term debtors and bad debt provision can be found at Note 19 and in the table below showing exposure to credit risk for trade receivables.

Bad debts are written off in line with the Council's bad debt policy as outlined in its Financial Regulations within the Constitution. During the year, the authority wrote off financial assets with a contractual amount outstanding of £0.223m (£0.077m in 2018/19).

Amounts Arising from Expected Credit Losses and Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2020:

The authority has the following exposure to credit risk at 31 March 2020:

| Financial Instrument Type | Credit Rating | Gross Carrying Amount | Gross Carrying Amount | Total Expected Credit Loss | Total Expected Credit Loss | Change in Expected Credit Loss from previous year |
|--|---------------|-----------------------|-------------------------------|----------------------------|-------------------------------|---|
| | | 31-Mar-20 £000 | 31-Mar-19 Restated £000 | 31-Mar-20 £000 | 31-Mar-19 Restated £000 | |
| Investments | AAA | - | 34,000 | - | - | - |
| Investments | A | - | 5,000 | - | - | - |
| Loans to third parties | Not Rated | 1,816 | 1,920 | - | - | - |
| Finance lease receivables | Not Rated | 186 | 192 | - | - | - |
| PFI | Not Rated | 3,168 | 3,176 | - | - | - |
| Short term debtors – Trade Receivables | Not Rated | 36,216 | 31,232 | (3,026) | (3,021) | (5) |

Note 1 – As per the CIPFA code, equity instruments designated into the category of Fair value through other comprehensive income are not within the scope of impairment.

Note 2 – Short term debtors in the above table includes trade receivables and any provision for write off against these. It excludes prepayments and statutory amounts and any provision for write off against these. Further details on short term debtors can be found at Note 19.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

| | Balance at 31 March 2020 £000 | Balance at 31 March 2019 £000 |
|--------------------------------|--|--|
| Interest Due within one year | (1,698) | (3,698) |
| Maturing within one year | (10,000) | (6,000) |
| Maturing in 1 - 2 years | (7,000) | (10,000) |
| Maturing in 2 - 5 years | (24,315) | (16,015) |
| Maturing in 5 - 10 years | (63,200) | (63,600) |
| Maturing in more than 10 years | (151,950) | (146,850) |
| Carrying Value Adjustment | 680 | 731 |
| Total | (257,483) | (245,432) |

Note 3 – The Councils LOBO loan is shown at its maturity date not the next call date in the above table. The Councils WYCA loan is shown at its principal amount.

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

| | Interest Rates Payable | Balance at 31 March 2020 £000 | Balance at 31 March 2019 £000 |
|---|---------------------------------------|--|--|
| Public Works Loan Board (PWLB) | 2.760% | | |
| | to | | |
| | 4.750% | (249,115) | (235,115) |
| PWLB (Carrying Value Adjustment) | | 680 | 731 |
| Dexia Bank LOBO | 3.880% | (5,000) | (5,000) |
| WYCA | 0.000% | (2,350) | (2,350) |
| Interest Owed on Long Term Debt at 31st March | | (1,698) | (3,698) |
| Total | | (257,483) | (245,432) |

All trade payables of £24.587m (£31.401m (restated) in 2018/19) are due to be paid in less than one year and are not shown in the table above. Further details for short term creditors can be found in Note 23.

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 Full Council on 28th February 2019 in the Treasury Management Strategy and is available on the Council's website

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=10456&Ver=4>
and <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=51161>

| | Approved Minimum Limits at 31-Mar-20 % | Approved Maximum Limits at 31-Mar-20 % | Authority Actual at 31-Mar-20 £000's | Authority Actual at 31-Mar-20 % | Authority Actual at 31-Mar-19 £000's | Authority Actual 31-Mar-19 % |
|---------------------------|--|--|---|--|---|---------------------------------------|
| Less than 1 year | - | 30 | (10,000) | 3.90% | (6,000) | 2.47% |
| Between 1 and 2 years | - | 30 | (7,000) | 2.73% | (10,000) | 4.12% |
| Between 2 and 5 years | - | 40 | (24,315) | 9.48% | (16,015) | 6.61% |
| Between 5 and 10 years | - | 40 | (63,200) | 24.64% | (63,600) | 26.23% |
| More than 10 years | 30 | 90 | (151,950) | 59.25% | (146,850) | 60.57% |
| Total | | | (256,465) | 100.00% | (242,465) | 100.00% |

Note 4 – This table shows the principal loan amount outstanding excluding interest. The Councils LOBO loan is shown at its maturity date not the next call date in the above table. The Councils WYCA loan is shown at its principal amount.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rate would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council’s prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. 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:

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|---|--|-----------------------------------|
| Increase in interest payable on variable rate investments borrowings | - | - |
| Increase in interest receivable on variable rate investments | - | (390) |
| Impact on Surplus or Deficit on the Provision of Services | - | (390) |
| Decrease in fair value of fixed rate investment assets | - | - |
| Impact on Other Comprehensive Income and Expenditure | - | - |
| Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure) | (72,863) | (54,972) |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However, it does have shareholdings to the value of £5.271m (£5.507m in 2018/19) in a

number of equity investments detailed further in Note 16 to the Statement of Accounts. Whilst these holdings are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

These shareholdings have arisen due to specific service or strategic objectives; the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. In line with the Council's accounting policy for these types of investments the shares have all been designated as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £0.264m (£0.275m in 2018/19) gain or loss being recognised in the Financial Instrument Revaluation Reserve.

Foreign Exchange Risk

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

DRAFT



53. EXPENDITURE AND FUNDING ANALYSIS (EFA)

| 2018/19 | | | 2019/20 | | | |
|---|--|---|--|---|--|---|
| Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 36,537 | (10,566) | 25,971 | Customer and Support Services | 25,657 | 7,456 | 33,113 |
| 21,598 | 7,603 | 29,201 | Childrens and Education Services | 20,107 | 6,706 | 26,813 |
| 5,069 | 621 | 5,690 | Communities and Equalities | 6,160 | (159) | 6,001 |
| 6,566 | (16,194) | (9,628) | Housing Revenue Account | (2,606) | (8,087) | (10,693) |
| 56,481 | 2,824 | 59,305 | Adult Social Care | 61,020 | 2,352 | 63,372 |
| 504 | 1,375 | 1,879 | Housing and Community Safety | 361 | 4,533 | 4,894 |
| (3,009) | 421 | (2,588) | Public Health | (619) | 1,153 | 534 |
| 16,544 | 10,188 | 26,732 | Economy and Place | 20,605 | (155) | 20,450 |
| 140,290 | (3,728) | 136,562 | Net Cost of Services | 130,685 | 13,799 | 144,484 |
| (135,172) | 26,091 | (109,081) | Other Income and Expenditure | (132,455) | (10,406) | (142,861) |
| 5,118 | 22,363 | 27,481 | Surplus or Deficit | (1,770) | 3,393 | 1,623 |
| (40,351) | | | Opening General Fund and HRA Balance | (34,612) | | |
| 5,118 | | | Surplus or Deficit | (1,770) | | |
| 621 | | | Transfer of underspend 2018/19 to Contingency | 139 | | |
| (34,612) | | | Closing General Fund and HRA Balance at 31 March 2020 | (36,243) | | |

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 | | | | 2019/20 | | | | |
|--|---|---------------------------|---------------------------|--|--|---|---------------------------|---------------------------|
| 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 |
| (1,844) | 2,174 | (10,896) | (10,566) | Customer and Support Services | 2,775 | 3,398 | 1,283 | 7,456 |
| 4,100 | 1,397 | 2,106 | 7,603 | Childrens and Education Services | 153 | 2,455 | 4,098 | 6,706 |
| - | - | 621 | 621 | Communities and Equalities | - | 4 | (163) | (159) |
| 8,031 | 239 | (24,464) | (16,194) | Housing Revenue Account | 9,232 | 475 | (17,794) | (8,087) |
| 998 | 844 | 982 | 2,824 | Adult Social Care | 614 | 1,481 | 257 | 2,352 |
| 94 | 416 | 865 | 1,375 | Housing and Community | | | | |
| 639 | 48 | (266) | 421 | Safety | 2 | 729 | 3,802 | 4,533 |
| 9,435 | 1,066 | (313) | 10,188 | Public Health | 584 | 315 | 254 | 1,153 |
| 21,453 | 6,184 | (31,365) | (3,728) | Economy and Place | 308 | 1,877 | (2,340) | (155) |
| | | | | Net Cost of Services | 13,668 | 10,734 | (10,603) | 13,799 |
| | | | | Other Income and Expenditure from the Expenditure and Funding Analysis | 12,979 | 3,140 | (26,525) | (10,406) |
| 46,481 | 3,678 | (24,068) | 26,091 | Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 26,647 | 13,874 | (37,128) | 3,393 |
| 67,934 | 9,862 | (55,433) | 22,363 | | | | | |

