



Annual Financial Report 2015/16

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ANNUAL FINANCIAL REPORT

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NARRATIVE REPORT

1. INTRODUCTION

These accounts set out the financial results of the City of York Council activities for they year ending 31st March 2016. 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 2016 and provides further information about the most significant matters reported in the accounts, along with an analysis of the pressures and risks that may impact on future financial performance.

The structure of the accounts is as follows:

Statement of Responsibilities

This discloses the respective responsibilities of the Council and the Director of Customer and Business Support Services in relation to the proper administration of the Council's financial affairs.

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

Notes and Accounting Policies

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

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

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 in Housing Revenue Account Reserve

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

Collection Fund

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

Glossary

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

2. THE COUNCIL

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

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

3. REVIEW OF THE FINANCIAL POSITION

Funding Context and Financial Planning

At the start of 2015/16 York had the 14th lowest band D council tax, the 3rd lowest spend per head of population and the 8th lowest government funding per head of any unitary council in England. All aspects of the public sector are continuing to face challenging times and in recent years the Council has had to deal with large reductions in funding, combined with a range of significant pressures.

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

Looking forward, the Settlement Funding Assessment for 2016/17 is £39.2m which corresponds to a loss of £8.0m, or 17%, compared to the funding received in 2015/16. Provisional figures were provided for the years 2017/18 to 2019/20 and confirm that central government support to local authorities will continue to be reduced in coming years. This presents a major challenge to the council in coming years to secure further savings and for cost pressures to be managed effectively. In doing so, the council will also need to provide capacity for additional investment in unavoidable costs and priorities. The continued development of the Financial Strategy will ensure that the Council prepares effectively for these challenges.

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

The general economic situation continues to impact on the Council's financial position. Very low interest rates have reduced the financial return on investments, leading to reduced levels of income to support the revenue budget. In addition, there are higher demands for services as the economic situation directly impacts on Citizens and business. As a result of declining levels of capital receipts resulting from the economic downturn, the Council will be looking to increase revenue contributions and thereby provide necessary capacity into the Capital Programme.

There are potential risks associated with welfare reform, particularly in relation to council tax support which is now funded locally. Whilst devolution of business rates presents opportunities for the council, there are also associated risks with business rates appeals.

In shaping the budget all the issues are carefully considered to ensure a budget that is both prudent and protects vulnerable people. Ensuring that there is the capacity to invest is a critical part of the budget deliberations.

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

In relation to council tax, the 2016/17 budget includes a council tax increase in 2016/17 of 1%, 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.

Revenue Outturn 2015/16

The Council's General Fund budget for its own net expenditure was set at £119.7m. A £500k one off use of reserves was agreed for 2015/16, taking the net budget to £119.2m. To this sum the parish precepts added a further £0.6m. Band D Council Tax, including both Police and Fire Authority precepts, was set at £1,442.90. This was a nil increase on the previous year as the Governments Council Tax Freeze Grant was accepted.

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 underspend of £876k. However, included within this net underspend are several service areas where there have been significant budgetary pressures, for example additional costs have arisen due to demographic pressures in relation to adult social care. These areas continue to give cause for concern and detailed monitoring will ensure issues are identified and resolved.

These pressures have been mitigated by reduced expenditure or additional income in other areas, and this has been achieved through effective monitoring of the budget throughout the year so that, overall, spending has remained within budget. Full details on the individual service areas position for 2015/16 were reported to Executive in June 2016.

The city experienced severe flooding over the Christmas period with many homes and businesses being affected. Direct expenditure relating to the December flood event totalled £3.3m. Although the majority of this sum has been funded from government support, there remained a net cost of £77k to the Council. This excludes any indirect costs to the council, most notably any lost income from parking that occurred as visitor numbers fell during the final quarter of the year.

165 business premises were directly affected, and a number of were indirectly affected as a result of lower footfall following the floods. Businesses also continued to be concerned about the negative impact of the floods on the message that York is 'open for business'. To manage this, £50k additional funding was agreed from contingency for Make it York to support the media campaign.

An independent inquiry was called by the council's leadership in January and subsequently agreed at the Executive in March to look at how the city coped with the recent floods and issues such as the information given to residents, the response of key organisations and the failure of the Foss Barrier on Boxing Day. A budget of £50k has been set aside for the costs of the inquiry, also funded from contingency.

The bulk of the net underspend of £876k has been transferred to contingency to allow the Council to meet significant issues that may arise in the 2016-17 budget and beyond, with £80k allocated to meet new in year priorities.

The overall outturn position for the Council is shown below;

Directorate	2015/16 Net Budget	2015/16 Net expenditure	Variation
	£'000	£'000	£'000
Children Services, Education & Skills	24,609	25,400	+791
City & Environmental Services	16,834	17,235	+401
Communities & Neighbourhoods	15,212	14,913	-299
Customer & Business Support Services	4,759	4,604	-155
Adult Social Care	49,766	49,665	-101
Public Health	409	433	+24
Office of the Chief Executive	801	1,084	+283
Central budgets	7,370	5,550	-1,820
TOTAL	119,760	118,884	-876
Less one off use of reserves	(500)	(500)	
TOTAL	119,260	118,384	-876

Reserves

At the end of the financial year 2015/16 the useable reserves stood at £114m, compared to £96m at the end of 2014/15. This increase is primarily due to a surplus on the Housing Revenue Account and an increase in funds received in advance of expenditure being incurred, such as Care Act monies and New Homes Bonus. The table below summarises the position on useable reserves

	Opening Balance	Net movement in year	Closing Balance at 31.3.16
	£'000	£'000	£'000
General Fund balance	13,095	515	13,610
Earmarked General Fund Reserves	37,615	4,263	41,878
Housing Revenue Account	14,021	4,344	18,365
Earmarked Housing Revenue Account Reserves	11,382	2,797	14,179
Major Repairs Reserve	3,343	832	4,175
Capital Receipts Reserve	5,664	3,203	8,867
Capital Grants Unapplied	10,861	2,198	13,059
Total	95,981	18,152	114,133

The General Fund reserve balance of £13m has been maintained as forecast. This reserve is carefully monitored to ensure that it is maintained at a minimum prudent level to cover any unforeseen circumstances given the size of the Council's budget. This balance also includes individual school balances of £5m. 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 2016/17.