SUPPLEMENTARY STATEMENTS

DRAFT



HOUSING REVENUE ACCOUNT

DRAFT



Income and Expenditure Statement:

| | Note | 2019/20 £000's | 2018/19 (Restated) £000's |
|--|------|-------------------|---------------------------------|
| Income | | | |
| Dwellings Rents | (3) | (30,923) | (30,923) |
| Non-dwelling rents | | (373) | (341) |
| Charges for Services and Facilities | | (1,168) | (1,188) |
| Contributions Towards Expenditure | | (4,159) | (741) |
| Total Income | | (36,623) | (33,194) |
| Expenditure | | | |
| Repairs and maintenance | | 6,943 | 6,225 |
| Supervision and management | | 9,019 | 8,333 |
| Rents, Rates, Taxes and Other Charges | | 419 | 396 |
| Depreciation, impairment and revaluation losses of non-current assets | (6) | 9,242 | 8,381 |
| Debt Management Costs | | 58 | 54 |
| Movement in the allowance for bad debts | (4) | 249 | 176 |
| Total Expenditure | | 25,930 | 23,560 |
| Net Cost of Services included in the Comprehensive Income and Expenditure Statement | | (10,693) | (9,634) |
| Share of Corporate Costs | | | |
| HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services | | (19) | (6) |
| Net Cost of HRA Services | | (10,712) | (9,634) |
| HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement: | | | |
| Payments to the Government Housing Capital Receipts pool | | 1,179 | 1,179 |
| Payments to the Government Housing Capital Receipts pool - prior year repayments | | 1,311 | 1,157 |
| (Gain) or loss on sale of HRA non-current assets | | (1,461) | (1,552) |
| Interest payable and similar charges | | 4,547 | 4,518 |
| Interest and investment income | | (554) | (559) |
| Pensions interest cost and expected return on pension assets | (5) | 122 | 120 |
| Capital grants and contributions receivable | | (1,563) | (452) |
| (Surplus)/Deficit on Provision of Services | | (7,131) | (5,223) |

Movement in Reserves:

| | 2019/20 | | 2018/19 | |
|---|----------------|-----------------|----------------|-----------------|
| | £000's | £000's | £000's | £000's |
| Balance on the HRA at the end of the previous year | | (24,497) | | (29,420) |
| (Surplus)/Deficit for the year on the HRA Income and Expenditure Statement | (7,131) | | (5,223) | |
| Adjustments between accounting basis & funding basis under regulations | | | | |
| Depreciation and impairment charges | (9,231) | | (8,031) | |
| Capital grants applied in year | 5,373 | | 832 | |
| Non-current assets written off | (6,907) | | (5,204) | |
| Capital Expenditure funded by the HRA | 6,958 | | 2,227 | |
| Income from non-current asset sales | 8,368 | | 6,757 | |
| Transfer from Capital Receipts Reserve | (2,566) | | (2,371) | |
| Transfer to Capital Receipts Reserve | | | | |
| Depreciation costs met by MRR | 8,380 | | 7,999 | |
| Retirement benefits | 1,115 | | 725 | |
| Pension payments | (1,712) | | (1,084) | |
| Net Increase/Decrease before Transfers to or from reserves | 2,647 | - | (3,373) | - |
| Transfers to/(from) reserves | (4,550) | | 8,296 | |
| (Increase)/Decrease in Year on the HRA | | (1,903) | | 4,923 |
| Balance on the HRA at the end of the current year | | (26,400) | | (24,497) |

1. SIGNIFICANCE OF THE STATUTORY HOUSING REVENUE ACCOUNT

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

There is a surplus of £7.131m (2018/19 surplus of £5.223m) on the Housing Revenue Account Income and Expenditure Account, this reduces to a surplus of £1.903m (2018/19 deficit of £4.923m) for the year on the Statutory Housing Revenue Account.

2. LEGISLATIVE BACKGROUND

The Housing Revenue Account (HRA) shows the major elements of housing revenue expenditure to reflect the Council's activities as landlord: maintenance, administration and capital financing costs, and how these are met by rents and other income. There is also a statutory requirement to show revenue financing of any HRA capital expenditure within the account.

The Local Government and Housing Account 1989 sets out the framework for ring-fencing the HRA, thereby preventing rents being subsidised from the general income of the Council and vice versa.

3. GROSS RENTS

Gross rental income is the total amount due for the year before the allowance for voids of £490k (2018/19 £501k) which represents 1.56% (2018/19 1.6%) of the gross rental income including charges for services. The average weekly rent for 2019/20 was £77.51 compared to £78.27 in 2018/19.

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

| | 2019/20 £000's | 2018/19 Restated £000's |
|---|-------------------|-------------------------------|
| Rents due from Tenants | (19,842) | (18,204) |
| Rents remitted by Rent Rebates through the Housing Benefit System | (11,571) | (13,220) |
| Total Gross Rental Income | (31,413) | (31,424) |
| Less void loss | 490 | 501 |
| Net Dwelling Rental Income | (30,923) | (30,923) |

The Council was responsible for managing 7,572 dwellings at 31 March 2020. In addition a further 245 properties were managed on behalf of a Housing Association and 42 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 follows:

| | 2019/20 | 2018/19 (Restated) |
|------------------------------|--------------|-----------------------|
| Houses | 3,573 | 3,615 |
| Bungalows | 480 | 474 |
| Flats, Bedsits & Maisonettes | 3,449 | 3,467 |
| Hostel Places | 39 | 39 |
| Shared Ownership* | 31 | 12 |
| | 7,572 | 7,607 |

*This is the total number of properties in which the Council holds an equity share - the retained proportion of each property will vary.

The changes in the HRA dwelling stock within the year can be summarised as follows:

| | 2019/20 | 2018/19 (Restated) |
|--|--------------|-----------------------|
| Stock at 31st March | 7,607 | 7,660 |
| Dwelling Sales | (59) | (64) |
| Additions to Council dwelling stock | 7 | 3 |
| Additions to Shared ownership stock | 19 | 10 |
| Held for Demolition | - | (2) |
| Re-categorised to HRA non-dwelling stock | (2) | - |
| | 7,572 | 7,607 |

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 2019/20 rent arrears as a proportion of gross rent income have increased from 3.54% of the amount due to 4.09%. The rent arrears figures are as follows:

| | | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|-------------------|
| Arrears at 31 March | - Current tenants | 1,035 | 880 |
| | - Former tenants | 231 | 216 |
| Amounts Written Off during the Year | | 113 | 236 |
| Increased/(Reduced) Provision during the Year | | 243 | 172 |
| Provision for Bad and Doubtful Debts | | 824 | 693 |

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

| | 2019/20 | 2018/19 |
|--|--------------|--------------|
| | % | % |
| Dwelling rent arrears as a % of gross rent debit | | |
| - Current tenants | 3.35% | 2.85% |
| - Former tenants | 0.74% | 0.70% |
| | 4.09% | 3.54% |

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

| | 2019/20 | 2018/19 |
|---|---------|---------|
| | £000's | £000's |
| Arrears at 31 March | 23 | 27 |
| Amounts Written Off during the Year | (1) | (8) |
| Increased/(Reduced) Provision during the Year | 7 | 4 |
| Provision for Bad and Doubtful Debts | 29 | 23 |

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:

| | 2019/20 | | 2018/19 | |
|---|---------|--------------|---------|------------|
| | £000's | £000's | £000's | £000's |
| Income and Expenditure Account Entries | | | | |
| Net Cost of HRA Services | | | | |
| Current service cost | 1,115 | | 725 | |
| Past service cost | 7 | | 22 | |
| Administration Expenses | 16 | | 9 | |
| Curtailment Cost | - | | - | |
| | | 1,138 | | 756 |
| Financing and Investment Income and Expenditure | | | | |
| Interest cost | 796 | | 680 | |
| Expected return on assets in the scheme | (674) | | (560) | |
| | | 122 | | 120 |
| Net Charge to the Income and Expenditure Account | | 1,260 | | 876 |

Statement of Movement on the Housing Revenue Account Balance Entries

| | | |
|---|----------------|---------|
| Reversal of net charges made for retirement benefits | | |
| Contribution to/(from) Pensions Reserve | (1,712) | (1,084) |
| Actual amount charged to the Housing Revenue Account for Pensions in the year | 664 | 933 |

6. CONTRIBUTION TO/(FROM) MAJOR REPAIRS RESERVE (MRR)

Councils are required by an amendment to the Accounts and Audit Regulations 1996, to establish and maintain an MRR. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets.

Councils are also able to charge capital expenditure directly to the reserve. The following table shows the depreciation charged during the year:

| | 2019/20 | 2018/19 |
|---|----------------|---------------|
| | £000's | £000's |
| Dwellings | 7,928 | 7,518 |
| Other Land and Buildings | 432 | 336 |
| Intangible assets | 23 | 38 |
| Plant, Vehicles & Equipment | 19 | - |
| Infrastructure | 1 | 1 |
| | 8,403 | 7,893 |
| Reversal of Revaluation loss/Impairment | 839 | 9,668 |
| | 9,242 | 17,561 |

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:

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £000's | £000's |
| Balance at 1 April | (4,346) | (3,568) |
| Depreciation on HRA dwellings | (7,928) | (7,616) |
| Depreciation on other HRA assets | (452) | (383) |
| Capital expenditure on houses within the HRA charged to the reserve | 8,006 | 7,221 |
| Balance at 31 March | (4,720) | (4,346) |

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:

2019/20 Movement of Property, Plant and Equipment

| | Council dwellings £000's | Other land and buildings £000's | Vehicles, plant & furniture & equipment £000's | Infra-structure Assets £000's | Communi-ty Assets £000's | Surplus £000's | Assets under Cons-truction £000's | Total Property, plant & Equipment £000's |
|--|-----------------------------|------------------------------------|---|----------------------------------|-----------------------------|-------------------|--------------------------------------|---|
| Cost or Valuation (GCA) | | | | | | | | |
| At 1 April 2019 | 461,616 | 11,695 | 185 | 42 | - | 84 | 11,471 | 485,093 |
| Additions | 9,406 | 6,060 | 104 | - | - | - | 13,210 | 28,780 |
| Acc Dep & Imp WO to GCA | (7,616) | (424) | - | - | - | - | - | (8,040) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 21,146 | 1,838 | - | - | - | 286 | - | 23,270 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 9 | (862) | - | - | - | - | (11) | (864) |
| Derecognition - Disposals | (3,723) | (2,694) | - | - | - | (491) | - | (6,908) |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - |
| Other movements in Cost or Valuation | 720 | 3,171 | - | - | - | 209 | 3,250 | 7,350 |
| At 31 March 2020 | 481,558 | 18,784 | 289 | 42 | - | 88 | 27,920 | 528,681 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2019 | (7,616) | (10) | (1) | (8) | - | - | - | (7,635) |
| Depreciation Charge for 2019/20 | (7,928) | (433) | (19) | (1) | - | - | - | (8,381) |
| Acc. Depreciation WO to GCA | 7,616 | 424 | - | - | - | - | - | 8,040 |
| Other movements in Depreciation and Impairment | - | - | - | - | - | - | - | - |
| At 31 March 2020 | (7,928) | (19) | (20) | (9) | - | - | - | (7,976) |
| Net Book Value | | | | | | | | |
| At 31 March 2020 | 473,630 | 18,765 | 269 | 33 | - | 88 | 27,920 | 520,705 |
| At 31 March 2019 | 454,000 | 11,685 | 184 | 34 | - | 84 | 11,471 | 477,458 |

2018/19 Movement of Property, Plant and Equipment

| | Council dwellings £000's | Other land and buildings £000's | Vehicles, plant furniture & equipment £000's | Infra-structure Assets £000's | Communi-ty Assets £000's | Surplus £000's | Assets under Cons-truction £000's | Total Property, plant & Equipment £000's |
|--|-----------------------------|------------------------------------|---|----------------------------------|-----------------------------|-------------------|--------------------------------------|---|
| Cost or Valuation (GCA) | | | | | | | | |
| At 1 April 2018 | 458,837 | 7,523 | 7 | 42 | - | 19 | 9,075 | 475,503 |
| Additions | 8,848 | 1,881 | 178 | - | - | - | 4,247 | 15,154 |
| Acc Dep & Imp WO to GCA | (7,518) | (372) | - | - | - | - | - | (7,890) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 4,131 | 1,544 | - | - | - | 3 | - | 5,678 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services Derecognition - Disposals | (9) | 7 | - | - | - | - | (341) | (343) |
| Assets reclassified (to)/from Held for Sale | - | 1,817 | - | - | - | - | - | 1,817 |
| Other movements in Cost or Valuation | 1,510 | (62) | - | - | - | 62 | (1,510) | - |
| At 31 March 2019 | 461,616 | 11,695 | 185 | 42 | - | 84 | 11,471 | 485,093 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2018 | (7,518) | - | - | (7) | - | - | - | (7,525) |
| Depreciation Charge for 2018/19 | (7,616) | (382) | (1) | (1) | - | - | - | (8,000) |
| Acc. Depreciation WO to GCA | 7,518 | 372 | - | - | - | - | - | 7,890 |
| Other movements in Depreciation and Impairment | - | - | - | - | - | - | - | - |
| At 31 March 2019 | (7,616) | (10) | (1) | (8) | - | - | - | (7,635) |
| Net Book Value | | | | | | | | |
| At 31 March 2019 | 454,000 | 11,685 | 184 | 34 | - | 84 | 11,471 | 477,458 |
| At 31 March 2018 | 451,319 | 7,523 | 7 | 35 | - | 19 | 9,075 | 467,978 |

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 £475.67m (2018/19 £456.96m) on the balance sheet. The vacant possession value of the council dwellings at 1 April 2019 was £1,131.095m (2018/19 £1,086.869m). The difference between vacant possession value and balance sheet value of dwellings shows the economic cost of providing council housing at less than market rents.

9. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The capital expenditure to be financed in 2019/20 is £28.779m (2018/19 15.154m). The analysis of the expenditure and the sources of financing used are set out in the following table

| | 2019/20 | | | | 2018/19 | | | |
|----------------------------------|---------------------|---------------------|-----------------------|-----------------|---------------------|---------------------|-----------------------|-----------------|
| | Dwellings £000's | Equipment £000's | Intangibles £000's | Total £000's | Dwellings £000's | Equipment £000's | Intangibles £000's | Total £000's |
| Total capital expenditure | 28,594 | 1 | 184 | 28,779 | 15,061 | 36 | 57 | 15,154 |
| Financing | | | | | | | | |
| Capital Receipts | (8,431) | | | (8,431) | (4,524) | | | (4,524) |
| Major Repairs Reserve | (8,007) | | | (8,007) | (7,221) | | | (7,221) |
| Grants Revenue | (1,454) | | | (1,454) | (425) | | | (425) |
| Contributions Other | (6,784) | (1) | (184) | (6,969) | (2,484) | (36) | (57) | (2,577) |
| Contributions | (3,918) | | | (3,918) | (407) | | | (407) |
| | (28,594) | (1) | (184) | (28,779) | (15,061) | (36) | (57) | (15,154) |

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:

| | 2019/20 | | | 2018/19 | | |
|--|---------------------|----------------------|----------------|---------------------|----------------------|----------------|
| | Council | Other | Total | Council | Other | Total |
| | Dwellings £000's | Properties £000's | | Dwellings £000's | Properties £000's | |
| Sales proceeds | (5,127) | (3,197) | (8,324) | (5,044) | (1,672) | (6,716) |
| less: administrative costs | 75 | | 75 | 78 | | 78 |
| Net proceeds | (5,052) | (3,197) | (8,249) | (4,966) | (1,672) | (6,638) |
| Right to buy discount repaid | (44) | | (44) | (41) | | (41) |
| Mortgage principal repaid | | | | | | |
| | (5,096) | (3,197) | (8,293) | (5,007) | (1,672) | (6,679) |
| of which: | | | | | | |
| Usable | (3,917) | (3,197) | (7,114) | (3,828) | (1,672) | (5,500) |
| Payable to Housing Pooled Capital Receipts | (1,179) | | (1,179) | (1,179) | | (1,179) |
| | (5,096) | (3,197) | (8,293) | (5,007) | (1,672) | (6,679) |

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:

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £000's | £000's |
| Balance 1 April | 40 | 40 |
| Additions | - | - |
| Disposals | - | - |
| Net gain or loss on Fair Value | 25 | - |
| Transfers: | | |
| - To / From Property, Plant & Equipment | (25) | - |
| Balance 31 March | 40 | 40 |

12. ASSETS HELD FOR SALE

The following table summarises the movement in HRA assets held for sale over the year:

| | 2019/20 | 2018/19 |
|--|----------------|---------|
| | £000's | £000's |
| Description | | |
| Balance outstanding at Start of Year | - | 2,194 |
| Assets newly classified as Held for Sale : | | |
| Property, Plant and Equipment | - | (1,817) |
| Assets Sold | - | (377) |
| Balance outstanding at End of Year | - | - |

DRAFT

COLLECTION FUND

DRAFT



INCOME AND EXPENDITURE ACCOUNT

| | Note | 2019/20 Business Rates £000 | 2019/20 Council Tax £000 | 2019/20 Total £000 | 2018/19 Total £000 |
|--|------|--------------------------------------|-----------------------------------|--------------------------|--------------------------|
| Income | | | | | |
| Council Tax Receivable | 2 | | (112,367) | (112,367) | (107,065) |
| Business Rates Receivable | 3 | (103,863) | | (103,863) | (102,694) |
| Total Income | | (103,863) | (112,367) | (216,230) | (209,759) |
| Expenditure | | | | | |
| Apportionment of Prior Year Surplus | | | | | |
| Central Government | | (56) | | (56) | (328) |
| City of York Council | | 4,274 | 500 | 4,774 | 1,305 |
| North Yorkshire Police & Crime Commissioner | | | 90 | 90 | 287 |
| North Yorkshire Fire & Rescue Authority | | 42 | 27 | 69 | 80 |
| | | 4,260 | 617 | 4,877 | 1,344 |
| Precepts, Demands and Shares | | | | | |
| Central Government | | 25,212 | | 25,212 | - |
| City of York Council | | 74,626 | 90,066 | 164,692 | 185,296 |
| Parish Councils | | | 752 | 752 | 725 |
| North Yorkshire Police & Crime Commissioner | | | 17,317 | 17,317 | 15,522 |
| North Yorkshire Fire & Rescue Authority | | 1,008 | 4,825 | 5,833 | 5,618 |
| | | 100,846 | 112,960 | 213,806 | 207,161 |
| Disregarded amounts - Enterprise Zone growth | | | | | |
| | | 20 | | 20 | 383 |
| Charges to Collection Fund | | | | | |
| Write Offs | | | (134) | (134) | 335 |
| Interest on refunds | | | | - | - |
| Increase/(Decrease) in Bad Debt Provision | | 503 | (440) | 63 | (331) |
| Increase/(Decrease) in Provision for Appeals | | 1,216 | | 1,216 | 743 |
| Appeals charged to the Collection Fund | | (1,016) | | (1,016) | (2,585) |
| Cost of Collection | | 289 | | 289 | 290 |
| Transitional Protection | | 698 | | 698 | 1,116 |
| | | 1,690 | (574) | 1,116 | (432) |
| Total Expenditure | | 106,816 | 113,003 | 219,819 | 208,456 |
| (Surplus)/Deficit Arising In Year | | 2,953 | 636 | 3,589 | (1,303) |
| (Surplus)/Deficit Brought Forward | | (2,168) | (900) | (3,068) | (1,766) |
| (Surplus)/Deficit Carried Forward | | 785 | (264) | 521 | (3,069) |

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 2019/20 was 67,706.1 (66,671.1 in 2018/19).