As part of setting the annual budget, the Director of Customer and Business Support Services undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve, and this was incorporated into the Council budget reports. For 2015/16, it was determined by the Director of CBSS 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. A £500k one off use of reserves was agreed for 2015/16.

Provision was made by the Director of CBSS, in his statutory role of preparing and approving the accounts, for the Council to retain a sum equivalent to the income received from fines in respect of Lendal Bridge and Coppergate in an earmarked reserve. Of the £1.802m fine income generated, £1.126m has been repaid, or is the process of being paid, leaving an unallocated balance of £676k in the earmarked reserve.

The application process for repayments of fine income for both Lendal Bridge and Coppergate closed on 31st March 2016. As at 31st March there was £730k of fine income that had not been repaid. An estimate of £13k was made of the value of the repayments that would be made early in 2016/17 based on the applications received to the 31st March that had not been processed and an estimate of £41k was made of the value of cheques which had been cancelled but which may subsequently be presented. These two amounts, totalling £54k, have been included in the reserve at year end.

The period for claiming a refund has now ended the reserve will be held for a further period of 12 months pending any other issues.

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

The HRA had an in year surplus of £4,344m. The account brought forward a surplus from 2014/15 which means that the final position is a surplus of £18,365m at the year-end (£14.021m at 1st April 2015), an increase of £1.72m from that originally budgeted for. In 2015/16 the most significant variances have resulted from an overspend of £639k on repairs and maintenance, savings of £178k on utilities, £436k from delays in capital schemes that are funded from revenue, £248k lower than budgeted cost of capital, additional interest income of £107k and £257k from lower than budgeted levels of arrears and bad debts.

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.

The Council is a member of the Leeds City Region Business Rates Pool. The pool is a voluntary arrangement which allows local authorities to retain locally a proportion of any growth in business rates income. The pool was established on 1st April 2013 with the aim of furthering economic development activities across the region. It is funded from "levies" on business rates growth which would otherwise be paid over to central government.

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

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

The account shows a surplus on Council Tax and a deficit on Business Rates at 31 March 2016. This deficit is due to the requirement to make a provision for backdated business rate appeals and will broadly be resolved over the coming years. 97.5% of the total sum collectable for 2015/16 Council Tax bills was received in the year. It should be noted that the majority of amounts not collected in year are collected in the following financial year. Similarly, the recovery on Business Rates was 98.4% of the 2015/16 bills.

6. CAPITAL EXPENDITURE

Capital expenditure for the year totalled £41.5m (2014/15 £48.2m). 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 2015/16 and how it was funded is shown below:

	2015/16 Outturn £m
Capital Expenditure	
Children's Services, Education & Skills	8.542
Adult Social Services	0.940
Communities Culture & Public Realm	1.896
Housing & Community Safety	11.609
Highways & Waste	4.367

Transport	4.956
Community Stadium	4.950
Asset Management	1.014
West Offices - Admin Accom	0.014
IT Development Plan	3.217
Total expenditure	41.505
Funding	
Prudential Borrowing	9,683
Major Repairs Allowance	6,688
Capital Receipts	4,613
Grants and other contributions	19,307
Revenue	1,214
Total Funding	41.505

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

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

7. TREASURY MANAGEMENT

The Council's year end treasury debt position for 2015/16 compared to 2014/15 is summarised in the table below:

Debt	31/03/2016 £m	31/03/2015 £m
Balance brought forward	270,165	259,514
Reversal of previous years carrying value	(1,050)	(899)
Add new loans taken	0	15,000
Less loans matured in year	(2,000)	(4,500)
Total debt as per Treasury Management Outturn Report	267,115	269,115
In year carrying value adjustment	1,068	1,050
Total Debt at 31 st March	268,183	270,165

Although the Council may borrow from a variety of financial institutions, the majority of its long-term debt is borrowed from the Public Works Loan Board (PWLB). No new borrowing was undertaken during the year and, due to the general economic situation, there were no opportunities for debt restructuring. One PWLB loan of £2m was repaid during the year.

The 15/16 closing borrowing figure of £268.183m (£270.165m 14/15) is different to note 16 borrowings figure of £268.284m (£270.269m 14/15) by £101k, as the former does not include the loan to Veritau of £101k.

The Council maintained an average investment balance of £104.57m compared to £74.792m in 2014/15. The surplus funds earned an average rate of return of 0.555% in 2015/16 compared to 0.521% in 2014/15. There has been a gradual increase in cash balances over recent years due to the level of developer's contributions held pending investment through the capital programme, along with the continued early receipt of grant funding from Government in advance of spending. These balances are therefore not available in the longer term and will start to decrease as capital investment is made in a range of projects, as outlined in the Capital Strategy approved by Council in February 2016.

Recent economic forecasts continue to show a downturn in expectations for economic growth and the bank rate remained unchanged at 0.5% for the seventh successive year. Global economic slowdown, the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties mean that opportunities for debt restructuring have been limited.

8. PENSIONS

The cost of pensions to the Council continues to increase year and 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 2013. 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 2016.

The Council's overall pension liability has reduced from 2014/15 primarily due to changes in key assumptions used by the actuary to calculate the present value of liabilities.

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 has been 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 2015/16 balance sheet value of the council's non current assets (including current assets held for sale) is £839.176m. This has increased by £54.438m from the 2014/15 value of £784.738m.

Capital enhancements to the value of £35.180m were made to these assets during 2015/16 and Assets to the value of £8.872m were disposed of during the year

Non current assets were depreciated by £24.452m during 2015/16. This figure includes amortisation of intangible assets.

Valuations on the council's properties are carried out by qualified valuers within the council's Asset and Property Management Team. A revaluation programme exists which set out when each category of Asset will be valued and during 2015/16 this programme included the council's housing stock. Overall, the value of the council's housing stock increased by £43.920m in 2015/16 as a result of this revaluation. This increase in valuation allowed for the reversal of some historic losses previously charged to the Comprehensive Income and Expenditure statement (CIES). Of the £43.920m increase on council dwellings, £5.927m went to the revaluation reserve, whilst £37.993m went to the Comprehensive Income and Expenditure statement. The impact of this revaluation gain is reflected in Note 12, Cashflow Note 27 and also in the HRA note 8.

The revaluation of investment properties led to an increase in their valuation of £6.435m. This is reflected in note 14 and in the Comprehensive Income and Expenditure statement.

The council's heritage assets increased in value by £1.969m during 2015/16. This is mainly due increases in the insurance valuation for the Art Gallery collection which is increased annually on a percentage basis. This increase is reflected in note 13 and also in note 26.

10. ACCOUNTING CHANGES FOR 2016/17 AND BEYOND

From 2016/17 the Council will be required to account for highways assets differently. CIPFA introduced the Transport Infrastructure Code of Practice to ensure all bodies report this class of assets in a consistent manner. Currently, transport infrastructure assets are included in the accounts at the depreciated historic cost. This means that they are recorded at the initial cost and depreciated over their original useful life. From 2016/17 the Code requires that these assets are measured on a current rather than historic cost basis. This will result in a significant increase in the values shown on the face of the financial statements. However, there will be no actual change in the financial position of the Council as a result.

Current legislation requires that the audited Statement of Accounts is submitted to the appropriate body (for York this is the Audit & Governance Committee) for approval by 30th September after the end of the financial year. From 2017/18 this date will be brought forward to the 31st July.

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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Auditors Report to follow

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STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

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STATEMENT OF RESPONSIBILITIES

1. THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

2. THE DIRECTOR OF CUSTOMER AND BUSINESS SUPPORT SERVICES RESPONSIBILITIES

The Director of Customer and Business Support Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code).

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

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

The Director of Customer and Business Support Services has also:

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

3. CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2016 and its income and expenditure for the year ended 31 March 2016. The status of the Statement of Accounts is unaudited and may be subject to change

Signed



Dated 30/06/16

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

Director of Customer and Business Support Services

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
XXX

On behalf of the Audit and Governance Committee

Signed

Dated

Cllr N Barnes

Chair, Audit and Governance Committee

CORE FINANCIAL STATEMENTS

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income and Expenditure Statement

	2015/16			2014/15			
	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							
Central Services to the Public		25,236	(10,156)	15,080	18,150	(6,660)	11,490
Cultural Services		9,302	(1,420)	7,882	15,386	(1,547)	13,839
Environmental Services		23,962	(8,636)	15,326	22,554	(6,234)	16,320
Planning Services		6,602	(3,714)	2,888	7,321	(3,867)	3,454
Children's and Education Services		156,276	(127,979)	28,297	156,322	(128,312)	28,010
Highways, Roads and Transport Services		23,955	(12,953)	11,002	42,402	(12,568)	29,834
Local Authority Housing - (HRA)		(12,198)	(36,301)	(48,499)	14,558	(40,016)	(25,458)
Housing Services (General Fund)		52,947	(46,666)	6,281	55,052	(47,242)	7,810
Adult Social Care		71,566	(23,229)	48,337	70,427	(20,764)	49,663
Public Health		8,037	(8,106)	(69)	7,803	(7,739)	64
Corporate and Democratic Core		3,230	(92)	3,138	3,055	(76)	2,979
Non-Distributed Costs - Other		681	(64)	617	1,152	(37)	1,115
Cost of Services	(30)	369,596	(279,316)	90,280	414,182	(275,062)	139,120
Other Operating Expenditure	(9)			1,679			(2,401)
Financing and Investment Income and Expenditure	(10)			5,841			9,738
Taxation and Non-Specific Grant Income	(11)			(153,653)			(156,290)
(Surplus)/Deficit on Provision of Services	(30)			(55,853)			(9,833)
Revaluation (gains) on non current assets	(26)			(11,496)			(9,093)
Impairment losses on non current assets	(26)			997			3,754
Surplus/loss arising on the revaluation of available-for-sale financial assets							
Re-measurement of net defined benefit/ liability	(49)			(32,702)			48,415
Other Comprehensive Income and Expenditure				(43,201)			43,076
Total Comprehensive Income and Expenditure				(99,054)			33,243

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

<u>2015/16:</u>		General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2015		(13,095)	(37,615)	(14,021)	(11,382)	(3,343)	(5,664)	(10,861)	(95,981)	(298,245)	(394,226)
Movement in Reserves during 2015/16											
Surplus /(Deficit) on Provision of Services		(10,491)	-	(45,362)	-	-	-	-	(55,853)	-	(55,853)
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	-	(43,201)	(43,201)
Total Comprehensive Expenditure and Income		(10,491)	-	(45,362)	-	-	-	-	(55,853)	(43,201)	(99,054)
Adjustments between accounting basis & funding basis under regulations	7	5,713	-	38,221	-	(832)	(3,203)	(2,198)	37,701	(37,701)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(4,778)	-	(7,141)	-	(832)	(3,203)	(2,198)	(18,152)	(80,902)	(99,054)
Transfers to/from Earmarked Reserves	8	4,263	(4,263)	2,797	(2,797)	-	-	-	-	-	-
Increase/Decrease in Year		(515)	(4,263)	(4,344)	(2,797)	(832)	(3,203)	(2,198)	(18,152)	(80,902)	(99,054)
Balance at 31 March 2016 carried forward		(13,610)	(41,878)	(18,365)	(14,179)	(4,175)	(8,867)	(13,059)	(114,133)	(379,147)	(493,280)
2014/15:											
	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 2014		(11,465)	(38,588)	(12,113)	(10,105)	(3,272)	(3,949)	(11,627)	(91,119)	(336,350)	(427,469)
Movement in Reserves during 2014/15											
Surplus /(Deficit) on Provision of Services		11,693	-	(21,526)	-	-	-	-	(9,833)	-	(9,833)
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	-	43,076	43,076
Total Comprehensive Expenditure and Income		11,693	-	(21,526)	-	-	-	-	(9,833)	43,076	33,243
Adjustments between accounting basis & funding basis under regulations	7	(12,350)	-	18,341	-	(71)	(1,715)	766	4,971	(4,971)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(657)	-	(3,185)	-	(71)	(1,715)	766	(4,862)	38,105	33,243
Transfers to/from Earmarked Reserves	8	(973)	973	1,277	(1,277)	-	-	-	-	-	-
Increase/Decrease in Year		(1,630)	973	(1,908)	(1,277)	(71)	(1,715)	766	(4,862)	38,105	33,243
Balance at 31 March 2015 carried forward		(13,095)	(37,615)	(14,021)	(11,382)	(3,343)	(5,664)	(10,861)	(95,981)	(298,245)	(394,226)