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 2019/20 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 £578k (2018/19 £565k) 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 | 10.8 | 5/9 | 6.0 | £920.71 |
| A | up to | £40,000 | 7,389.6 | 6/9 | 4,926.4 | £1,104.90 |
| B | £40,000 to | £52,000 | 19,287.6 | 7/9 | 15,001.5 | £1,289.00 |
| C | £52,000 to | £68,000 | 22,160.6 | 8/9 | 19,698.3 | £1,473.15 |
| D | £68,000 to | £88,000 | 11,663.4 | 9/9 | 11,663.4 | £1,657.29 |
| E | £88,000 to | £120,000 | 6,901.1 | 11/9 | 8,434.7 | £2,025.58 |
| F | £120,000 to | £160,000 | | 13/9 | 4,749.7 | £2,393.87 |
| G | £160,000 to | £320,000 | 1,627.6 | 15/9 | 2,712.7 | £2,762.15 |
| H | over | £320,000 | 80.3 | 18/9 | 160.5 | £3,314.58 |
| TOTAL | | | 72,409.3 | | 67,353.2 | |
| Crown Properties | | | | | 352.9 | |
| Taxbase for the calculation of Council Tax | | | | | 67,706.1 | |

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 £346k (2018/19 £335k) were written off against the provision for bad/doubtful debts, and £480k was written on, giving it a net overall write on figure of £134k. 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 decreased by £440k (increase in 2018/19 of £394k).

3. INCOME FROM BUSINESS RATES

Under the arrangements for business rates, the Council collects NNDR for its area based on the local rateable value multiplied by a uniform rate. The rateable value at 31 March 2020 was 256,083,171 (2018/19 255,777,381) and the rate for 2019/20 was 50.4p (2018/19 49.3p), with a reduction to 49.3p (2018/19 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 2019/20 as a member of the North and West Yorkshire Business Rates pool, the Council is included in the 75% business rates pilot for one year only. York's local share is 74% and the remainder is distributed to central government (25%) and the preceptors which in the case of York is 1% to North Yorkshire Fire and Rescue Authority (NYFRA).

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £25.212m (£nil in 2018/19) to central government, £1.008m (£1.004m in 2018/19) to NYFRA and £74.626m (£99.398m in 2018/19) to City of York Council. These sums have been paid in 2019/20 and charged to the collection fund in year.

The total income from business rate payers collected in 2019/20 was £103.863m (£102.694m in 2018/19).

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 2020. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The increase in provision charged to the collection fund for 2019/20 has been calculated at £1,216k.

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).

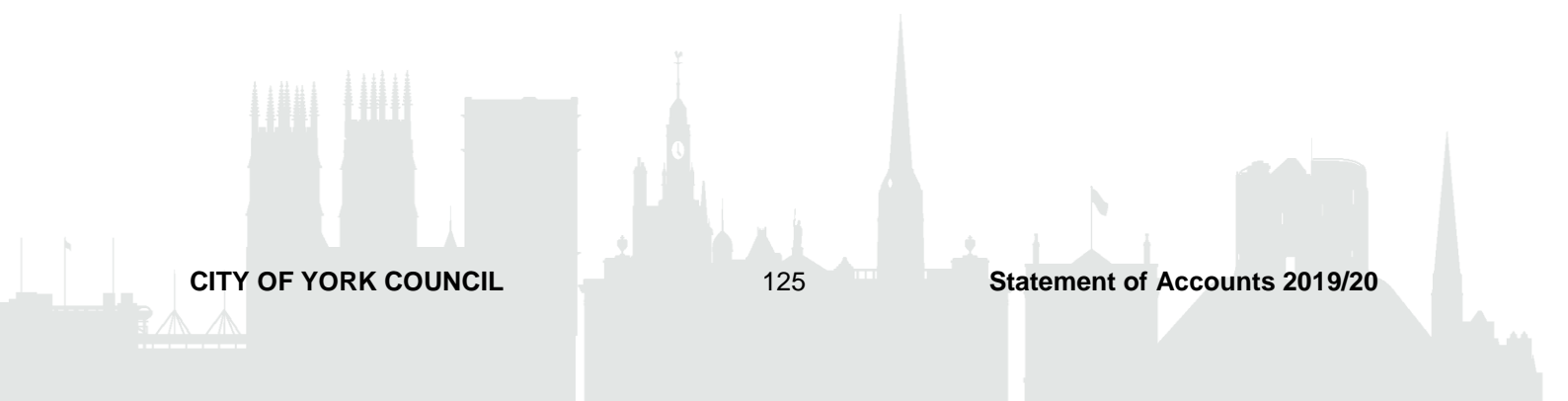
| | 2019/20 | 2019/20 | 2019/20 | 2018/19 |
|---|------------------|------------------|------------------|----------------|
| | Business | Council | Total | Total |
| | Rates | Tax | £'s | £'s |
| | £'s | £'s | £'s | £'s |
| Central Government | (326,562) | - | (326,562) | 56,543 |
| City of York Council | 1,104,206 | (212,538) | 891,668 | (2,931,192) |
| North Yorkshire Police Authority | - | (40,489) | (40,489) | (133,118) |
| North Yorkshire Fire and Rescue Authority | 7,855 | (11,074) | (3,219) | (60,440) |
| | 785,499 | (264,101) | 521,398 | (3,068,207) |

DRAFT



ANNUAL GOVERNANCE STATEMENT

DRAFT



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. This includes ensuring appropriate governance of council owned companies.

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.

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

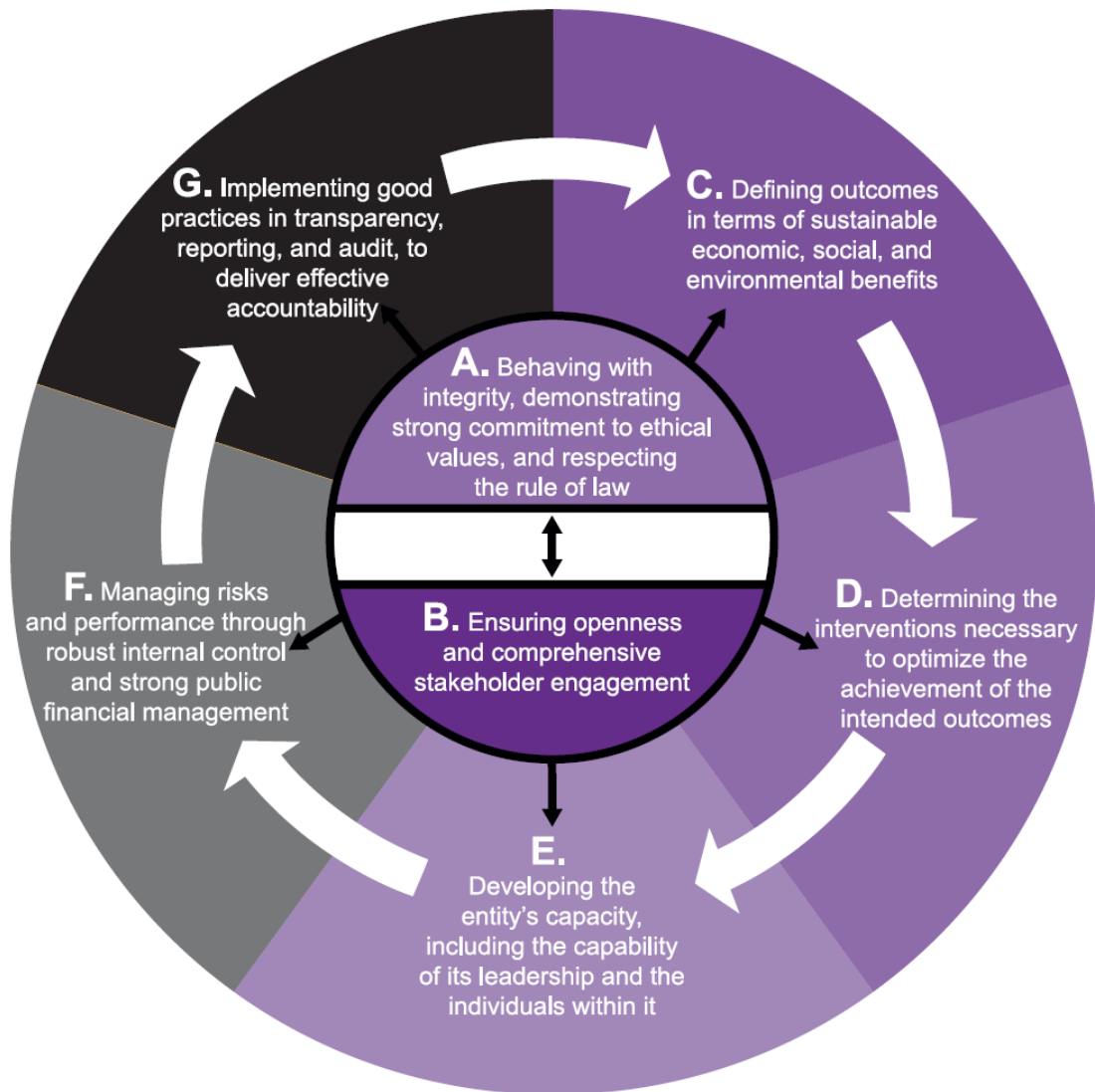
The governance framework comprises the systems and processes, culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to 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 2020 and up to the date of approval of the Statement of Accounts for 2019/20

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 principles 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 Audit and Governance 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:

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.

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 Plan expresses the council's key priorities until 2021. 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

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 S151 Officer (Head of Corporate Finance & Commercial Procurement) and the Monitoring Officer (Director of Governance) review reports before presentation to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

Since May 2019, the Chief Executive was absent due to sickness absence until her departure through early retirement on 16th March 2020. In the intervening period a series of interim appointments were made and these have remained in place to date. Since May 2019 the Council has had an Interim Head of Paid Service and an Interim S151 Officer. For some time, the Council had an Interim Monitoring Officer until the permanent appointment of the Director of Governance & Monitoring Officer on 16th December 2019. The CMT, as a result, is a relatively newly established Team with the Corporate Director of Children, Education & Communities joining in December 2018 and the Corporate Director of Health, Housing and Adult Social Care joining in February 2019 to work alongside the Director of Public Health and the Corporate Director for Economy and Place.

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.

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.

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 council's 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 Audit and Governance Committee as part of this process.

Financial Management

The Head of Corporate Finance & Commercial Procurement (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 to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) in that:

- she 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;
- she 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
- she 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:

- she leads and directs a finance function that is resourced to be fit for purpose; and
- she 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 full 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.

During the year all elected members have been reminded to regularly review and update their declarations.

The declarations of interest policy was recently revised and requires that declarations should be made in the Register of Staff Interests:

- As part of the new starter process (HR/Business Support led);
- On an ad hoc basis as conflicts arise (Manager/Employee led);
- Biannually for all officers at Grade 10 and above as part of the 'related parties' statement of accounts process (HR/Business Support led);
- On an annual basis for other officers who work individually or as a team in a service which procures/commissions goods/services on behalf of the council (AD/Service Manager led).
- Where a Director has identified the need for a member of staff, contractor or agency worker to complete a declaration.

In addition, biannual reminders will be sent out in March and October by Business Support on behalf of the Head of HR. In February and September each year the central register will be shared with each Directorate Management Team (DMT) for review. At this point all declarations received over the previous year will be reviewed by Directors and the Chief Executive. The Head of Business Support will arrange for Chief Officer returns to be published on the council's website. This is in line with best practice set by the Information Commissioner's Office to aid transparency and in the Public Interest.

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

The council's Monitoring Officer has a statutory responsibility for ensuring that the council acts lawfully and without maladministration.

In December 2019, the Director of Governance & Monitoring Officer commenced employment with the Council. This is a newly established post with a focus on delivering strengthened and robust governance to all aspects of the Council's governance and decision-making frameworks. The Monitoring Officer is a member of the Corporate Management Team (CMT).

Compliance with the council's governance arrangements is subject to ongoing scrutiny by Internal Audit and external review agencies (including external audit). The Governance, Risk and Assurance Group (GRAG), chaired by the Monitoring Officer, also monitors, reviews and manages the development of the council's corporate governance arrangements. The membership and terms of references of GRAG were refreshed in early 2020, and now has a clear reporting line to CMT as well as the Audit & Governance Committee. 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 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, the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit. The council has also adopted an Audit Charter which defines the role and scope of internal audit work, its right of access and independence, reporting arrangements and the respective responsibilities of internal audit and management. The service in 2019/20 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 and the Monitoring Officer in discharging their 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.

Internal audit also maintains quality assurance processes to ensure audit work is undertaken to appropriate professional standards. This includes periodic external assessments of audit working practices.

Reports from internal and external auditors

The Monitoring Officer and the Interim S151 Officer regularly meet with the Head of Internal Audit. Throughout the year regular reports are presented to Audit & Governance Committee from both

the internal and external auditors. The Head of Internal Audit also provides an annual opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. The Head of Internal Audit will also highlight any significant weaknesses in control identified through internal audit work. The opinion in recent years has been 'Substantial Assurance'.

Internal Audit reports include an assurance opinion and an action plan to address any control weaknesses. Agreed actions are followed up every six months and the results reported to Audit & Governance Committee. The Committee also receives copies of any reports including 'Limited' or 'No Assurance' opinions.

The external auditor has regularly reported progress to Audit & Governance Committee and the quality of the council's accounts has been commented on favourably in recent years. They have also commented at these meetings that the council's financial sustainability and reserves position was deemed relatively strong compared with other authorities and that arrangements for measuring related risks were robust.

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 its vision, priorities and outcomes with different audiences to actively encourage open consultation and help demonstrate accountability. The council will first analyse audience groups and identify the most relevant and effective channels of communication to engage them. The council has a media protocol and social media policy to support communications, together with different communications plans. Examples of communication and consultation includes (this is not an exhaustive list):

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform audiences of the previous year's achievements and outcomes
- opportunities for the public to engage effectively with the council including attending and speaking at meetings and watching meetings live or recorded at www.york.gov.uk/webcasts
- residents' surveys and consultations via 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
- 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 is actively involved in major development projects and of particular significance in terms of risk is the York Central Programme. Robust programme and project management, including protocols to maintain ethical walls are in place, 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 Head of Corporate Finance & Commercial Procurement (the Section 151 Officer), the Director of Governance (the Monitoring Officer), 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 2017/18 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 in so doing created and recruited to the post of Director of Governance to support its commitment to delivering good governance 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. Impact of COVID-19

Since March 2020, and certainly following the national government's introduction of "lockdown" on 23rd March 2020, the council has had to respond at considerable pace in order to ensure the support the City in staying safe.

The Interim Head of Paid Service established a system of Gold and Silver command Groups and urgent arrangements were put in place to ensure decision making at pace. The Monitoring Officer has provided details of this in her Annual Governance Report.

The Council's response to COVID-19 remains under constant review and the Leader of the Council and the Interim Head of Paid Service are proactively overseeing the formulation and implementation of a recovery plan to support the city.

7. 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 2019/20. 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. The Governance Risk and Assurance Group have reviewed all prior year issues and where still relevant have incorporated these into the 2019/20 Statement.

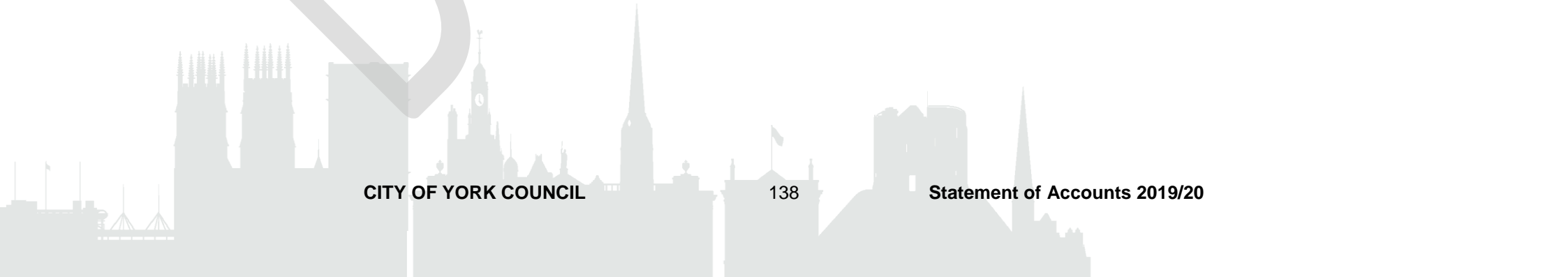
| | Issue | Action taken to date / Planned |
|-----------------------------|---|---|
| 1 – Existing Issue, updated | <p>Financial Risks</p> <p>(i) Pressures - Impact of funding reductions</p> <p>The council continues to face significant funding pressures and changes to both national and regional funding regimes which naturally present a potential risk to the council's overall governance arrangements.</p> <p>The Coronavirus pandemic will have a significant, ongoing financial impact on the Council. There is currently uncertainty around any future government funding and the long term impact on income streams, including business rates and council tax.</p> <p>The financial impact of Brexit is as yet uncertain but there is a potential impact on business rates income, investment returns and the tourist economy.</p> <p>The financial position of the health economy in York, and the impact that may bring for the Better Care Fund, and implications on the Adult Services budget</p> <p>(ii) Major capital projects</p> <p>The council has a number of major capital projects at different stages, including Guildhall,</p> | <p>The Medium Term Financial Strategy (MTFS) reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the budget process for future years. The council set a budget in February 2020 covering detailed proposals for 20/21 and outlining the strategic direction towards achievement of savings proposals for each directorate over the medium term.</p> <p>Budget reviews are being carried out during 2020/21 as part of the pandemic recovery planning. Further development of the medium term financial plan will be needed during the year to ensure continued financial resilience.</p> <p>The MTFS includes contingencies and a service risk reserve to assist in dealing with cost pressures generally.</p> <p>Ongoing discussions with Health Organisations in York, and reporting to Health & Wellbeing board</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</p> |