MOVEMENT IN RESERVES STATEMENT

<u>Split of General Fund Balance between Schools and GF</u>	31-Mar-16 £000's	31-Mar-15 £000's
Amount of General Fund Balance held by governors under schemes to finance schools	(5,834)	(5,010)
Amount of General Fund Balance generally available for new expenditure	(7,776)	(8,085)
Total General Fund Balance	(13,610)	(13,095)

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BALANCE SHEET

Balance Sheet

	Note	31 March 2016	31 March 2015
		£000's	£000's
Property, Plant and Equipment	(12)	754,719	707,248
Investment Property	(14)	40,205	33,546
Intangible Assets	(15)	1,062	1,559
Heritage Assets	(13)	41,677	39,708
Long - Term Investments	(16)	1,255	1,255
Long - Term Debtors	(20)	6,021	5,945
LONG - TERM ASSETS		844,939	789,261
Short-Term Investments	(16)	30,000	5,000
Assets Held for Sale	(22)	1,513	2,677
Inventories	(17)	218	245
Short-Term Debtors	(19)	31,549	32,358
Cash and Cash Equivalents	(21)	54,946	62,171
CURRENT ASSETS		118,226	102,451
Short-Term Borrowing	(16) / (52)	(14,038)	(14,064)
Provisions due to be settled within 12 months	(24)	(6,895)	(9,254)
Short-Term Creditors	(23)	(42,528)	(40,832)
Other Short-Term Liabilities	(23)	0	0
CURRENT LIABILITIES		(63,461)	(64,150)
Long-Term Creditors	(16)	0	(3)
Provisions	(24)	(8,883)	(8,352)
Long-Term Borrowing	(16) / (52)	(254,246)	(256,204)
Other Long-Term Liabilities	(16)	(4,849)	(5,072)
Liability related to Defined Benefit Pension Scheme	(26) / (49)	(138,446)	(163,705)
LONG-TERM LIABILITIES		(406,424)	(433,336)
NET ASSETS		493,280	394,226
RESERVES			
<u>Usable Reserves</u>			
Capital Receipts Reserve		8,867	5,664
General Fund Balance		13,610	13,095
Housing Revenue Account Reserve		18,365	14,021
Major Repairs Reserve		4,175	3,343
Capital Grants Unapplied		13,059	10,861
Earmarked Reserves	(8)	56,057	48,997
	MIRS	114,133	95,981
<u>Unusable Reserves</u>			
Revaluation Reserve		129,320	121,449
Capital Adjustment Account		391,120	345,810
Available-for-sale Financial Instruments Reserve		0	0
Financial Instruments Adjustment Account		(1,558)	(1,691)
Pensions Reserve		(138,446)	(163,705)
Collection Fund Adjustment Account		2,275	844
Employee Benefit Adjustment Account		(3,564)	(4,462)
	(26)	379,147	298,245
TOTAL RESERVES		493,280	394,226

CASHFLOW STATEMENT

Cashflow Statement

	Note	2015/16	2014/15
		£000's	£000's
Net (Surplus)/Deficit on the provision of Services		(55,853)	(9,833)
Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements	(27)	29	(42,174)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities	(27)	26,173	26,250
Net Cash Flows from Operating Activities		(29,651)	(25,757)
Investing Activities	(28)	34,542	12,340
Financing Activities	(29)	2,334	(12,115)
Net (Increase)/Decrease in Cash and Cash Equivalents		7,225	(25,532)
Cash and Cash Equivalents at the beginning of the reporting period		(62,171)	(36,639)
Cash and Cash Equivalents at the end of the reporting period	(21)	(54,946)	(62,171)

NOTES TO THE CORE FINANCIAL STATEMENTS

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1. ACCOUNTING POLICIES

I. General

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued by government.

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

II. Accruals of Income and Expenditure

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

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

III. Cash and Cash Equivalents

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

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

IV. Exceptional Items

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

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

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

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

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

VI. Charges to Revenue for Non-Current Assets

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

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

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

VII. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line 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 provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

The Local Government Pension Scheme

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

- The liabilities of the North Yorkshire Pension Fund (NYPF) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Further information can be found in NYPF's Annual Report that is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.
- Liabilities are discounted to their value at current prices, calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employers.
- The assets of the NYPF attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into the following components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - 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
 - 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
 - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the NYPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

VIII. Events After the Balance Sheet Date

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

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

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

IX. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets, investment properties and assets held for sale and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

X. Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of

existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

XI. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. There were no amounts in foreign currency outstanding at the year-end.

XII. 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.

XIII. Heritage Assets

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

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

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

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

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

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

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

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

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

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

Mansion House Collection and Civic Regalia – are recorded in the balance sheet using insurance valuations. This collection was last revalued in 2007 by a fine art external valuation expert. The valuation for the Mansion House Collection is deemed to be an appropriate insurance valuation at the

current time. The insurance valuation for the Lord Mayors Robe of Office has been increased to reflect the cost of replacement. The Regalia and items in the Mansion House are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation. The policy for acquisitions, made by purchase or donation, is the same as for the art collection.

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

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

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

Heritage Assets – General

Impairment: The carrying amounts of heritage assets are reviewed and where there is evidence of impairment eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity, it is recognised and measured in accordance with the Council's general policies on impairment – see section on impairment in PPE note XXI in this summary of accounting policies.

Disposal: disposal of heritage assets are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Heritage asset disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note XXI in this summary of accounting policies).

XIV. 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.

XV. 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 interest relates 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 within the Related Parties note 41.

XVI. 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.

XVII. 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.

XVIII. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually by the Council's Property and Asset Management team (Royal Institute of Chartered Surveyors registered valuer) according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

XIX. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

XX. 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 2015/16 (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:

- Corporate and Democratic Core – costs relating to the Council’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

XXI. Property, Plant and Equipment

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

Recognition

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

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

The 8 Voluntary Aided and 10 Voluntary Controlled schools are not recognised within the Councils financial statements as the Council does not exercise sufficient influence on the governing bodies to

warrant recognition. The Council does, however, include the playing fields where these are owned by the Council

All elements of the 39 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
- 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 82% 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 5-10 years
- infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components will be depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to a housing disposal is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

XXII. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI

contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For Schools PFI, the liability was written down by an initial capital contribution of £4.2m. Three schools are incorporated in the PFI scheme – Hob Moor, St Barnabas and St Oswalds. Hob Moor School is owned by the council, whereas the other schools are Voluntary Aided and belong to the church diocese.

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

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

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

XXIII. 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.

XXIV. Reserves

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

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

Earmarked Reserves

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

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

Usable Reserves

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

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

Unusable Reserves

Certain reserves are kept to manage the accounting processes for non-current assets and retirement

XXV. 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.

XXVI. VALUE ADDED TAX (VAT)

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from 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 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. The changes are expected to significantly increase the value of infrastructure assets on the balance sheet with an equivalent increase in depreciation.

In addition there are a number of minor amendments to International Financial Reporting Standards as set out below, however these are not expected to have any material impact. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

IAS 1 Presentation of Financial Statements. - This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. These changes are as a result of the "Telling the Story" review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.

Other minor changes due to Annual Improvement to IFRSs cycles - IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

Accounting for schools – Consolidation - In line with the requirements of the Code of Practice on Group Accounts, all maintained schools are now considered to be entities controlled by the Council. Rather than prepare group accounts however, the income, expenditure, liabilities, reserves and cash flows of each schools are recognised in the Council's single entity accounts.

Accounting for schools – Balance sheet recognition – The Council recognises schools in line with the provisions of the Code of Practice, consequently schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria. The Council has undertaken a detailed review to assess the level of control it exercises in relation to both the VA & VC schools. The analysis undertaken considered the governing bodies majority appointment rights and concluded that in all cases the Council did not exercise sufficient influence to warrant recognition of assets in relation to the schools on its balance sheet.

Accounting for schools – Transfer to Academy status – When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal and subsequent creation of a finance lease (at nil consideration) on the date that the school converts to Academy status.

Further information on the treatment of Voluntary Aided and Voluntary Controlled schools can be found under Accounting Policies point XX

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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions

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

During 2015/16 the Council's actuaries advised that the net pension liability had decreased by £25.259m. This is made up of:

- £32.702m gain from actuarial changes
- £7.443m loss arising from employer contributions of £16.187m being less than the pension obligations of £23.630m

Property, Plant & Equipment

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

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this note, the Council considers material items to be those greater than £8.1m.

There are no material items of Income and Expenditure that are not disclosed elsewhere within the statement of Accounts.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Customer and Business Support Services on 30 June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no significant Events after the reporting period to report for 2015/16.

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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 – 2015/16

2015/16

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

2015/16 continued:

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

Adjustments between Accounting Basis and Funding Basis under Regulations – 2014/15

2014/15	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
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	(13,627)	-	(8,569)	-	-	-	22,196
Revaluation losses on Property Plant and Equipment	(24,707)	-	14,487	-	-	-	10,220
Movements in the market value of Investment Properties	1,751	-	-	-	-	-	(1,751)
Amortisation of intangible assets	(627)	-	-	-	-	-	627
Capital grants and contributions applied	17,868	-	403	-	-	-	(18,271)
Movement in the Donated Assets Account	-	-	-	-	-	-	-
Revenue expenditure funded from Capital under statute	(4,646)	-	-	-	-	-	4,646
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	(1,318)	-	(1,840)	-	-	-	3,158
<u>Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	8,212	-	-	-	-	-	(8,212)
Capital expenditure charged against the General Fund and HRA balances	60	-	4,364	-	-	-	(4,424)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(766)	-	-	-	-	766	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-
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	3,917	-	3,295	-	(7,212)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	4,445	-	(4,445)
Contribution from the Capital Receipts Reserve toward administrative costs of non-current asset disposals	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool	-	-	(1,052)	-	1,052	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	-	7,349	(7,349)	-	-	-
Non dwelling depreciation reversed to the MRR	-	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,278	-	-	(7,278)

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
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	128	-	-	-	-	-	(128)
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	15,493	-	441	-	-	-	(15,934)
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,881)	-	(537)	-	-	-	19,418
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	4,435	-	-	-	-	-	(4,435)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-
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	358	-	-	-	-	-	(358)
Total Adjustments:	(12,350)	-	18,341	(71)	(1,715)	766	(4,971)

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 2015/16:

	Transfers Out During Year £000's	Transfers In During Year £000's	Net mov't During Year £000's	Balance at 31-Mar-16 £000's	Balance at 31-Mar-15 £000's
General Fund					
Investment Reserves	-	-	-	(1,208)	(1,208)
Venture Fund	-	(382)	(382)	(2,233)	(1,851)
Developers Contributions Unapplied	21,859	(19,044)	2,815	(18,390)	(21,205)
Insurance Fund	106	(587)	(481)	(1,106)	(625)
Bus Lane enforcement	571	(528)	43	(675)	(718)
Miscellaneous	7,847	(14,105)	(6,258)	(18,266)	(12,008)
Subtotal General Fund	30,383	(34,646)	(4,263)	(41,878)	(37,615)
HRA					
53rd Week Rent	119	-	119	236	117
HRA Investment Reserve	479	(3,395)	(2,916)	(14,415)	(11,499)
Subtotal HRA	598	(3,395)	(2,797)	(14,179)	(11,382)
Total Earmarked Reserves	30,981	(38,041)	(7,060)	(56,057)	(48,997)

Reserves

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

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

Previously an amount had been held in a provision for Equal pay claims and during 2015/16 this was transferred to a new earmarked reserve to be held for any further claims that may arise and to cover any additional unforeseen statutory pay costs. £200k was used for this purpose during 2015/16.