| | | |
|------------------------------------|--|--|
| <p>Existing Issue, updated</p> | <p>the Community Stadium, York Central, York Outer Ring Road, the Housing Delivery Programme and the Older People’s Accommodation Programme (including Burnholme). As outlined above, the Coronavirus pandemic will have a significant, ongoing financial impact on the capital programme.</p> | <p>and revenue budgets. Key programmes include Housing Delivery and York Central. Ongoing regular reporting to various member meetings, alongside effective project management continues to be essential to ensure risks can be mitigated/ managed.</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>Major projects will need to be reviewed to assess any new risks and to ensure that the financial assumptions are still sound.</p> <p>Clarity of delineation of the roles of those Members and Officers concerned with the delivery of projects and those concerned with regulatory decisions has been factored into the project management and protocols are in place in respect of decision making to provide necessary ethical walls within the organisation and in line with the council’s constitution.</p> |
| <p>2 – Existing Issue, updated</p> | <p>Local Plan</p> <p>The Council has submitted a draft Local Plan for inspection, however a final version is yet to be approved.</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</p> | <p>At an extraordinary meeting of Full Council on 17th May 2018 members resolved to submit the Local Plan to the Planning Inspectorate for examination. The Local Plan was submitted on 25th May 2018. The next stage is an examination of the Local Plan by a planning inspector. There has been ongoing correspondence between the council and the inspector as part of this examination process and as a result, a number of modifications to the Plan were approved by Executive on 7th March 2019.</p> <p>Phase 1 hearing sessions took place between the 10th and 18th December 2019 and covered matters relating to legal compliance, housing need and green belt principle. The Inspectors asked the Council to complete some additional homework items which were submitted by end of March 2020. A letter was received on 12 June 2020 setting out some concerns which the Inspectors have in relation to the evidence</p> |

| | | |
|------------------------------------|--|--|
| | <p>of the city vulnerable to development proposals 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>provided in respect of the greenbelt. The Inspectors will not issue their interim report for Phase 1 until these concerns have been addressed. Dependent on the outcome of this report the hearings will either progress to Phase 2 or further work may be required prior to Phase 2 commencing. Updates to the Local Plan examination timetable and correspondence with the Inspectors can be found at www.york.gov.uk/localplanexamination</p> |
| <p>3 – Existing Issue, updated</p> | <p>Information Governance and information security</p> <p>The nature of the council’s activities means that there are ongoing information governance risks as well as information and cyber security risks, which continue to require careful monitoring and management particularly the risks of financial, service and reputational damage.</p> | <p>Information governance arrangements require continual monitoring and review to ensure compliance with data protection legislation and the General Data Protection Regulation / data protection act 2018. Cyber security threats also require ongoing monitoring and the development of appropriate policy and technical responses. Continue to monitor and review for both information governance and information security using a variety of methods including data breach management</p> <p>Data Protection Impact Assessments (DPIA’s) are completed before planned changes in data processing are made. Continue to work on embedding DPIAs as a legal compliance requirement across the council especially in projects.</p> <p>Improvements are being made in records management processes to ensure information is easily accessible and data is not retained for longer than is required. A review is underway as part of a wider records management programme of work, working alongside ICT and York Explore/City Archives</p> <p>Investment has been made in reviewing all council websites to ensure they are secure and this review is ongoing.</p> |

| | | |
|---------------|--|--|
| | | |
| 4 - New issue | The Council's statutory roles of Head of Paid Service and s151 Officer are both filled on an interim basis | Two of the council's three statutory roles, namely the Head of Paid Service and the s151 Officer are both currently filled on an interim basis and both need to be filled on a permanent basis to add stability to the council's governance framework. In June 2020, the Staffing Matters and Urgency Committee approved a report to commence a restructure of the Corporate Management Team and one of the outcomes of this restructure is to ensure that both statutory roles are recruited to on a permanent basis. |

DRAFT



We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that an effective system of internal control has been in place and 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.

From the review, assessment and ongoing monitoring work undertaken, and supported by the ongoing work of internal audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.

Signed

Dated

Ian Floyd

Director of Customer & Corporate Services and Deputy Chief Executive (Interim Head of Paid Service)

Signed

Dated

Cllr Aspden

Leader of the Council

DRAFT



GLOSSARY

DRAFT

Accounting Concepts

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

Accounting Period

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

Accounting Policies

Accounting Policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy will, for example, specify the estimation basis for accruals where there is uncertainty over the amount.

Accruals

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

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made

Actuarial Gains and Losses

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

Agency

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

Amortisation

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

Appropriation of Land or Buildings

The transfer of a holding of land or buildings from one service area to another, at current market value.

Asset

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

Assets Under Construction

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

Authorised Limit

The level of external debt that the Council may have. This limit cannot be breached in any circumstances and is set annually by the Council.

Balance Sheet

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

CDS

Credit Default Swap

Capital Charge

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

Capital Expenditure

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

Capital Expenditure charged to Revenue Account (CERA)

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

Capital Financing

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

Capital Adjustment Account

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

Capital Programme

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

Capital Receipts

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

Cash Flow Statement

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

Charging Council

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

Cipfa Accounting Code of Practice

Guidance issued by CIPFA to ensure Local Authorities comply with IFRS.

Collection Fund

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

Commutation Option

This is an option available from 6 April 2006 to members of the North Yorkshire Pension Fund to take a larger lump sum on retirement in exchange for a smaller future pension payment.

Community Assets

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

Community Charge

A flat rate charge which was payable by all registered chargepayers within the Council's area. The income from the charge was used to finance a proportion of the Council's expenditure.

Consistency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost

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

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.

DRAFT



City of York Council

Code of Corporate Governance

Introduction - What is Corporate Governance?

Corporate governance is about the systems, processes and values by which Councils operate and by which they engage with, and are held accountable to their communities and stakeholders.

City of York Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. Building on previous best practice the Council has developed and adopted a refreshed approach to developing a Local Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled "Delivering Good Governance in Local Government (2016)". This code brings together in one document the various governance and accountability arrangements currently in place.

The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including the capability of its leadership and the individuals within it.

- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Benefits & Monitoring

The documents and arrangements set out in the framework within this code demonstrate that the Council continually seeks 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 **Governance, Risk & Assurance Group** is responsible for ensuring the Code is reviewed annually as part of the preparation of the Annual Governance Statement. Any revisions to the code will be reported to the Audit & Governance Committee for approval as part of this process.

| Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | | |
|--|--|--|
| Supporting Principles | To achieve this, City of York Council will: | This is evidenced by: |
| <ul style="list-style-type: none"> • Behaving with Integrity • Demonstrating Strong Commitment to Ethical Values • Respecting the rule of Law | <ul style="list-style-type: none"> • Publish an Annual Governance Statement which reviews the effectiveness of the Council’s governance framework • Maintain the established Governance, Risk & Assurance Group (GRAG) with responsibility for monitoring this framework and all governance matters • Maintain shared values which underpin an ethos of good governance– communicated in Organisational Values & Behavioural Standards • Comply with legislation and all relevant professional standards • Maintain formal codes of conduct defining standards of behaviour expected of both Members and Officers • Publicise Gifts and Hospitality Guidelines • Maintain a policy framework to address the risks of fraud and corruption including a Counter Fraud & Corruption Strategy, Fraud & Corruption prosecution policy & Whistleblowing policy. • Maintain effective systems to protect the rights of staff, including whistleblowing policies accessible and regularly communicated • Maintain a register of interests and seek declarations to be made at the start of Council meetings | <ul style="list-style-type: none"> • Annual Governance Statement • Codes of Conduct for Members • Codes of Conduct for Employees • Organisational Values & Behavioural Standards • Webcasting of Council Member meetings • Council Meeting minutes • Counter Fraud & Corruption Strategy • Fraud & Corruption Policy Framework • Whistleblowing Policy • Audit Charter • Internal Audit Reports to the Audit & Governance Committee • Register of Interests • Register of Gifts & Hospitality • Complaints & Customer Feedback policy • Contract Procedure Rules • Financial Regulations • Statement of Accounts • External inspection of the Statement of Accounts • Standards Committee • People Plan • Council reports including implications from specialist financial, legal & governance Officers • Completed Equalities impact assessments on the Council website |

| | | |
|--|--|---|
| | <ul style="list-style-type: none"> • Maintain arrangements to investigate complaints against Members and Officers including alleged misconduct • Maintain an effective Standards Committee • Deliver the People Plan which sets the expectation of the values, skills and behaviours which we expect from staff working for CYC • Complete Integrated Impact Assessment for to help officers meet the statutory equality and communities requirements and to embed economic, social and environmental sustainability into everything the council does • Publish a Modern Slavery Act Transparency Statement • Have an Anti-Money Laundering policy and protocol • Have an agreed Social Value Policy and Construction Charter that ensures suppliers procure and commission services, works and supplies and to develop effective solutions that deliver quality, value-for-money goods and services and broader economic social and environmental outcomes • Recruit and select employees in line with the Council's policies and procedures • Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners | <ul style="list-style-type: none"> • The constitution which includes: <ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Codes of Conduct for Members • Codes of Conduct for Employees • Scheme of Delegation to officers • Appointments and dismissal of staff • Responsible Procurement information on the Council website • Partnerships guidance available on the intranet |
|--|--|---|