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

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

	2015/16	2014/15
	£'000's	£'000's
Parish council precepts	623	601
Payments to the Government Housing Capital Receipts Pool	1,243	1,052
Gains/losses on the disposal of non-current assets	(187)	(4,054)
Total	1,679	(2,401)

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16	2014/15
	£'000's	£'000's
Interest payable and similar charges	10,333	10,013
Net interest on the net defined benefit liability	5,110	4,649
Interest receivable and similar income	(816)	(529)
Income and expenditure in relation to investment properties and changes in their fair value	(8,676)	(4,075)
Other investment income	(110)	(320)
Total	5,841	9,738

11. TAXATION AND NON SPECIFIC GRANT INCOME

	2015/16	2014/15
	£'000's	£'000's
Council tax income	(75,734)	(74,512)
Non domestic rates	(27,511)	(25,990)
Non-ringfenced or government grants	(34,136)	(40,476)
Capital grants and contributions	(16,272)	(15,312)
Total	(153,653)	(156,290)

12. PROPERTY, PLANT AND EQUIPMENT

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

Comparative Movements in 2014/15:

2014/15	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets incl in PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation (GCA)</u>									
At 1 April 2014	258,127	322,121	24,059	117,418	241	2,983	32,196	757,145	15,180
Additions	13,289	13,092	1,852	7,311	-	-	7,571	43,115	14
Acc Dep & Imp WO to GCA	(8,124)	(3,867)	-	-	-	(44)	-	(12,035)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	747	1,761	-	-	-	2,887	-	5,395	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	13,919	(24,046)	-	-	-	(8)	(347)	(10,482)	-
Derecognition - Disposals	(1,840)	-	(23)	-	-	-	-	(1,863)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(653)	-	-	-	815	-	162	-
Assets reclassified (to)/from Investment Property	-	(136)	-	-	-	2,080	(1,601)	343	-
Other movements in Cost or Valuation	-	19,590	996	5,047	1	1,915	(27,727)	(178)	-
At 31 March 2015	276,118	327,862	26,884	129,776	242	10,628	10,092	781,602	15,194
<u>Accumulated Depreciation & Impairment</u>									
At 1 April 2014	(8,124)	(25,104)	(12,797)	(18,105)	-	-	1	(64,129)	(1,405)
Depreciation Charge for 2014/15	(8,271)	(7,724)	(2,920)	(3,367)	(1)	-	-	(22,283)	(376)
Acc. Depreciation WO to GCA	8,124	3,867	-	-	-	44	-	12,035	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	44	-	-	-	(44)	-	-	-
Other Adjustment	-	6	17	-	-	-	-	23	-
At 31 March 2015	(8,271)	(28,911)	(15,700)	(21,472)	(1)	-	1	(74,354)	(1,781)
<u>Net Book Value</u>									
At 31 March 2015	267,847	298,951	11,184	108,304	241	10,628	10,093	707,248	13,413
At 31 March 2014	250,003	297,017	11,262	99,313	241	2,983	32,197	693,016	13,775

Depreciation

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

- Council Dwellings – 32 years (in line with MRA figure)
- Other Land and Buildings – 30-50 years (some exceptions apply)
- Vehicles, Plant, Furniture & Equipment – 5-10 years
- Infrastructure – 40 years

Capital Commitments

- At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost c£3.937m,. Similar commitments as 31 March 2015 were c£5.628m.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated cost.

A full valuation of council dwellings was undertaken in 2015/16 and the actual valuation figure is shown in the table below. Full valuations of council dwellings are undertaken every 5 years, and desktop reviews are done on the interim years.

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant etc. £000's	Infra-structure £000's	Surplus Assets £000's	TOTAL £000's
Carried at historical cost	-	-	-	-	-	-
Valued at Current Value as at:						
31-Mar-16	307,916	40,729	-	-	5,740	354,385
30-Mar-15		66,937			9,024	75,961
31-Mar-14		56,525			534	57,059
31-Mar-13		79,798			235	80,033
31-Mar-12	-	230,658	-	-	4,720	235,378
Total Cost or Valuation	307,916	474,647	-	-	20,253	802,816

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 2016. The fair value of Surplus Properties as at 31 March 2016 is £10.644m. 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.

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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 2015	1,065	31,317	6,346	980	39,708
Transfer to/from Property, Plant & Equip	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
31 March 2015	1,065	31,317	6,346	980	39,708
Cost or Valuation					
1 April 2015	1,065	31,317	6,346	980	39,708
Transfer to/from Property, Plant & Equip	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	-	1,907	2	60	1,969
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
31 March 2016	1,065	33,224	6,348	1,040	41,677

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 periodically and used to update the values as necessary.

Mansion House Collection and Civic Regalia

An external Antiques & Fine Art valuer carried out a full valuation of the Mansion House and Civic Regalia in February 2007. The valuation for the Mansion House Collection remains current market value and is included at the Balance Sheet date.

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

Museum Collections

Both Castle Museum and Yorkshire Museum are incorporated into Museums Trust which is a separate charitable organisation. The Museums collections have been considered as part of the Council's heritage assets as the ownership / responsibility for the collections is with the Council.