| Principle B – Ensuring openness and comprehensive stakeholder engagement | | |
|---|---|--|
| Supporting Principles | To achieve this, City of York Council will: | This is evidenced by: |
| <ul style="list-style-type: none"> • Openness • Engaging comprehensively with Institutional stakeholders • Engaging stakeholders effectively, including citizens and service users | <ul style="list-style-type: none"> • Amend the constitution to accommodate the impact of Covid-19 on decision making • Seek the views of its stakeholders and respond appropriately • Provide a variety of opportunities for the public to engage effectively with the Council as set out in article 3 of the constitution including rights to information, participation and how to complain or comment • Ensure Council meetings are accessible by Webcasting • Revise standing orders to further promote democracy during the global pandemic, eg by the promotion of remote meetings • Publish Agendas, minutes, report packs and a calendar for a full year for Council meetings on Mod Gov and a formal notice of each meeting will be displayed at Council offices • Ensure compliance with requirements under the transparency code – published on the Councils website and Open Data platform • Set a balanced budget • Publish an Annual Statement of Accounts and Annual Auditors report to inform stakeholders and service users | <ul style="list-style-type: none"> • Resident Survey (Talk-About) • Public attendance at Council meetings • Webcasting of Council meetings • Constitution • Mod.gov • Open Data Platform • Media Protocol • Medium Term Financial Strategy (MTFS) • Statement of Accounts • External Auditors report on Statement of Accounts • Public inspection of Accounts by citizens |

| | | |
|--|--|--|
| | <p>of the previous years achievements and outcomes</p> <ul style="list-style-type: none"> • Encourage and assist citizens to inspect the Statement of Accounts in accordance with regulations • Ensure public consultation on the annual budget • Commit to ensuring weaknesses identified continue to be addressed | |
|--|--|--|

| Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits | | |
|--|--|---|
| Supporting Principles | To achieve this, City of York Council will: | This is evidenced by: |
| <ul style="list-style-type: none"> • Defining Outcomes • Sustainable economic, social and environmental benefits | <ul style="list-style-type: none"> • Make a clear statement of the Council’s purpose and vision and use it as a basis for all corporate & Service planning • Publish on the Council’s website all annual reports to communicate the Council’s activities and achievements including its financial position and performance • Prioritise resources to deal with competing demands and consider the impact of decisions in the medium term financial strategy • Identify and manage risks to the achievement of outcomes • Have a clear, published Procurement Strategy | <ul style="list-style-type: none"> • Council Plan • Service plans • City Vision • City of York Council Budget and Spending • Statement of Accounts • External Auditors Letter & report • Financial Strategy (MTFS) • Risk Reports • Procurement Strategy |

| Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes | | |
|--|---|--|
| Supporting Principles | To achieve this, City of York Council will: | This is evidenced by: |
| <ul style="list-style-type: none"> • Determining Interventions • Planning Interventions • Optimising achievement of intended outcomes | <ul style="list-style-type: none"> • Make a clear statement of the Council’s purpose and aims and use this as a basis for corporate and service planning • Maintain a forward plan for reports and decisions to be made • Make a clear statement committing to the OnePlanet principles and develop an action plan to deliver this. • Regularly report on key performance Indicators (KPIs) which have been established for each service element • Ensure budgets are prepared in accordance with organisational objectives and regularly reported upon • Provide senior managers and members with timely financial and performance information | <ul style="list-style-type: none"> • Council Plan • Corporate Performance Framework • Integrated Impact Assessments • Performance Scorecards published on Open Data platform • Financial Strategy • Regular finance and performance reporting to the Executive • Executive Forward Plan |

| Principle E – Developing the Council’s capacity, including the capability of its leadership and the individuals within it | | |
|---|--|---|
| Supporting Principles | To achieve this, City of York Council will: | This is evidenced by: |
| <ul style="list-style-type: none"> • Developing the Council’s capacity • Developing the capability of the entity’s leadership and other individuals | <ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of the Council’s Executive, Full Council and individual members through the Constitution • Maintain an effective workforce plan to enhance the strategic allocation of resources | <ul style="list-style-type: none"> • Constitution • People plan • Personal Development Appraisals • Effective Induction programme • Member/ officer training • Residents survey (Talk-About) • Public participation arrangements • Occupational Health policy |

| | | |
|--|--|--|
| | <ul style="list-style-type: none"> • Maintain officer and member induction programmes • Assess the skills required by officers through the appraisal process and address any training gaps to enable roles to be carried out effectively • Develop the capabilities of members through member training and mentoring • Regularly review the scheme of delegation and Constitution and update when required • Ensure structures are in place to encourage public participation • Ensure arrangements are in place to maintain the health and wellbeing of the workforce | <ul style="list-style-type: none"> • Schemes of delegation for members and officers |
|--|--|--|

| Principle F – Managing risks and performance through robust internal control and strong public financial management | | |
|---|--|--|
| Supporting Principles | To achieve this, City of York Council will: | This is evidenced by: |
| <ul style="list-style-type: none"> • Managing Risk • Managing Performance • Robust Internal Control • Managing data • Strong public financial management | <ul style="list-style-type: none"> • Maintain an effective Audit & Governance Committee independent of executive & Scrutiny functions • Maintain an effective Scrutiny function • Ensure robust and integrated risk management arrangements are in place and responsibilities for managing individual risks are clearly allocated • Manage performance by ensuring the Corporate Performance Framework is adhered to | <ul style="list-style-type: none"> • Audit & Governance Committee • Regular risk reports to Scrutiny & Audit & Governance Committee • Risk Management Policy & Strategy • Standards committee • Corporate Risk Register • Corporate Performance Framework • Mod.gov • Terms of reference • Regular Member training • Financial Regulations |

| | | |
|--|--|--|
| | <ul style="list-style-type: none"> • Ensure publication of Agendas and minutes are published • Maintain regular programme of training for the Audit & Governance Committee to enable effective performance • Maintain financial regulations to ensure consistency and clear financial protocols • Maintain a transparent complaints and feedback procedure • Internal Audit annual risk based programme of internal audits informed by the councils risk register. • Individual audits take account of service/ project risks and each assurance report provides an opinion on how risks are being managed • Ensure effective counter fraud and anti-corruption arrangements are in place • Ensure effective information governance arrangements are in place to support compliance with existing and emerging legislation for data protection and privacy • Ensuring financial management supports decision making and provides sufficient information to support the delivery of the Councils objectives. • Ensuring governance arrangements support decision making and provides sufficient information to support the delivery of the Council's objectives | <ul style="list-style-type: none"> • Complaints & customer feedback procedure • Inclusion of corporate complaint annual report with the statutory annual reports for adults social care and children's social care • Audit Charter • Regular Internal Audit reports to Audit & Governance Committee including <ul style="list-style-type: none"> • Head of Internal Audit report • Follow up reports • Regular reports on results of internal Audit work • Counter Fraud & Corruption Strategy • Fraud & Corruption Policy Framework • Annual Governance Statement • Regular finance and performance reporting to the Executive • Medium term financial strategy • Monthly budget monitoring reports • Cost Control Panel • Health & Safety Policy Statement |
|--|--|--|

| | | |
|--|---|--|
| | <ul style="list-style-type: none"> • Provide a safe working environment including a health & safety framework and system | |
|--|---|--|

| Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability | | |
|--|--|---|
| Supporting Principles | To achieve this, City of York Council will: | This is evidenced by: |
| <ul style="list-style-type: none"> • Implementing good practice in transparency • Implementing good practices in reporting • Assurance and effective accountability | <ul style="list-style-type: none"> • Maintain compliance with the local government transparency code and publish all required information in a timely manner • Maintain effective and accessible arrangements for dealing with complaints • Maintain an effective scrutiny function which encourages constructive challenge • Maintain an effective Audit Committee independent of the Executive & Scrutiny Committees • Publish all Committee reports on mod.gov unless there is a legitimate need to preserve confidentiality on the basis of the statutory test • Maintain and regularly communicate whistleblowing policies • Ensuring performance information is prepared on a consistent and timely basis • Governance, Risk & Assurance Group meet regularly and monitor compliance with the Governance Framework including areas for improvement as part | <ul style="list-style-type: none"> • Open Data Platform - Transparency • Publication of Disclosure Log for FOI/EIR • Regular information governance and complaints reports to Audit & Governance Committee, including performance and benchmarking • Inclusion of corporate complaints annual report with the statutory annual reports for adults social care and children’s social care • Complaints and customer feedback policy • Scrutiny Committees • Audit & Governance Committee • Mod.gov • Whistleblowing policy • Corporate Performance Framework • Annual Governance Statement • Audit Charter • Regular internal audit reports to Audit & Governance Committee including <ul style="list-style-type: none"> • Head of Internal Audit Report • Follow up reports |

| | | |
|--|---|--|
| | <p>of the Annual Governance Statement process</p> <ul style="list-style-type: none"> • Maintain an effective Internal Audit function which conforms to the Public Sector Internal Audit Standards (PSIAS) and the Cipfa Statement on the Role of the Head of Internal Audit • Welcome Peer Reviews and inspection from regulatory bodies and implement recommendations • Produce regular finance and budget monitoring reports for members reporting on performance, value for money and stewardship of resources • Produce regular budget manager reports to ensure senior managers own the results • Produce regular reports for managers and Members on the Council's performance in responding to requests made under freedom of information and similar | <ul style="list-style-type: none"> • Regular reports on results of internal Audit work • Opportunity for Audit & Governance Committee members to meet both Internal & External Auditors privately • Internal audit quality assurance and improvement programme • Peer Challenge Action plan • Medium Term Financial Strategy • Regular Finance & Performance reports • Monthly budget monitoring reports • Regular information governance report to Audit & Governance Committee • Internal Audit External Assessment |
|--|---|--|



Audit & Governance Committee**15 July 2020**

Report of the Monitoring Officer

Amendments to the Constitution by the Monitoring Officer since 23rd March 2020**Summary**

The COVID-19 pandemic and the resulting lockdown from 23rd March 2020, immediately prevented the Council from holding public Member meetings at the Council Offices. In the absence of this crucial decision-making function, it has been necessary for the Monitoring Officer to make essential amendments to the Constitution as detailed within this report. The amendments detailed within this report have all been published on the Council's website.