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

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

Additions/ Disposal of Heritage Assets

There were no additions or disposals of heritage Assets in 2015/16 or 2014/15

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:

	2015/16	2014/15
	£000's	£000's
Commercial rental income from investment property	(2,748)	(2,490)
Commercial direct operating expenses arising from investment property	566	227
Net Income	(2,182)	(2,263)

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.

	2015/16	2014/15
	£000's	£000's
Balance at start of the year	33,546	32,274
Additions	202	86
Disposals	-	(160)
Net gain or loss on Fair Value	6,435	1,695
Transfers:		
to/ from Inventories	-	-
to/ from Property, Plant & Equipment	22	(349)
to/ from Heritage Assets	-	-
to/ from Assets Held for Sale	-	-
Other changes	-	-
Balance at end of year	40,205	33,546

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 2016. The fair value of Investment Properties as at 31 March 2016 is £40.205m. 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.

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
6 - 10 years	None	Highways, Human Resources

The carrying amount of intangible assets is amortised on a straight-line basis and the amortisation charge in 2015/16 was £704k (2014/15 was £627k), contained in this figure is £35k relating to a HRA assets.

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

	Internally Generated Assets £000	Other Assets £000	2015/16 Total £000	Internally Generated Assets £000	Other Assets £000	2014/15 Total £000
Balance at start of year:						
- Gross carrying amounts		5,296	5,296		4,802	4,802
Category Adjustments		197	197		178	178
- Revised Gross carrying amounts		5,493	5,493		4,980	4,980
- Accumulated amortisation		(3,737)	(3,737)		(3,110)	(3,110)
Net carrying amount at the start of the year	-	1,756	1,756	-	1,870	1,870
Purchases	-	10	10	-	316	316
Other disposals	-	-	-	-	-	-
Amortisation for the period	-	(704)	(704)	-	(627)	(627)
Net carrying amount at the end of year	-	1,062	1,062	-	1,559	1,559
Comprising:						
- Gross carrying amounts	-	5,503	5,503	-	5,296	5,296
- Accumulated amortisation	-	(4,441)	(4,441)	-	(3,737)	(3,737)
	-	1,062	1,062	-	1,559	1,559

16. FINANCIAL INSTRUMENTS

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

Categories of financial Instruments

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

	Long-Term		Short-Term	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000's	£000's	£000's	£000's
Investments				
Loans and receivables	-	-	30,000	5,000
Available-for-sale financial assets	40	40		
Unquoted equity investment at cost	1,215	1,215		
Financial assets at fair value through profit and loss				
Total Investments	1,255	1,255	30,000	5,000
Debtors				
Loans and receivables	6,021	5,945		
Financial assets carried at contract amounts			24,546	26,273
Total Debtors	6,021	5,945	24,546	26,273
Borrowings				
Financial Liabilities at amortised cost	(254,246)	(256,204)	(14,038)	(14,064)
Financial Liabilities at fair value through profit and loss				
Total Borrowings	(254,246)	(256,204)	(14,038)	(14,064)
Other Long Term Liabilities				
PFI liabilities	(4,827)	(5,072)		
Finance lease liabilities	(22)	-	(81)	-
Total other long term liabilities	(4,849)	(5,072)	(81)	-
Creditors				
Financial liabilities at amortised cost	-	(3)		
Financial liabilities carried at contract amount			(30,935)	(30,821)
Total Creditors	-	(3)	(30,935)	(30,821)

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

Note 2 - Per the definition of International Accounting Standard 32 Financial Instruments – Presentation, cash is a financial asset. The above note does not include cash held by the authority that is either on call, instant access or on a notice period of 30 days or less, these amounts are shown separately to the above in Note 21 Cash and Cash Equivalents totalling in 2015/16 £47.326m (2014/15 £62.171m).

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non PWLB loans (market loans) the comparative market rate has been applied to estimate their fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31-Mar-16		31-Mar-15	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
PWLB debt	(247,980)	(315,177)	(249,963)	(315,386)
Non-PWLB debt	(20,304)	(22,700)	(20,305)	(22,377)
Total debt	(268,284)	(337,877)	(270,268)	(337,763)
Long term creditors	-	-	(3)	(3)
PFI and finance liabilities	(4,930)	(4,930)	(5,072)	(5,072)
Total Financial liabilities	(273,214)	(342,807)	(275,343)	(342,838)

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

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

The fair value of Public Works Loan Board (PWLB) loans of £66.328m (prior to any accounting adjustments) 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 and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £240.115m (exc. £7.000m PWLB payable in less than 1 year) would be valued at £30.645. 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 66.328m.

	31-Mar-16		31-Mar-15	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Money market loans < 1yr	77,326	77,326	60,628	60,628
Money market loans > 1yr	-	-		
Bonds	-	-		
Long term trade debtors	6,021	6,021	5,945	5,945
Total Loans and receivables	83,347	83,347	66,573	66,573

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

Available for Sale Assets

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

17. INVENTORIES

	Consumable Stores		Maintenance Materials		Client Services Work in progress		Property Acquired or constructed for sale		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Balance Outstanding at 1 April	245	373	-	-	-	-	-	-	245	373
Purchases	731	52	-	-	-	-	-	-	731	52
Recognised as an Expense in the Year	(753)	(108)	-	-	-	-	-	-	(753)	(108)
Written Off Balances	(5)	(72)	-	-	-	-	-	-	(5)	(72)
Reversals of Write Offs in Previous Years	-	-	-	-	-	-	-	-	-	-
Balance Outstanding at 31 March	218	245	-	-	-	-	-	-	218	245

18. CONSTRUCTION CONTRACTS

At 31 March 2016 the Council has no construction contracts in progress that require revenue to be recognised in the accounting period. Accordingly no contingent assets or liabilities are required to be recorded.