Background**Urgent Decision-Making Guidance**

In accordance with the Constitution, the Council undertakes its business via a range of functions, namely Council meetings (Full Council, Executive and Regulatory committees), Scrutiny meetings, Executive Member Decisions and Officer Decisions.

In response to national advice and guidance in respect of COVID-19, the Council is unable to sustain the above mentioned functions and hence an urgent Scheme of Delegation is required to enable business as usual decision making to still take place safely and as transparently as possible. There also needs to be a mechanism in place which can ensure the Council can make urgent decisions so as to fully protect and meet the best interests of the Council, its staff and residents.

Publication of Decisions made using the Urgent Decision-Making Guidance

In accordance with the provisions of the Council's Constitution, any decisions made using the urgent powers of the Chief Executive / Deputy

Chief Executive shall be reported to the next appropriate and available meeting. Details of the decisions are available to view on the Council's website.

Remote meetings

Prior to publication of the Regulations, all constitutionally prescribed meetings were held in accordance with the provisions of the Local Government Act 1972 which meant that all meetings were to be held with members being physically present with associated rules requiring publication of notices at Council Offices and enabling members of the press and public being able to physically attend to observe and or participate.

The coronavirus outbreak and central government guidance in response has meant that it has been impossible to convene council meetings without a change to legislation. On 4th April 2020, the aforementioned Regulations were issued and these provide for remote meetings with remote attendance and participation for all meetings until 7th May 2021. As such it has been necessary for the Monitoring Officer to draft Standing Orders to facilitate the Council's delivery of remote meetings.

These additional Standing Orders relate to all constitutionally prescribed meetings of the Council and additional guidance has been provided to facilitate the regulatory meetings of Licensing and Planning.

If at some point before 7th May 2021, restrictions are lifted and subject to relevant advice, the Council will remain able to return to meetings whereby Members are physically present.

The Monitoring Officer will ensure the Standing Orders remain under review so as to ensure they remain fit for purpose.

Scrutiny guidance

The Council acknowledges the important role scrutiny has in its decision-making process. However it is recognised both locally, regionally and nationally, that during this critical time maintaining the expected level of scrutiny may not be possible. In its place, selective scrutiny work will focus on the critical issues affecting our residents with a clear intention of supporting the City's recovery.

In respect of the scrutiny function there is a statutory requirement to convene a minimum of one committee. For the City of York, the Customer and Corporate Services Scrutiny Management Committee [hereafter referred to as CCSSMC] satisfies this requirement [Local

Government Act 2000; Article 6 of the constitution]. All other scrutiny committees promoted by the City of York are classed as sub committees of the CCSSMC.

Public Participation

As aforementioned, the Council's Standing Orders have been amended to accommodate the delivery of Remote Meetings. At that time the rules in respect of Public Participation at Council meetings remained unchanged i.e. members of the public were required to register their wish to speak by 5pm on the working day before the meeting. As the delivery of remote meetings has progressed, some meetings have received high volumes of requests from members of the public wishing to register and this has meant that Democratic Services were on occasions contacting members of the public until late in the evening and often on a Friday evening. A review of these procedures has been undertaken and on 22nd June 2020, the Monitoring Officer issued revised guidance which is that all requests from members of the public wishing to speak at a council meeting must be received by 5pm two working days prior to the meeting taking place.

Amendments to Portfolio Responsibilities

On 19th May 2020, the Leader of the Council notified the Monitoring Officer of revisions to the Portfolio responsibilities of the Executive Members and these are detailed in Appendix 1. This replaces the details in Section 3: Responsibility for Functions of the Constitution.

Implications

Financial

Not applicable to this report.

Human Resources (HR)

The Council is currently required to follow the social distancing and other Public Health guidance about working practices at this time.

Equalities

The Council must ensure that its arrangements for remote meetings ensure that council meetings remain transparent and accessible to all who wish to observe or participate.

Legal

As detailed within the report.

Crime and Disorder, Information Technology and Property

The Council will utilise recognised ICT platforms for the delivery of remote meetings and live stream meetings via the existing YouTube channel.

Recommendations

To note the Monitoring Officer's amendments to the Council's Constitution since 23rd March 2020.

Author & Chief Officer responsible for the report:

Janie Berry, Director of Governance & Monitoring Officer

01904 555385

Report Approved:

30/06/2020

Specialist Implications Officer(s):

All

Wards Affected: *List wards or tick box to indicate all*

All

Background Papers:

- Local Government Act 1972
- The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020
- City Of York Constitution

Appendix:

- Amendments to Portfolio Holder Responsibilities



Lib Dem/Green Executive Member Portfolio Responsibilities

| Exec Member | Responsibilities |
|---|--|
| Cllr Aspden – Leader of the Council and Policy, Strategy and Partnerships | <ul style="list-style-type: none"> • Policy, Strategy and Partnerships • Communications and Media • Legal, Democratic and Civic Support • Regional and National Matters |
| Cllr D'Agorne – Deputy Leader and Transport | <ul style="list-style-type: none"> • Civil Engineering and Highways • Cycling Infrastructure • Parking Services and Parking Strategy • Transport Strategy • Travel Planning • Highways Strategy • Taxi Licensing (in conjunction with Chair of Licensing) • Street Lighting • Digital Infrastructure • Local, Regional and National Transport Infrastructure • Fleet Management • Emergency Planning |
| | |
| Cllr Ayre – Finance and Performance | <ul style="list-style-type: none"> • Customer Services • Bereavement and Registrar • Human Resources and Payroll • ICT |

| | |
|---|--|
| | <ul style="list-style-type: none"> • Information Management • Financial Management and Strategy • Investment and Commercialisation • Financial Procedures and Risk Management • Procurement Services and Commissioning • Asset Management • Operational Accommodation • Facilities Management • Health and Safety Operational Standards • Major Project delivery, including the Community Stadium and the Local Plan |
| | |
| <p>Cllr Craghill – Housing and Safer Neighbourhoods</p> | <ul style="list-style-type: none"> • Housing • Tenant Engagement • Homelessness • Fraud • Community Safety and Safer Neighbourhoods • Safer York Partnership • Police liaison • Anti-Social Behaviour • Licensing Policy (in conjunction with Chair of Licensing) • Community Cohesion • Prevent • Financial Inclusion |
| | |
| | |

| | |
|--|--|
| <p>Cllr Cuthbertson - Children, Young People and Education</p> | <ul style="list-style-type: none"> • Children’s Social Care • School Improvement and Organisation • Children and Families • Early Intervention and Local Area Teams • Youth Support Services • School Place Planning • Children’s Safeguarding • Special Educational Needs • Children’s Centre’s and Early Years • Youth Offending |
| | |
| <p>Cllr Runciman – Health and Adult Social Care</p> | <ul style="list-style-type: none"> • Health and Social Care Integration • Public Health and Health Inequalities • Substance Misuse • Mental Health Services • Domestic Violence • Services for Carers • Adult Social Care and Safeguarding • Local Area Co-ordination • Assessment and Personalisation • Residential, Home and Respite Care • Older People • Learning Disabilities |
| | |
| | |

| | |
|--|---|
| <p>Cllr Smalley - Culture, Leisure and Communities</p> | <ul style="list-style-type: none"> • Community Consultation and Engagement • Ward Committees • Community Centres • Volunteering • Equalities • Parish Council liaison • Leisure and Sport • Tourism • Arts, Music, Culture and Heritage • Libraries • Adult Education and Lifelong Learning |
| | |
| <p>Cllr Waller - Economy and Strategic Planning</p> | <ul style="list-style-type: none"> • Economic Development and Strategy • Regeneration • High Streets • Business Friendly Council and Business Support • Skills Development and Apprenticeships • Regulatory Enforcement • Health and Safety Enforcement • Environmental Health and Food Hygiene • Public Protection and Trading Standards • Planning Policy, Conservation and Urban Design • Neighbourhood Planning • Planning and Development Management • Building Control |

| | |
|---|--|
| | |
| Cllr Widdowson - Environment and Climate Change | <ul style="list-style-type: none">• Flood Protection• Community Environment Team• Waste Management and Recycling• Street Environment• Environment Strategy• Green Infrastructure and Biodiversity• Air Quality• Climate Change and Sustainability• Parks and Open Spaces• Performance and Business Intelligence |

This page is intentionally left blank