19. DEBTORS

	Balance at 31-Mar-16 £000's	Balance at 31-Mar-15 £000's
Central Government Bodies	5,182	3,237
Other Local Authorities	3,210	736
NHS Bodies	3,415	4,475
Public Corporations	1,658	1,123
Other Entities and Individuals	25,015	29,640
	38,480	39,211
Provision for Bad and Doubtful Debts	(6,931)	(6,853)
Total Debtors	31,549	32,358

20. LONG TERM DEBTORS

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-16 £000's	Balance at 31-Mar-15 £000's
Employee Loans	-	(56)	40	96
Council House Mortgages	-	-	2	2
Housing Act Advances	-	-	12	12
Prepayment - PFI scheme	-	(47)	751	798
PFI - Residual Value Asset	90	-	703	613
PFI - Sculpting Prepayment	120	-	2,913	2,793
Yorwaste Loan	-	-	1,000	1,000
Other	(31)	-	600	631
	179	(103)	6,021	5,945

21. CASH AND CASH EQUIVALENTS

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

	Balance at 31-Mar-16 £000's	Balance at 31-Mar-15 £000's
Cash Held by the Authority	8,436	9,053
Short Term Deposits	47,326	55,628
Bank Current Accounts	(816)	(2,510)
Total Cash and Cash Equivalents	54,946	62,171

22. ASSETS HELD FOR SALE

	2015/16 £000's	2014/15 £000's
Balance outstanding at start of year	2,677	4,074
Assets newly classified as held for sale:		
- Property, Plant and Equipment	-	663
- Investment Properties		
- Intangible Assets	-	-
- Other assets/ liabilities in disposal groups	-	-
Revaluation losses	-	(139)
Revaluation gains	-	53
Impairment losses	-	-
Assets declassified as held for sale:		
- Property, plant and Equipment	-	(825)
- Intangible Assets	-	-
- Other assets/ liabilities in disposal groups	-	-
Assets sold	(1,164)	(1,149)
Transfers from non-current to current	-	-
[Other movements]	-	-
Balance outstanding at year-end	1,513	2,677

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 2016. The fair value of Assets Held for Sale as at 31 March 2016 is £3.534m. The fair value is higher than the balance sheet value for Assets Held for Sale as, in line with accounting policies, Assets Held for Sale are held on the balance sheet at the lower of the carrying value on transfer to this category and fair value less costs to sell.

23. CREDITORS

	Balance at 31-Mar-16 £000's	Balance at 31-Mar-15 £000's
Central Government Bodies	(6,116)	(10,603)
Other Local Authorities	(7,461)	(4,452)
NHS Bodies	(142)	(181)
Public Corporations	(404)	(53)
Other Entities and Individuals	(28,405)	(25,543)
Total Creditors	(42,528)	(40,832)
Other Short-Term Liabilities	-	-
Total Short-Term Liabilities	(42,528)	(40,832)

This note contains £0k (2014/15 £17k) of Capital Grants received in advance and £1,241k (2014/15 £653k) of Revenue Grants received in advance. Further details can be found in Note 40.

24. PROVISIONS

Total Provisions:

	Employee Absences £000's	Insurance Fund £000's	Equal Pay £000's	Business Rates £000's	Council Tax £000's	Lendal Bridge/ Coppergate £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2015	(4,462)	(2,335)	(1,337)	(8,122)	(500)	(763)	(87)	(17,606)
	-	-	-	-	-	-	-	-
Additional provisions made in 2015/16	(3,564)	(95)	-	(2,802)	-	(42)	(88)	(6,591)
Amounts Used In 2015/16	-	413	-	1,170	-	751	5	2,339
Unused amounts reversed in 2015/16	4,462	281	-	-	-	-	-	4,743
Unwinding of discounting in 2015/16	-	-	1,337	-	-	-	-	1,337
Balance at 31 March 2016	(3,564)	(1,736)	-	(9,754)	(500)	(54)	(170)	(15,778)

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

	Employee Absences £000's	Insurance Fund £000's	Equal Pay £000's	Business Rates £000's	Council Tax £000's	Lendal Bridge/ Coppergate £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2015	(4,462)	(292)	-	(3,650)	-	(763)	(87)	(9,254)
	-	-	-	-	-	-	-	-
Additional provisions made in 2015/16	(3,564)	(95)	-	-	-	(42)	(88)	(3,789)
Amounts Used In 2015/16	-	65	-	1,109	-	751	5	1,930
Unused amounts reversed in 2015/16	4,462	-	-	(244)	-	-	-	4,218
Unwinding of discounting in 2015/16	-	-	-	-	-	-	-	-
Balance at 31 March 2016	(3,564)	(322)	-	(2,785)	-	(54)	(170)	(6,895)

Employee Absences

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

Insurance Fund

The general insurance provision is based on information provided by the Council's insurers and is held to meet future potential liabilities in respect of claims outstanding but not received covering a period of several years.

Equal Pay Claims

The provision is in respect of potential payments to employees dependent upon the outcome of current and possible future legal action. In 2015/16 this provision was removed from the accounts and a new earmarked reserve created instead. Further details are included in Note 8.

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 2015/16, 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 2015/16 £000's	Balance at 2014/15 £000's
Revaluation Reserve	129,320	121,449
Capital Adjustment Account	391,120	345,810
Financial Instruments Adjustment Account	(1,558)	(1,691)
Pensions Reserve	(138,446)	(163,705)
Collection Fund Adjustment Account	2,275	844
Accumulated Absences Account	(3,564)	(4,462)
Total Unusable Reserves	379,147	298,245

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.

	2015/16		2014/15	
	£000's	£000's	£000's	£000's
Balance at 1 April		(121,449)		(118,283)
Upward revaluation of assets	(11,496)		(9,093)	
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services		997	3,754	
(Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services		(10,499)		(5,339)
Difference between fair value depreciation and historical cost depreciation	2,018		1893	
Accumulated gains on assets sold or scrapped	610		280	
Amount written off to the Capital Adjustment Account		2,628		2,173
Properties RR movement with CAA				
Balance at 31 March		(129,320)		(121,449)

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.

	2015/16 £000's	2014/15 £000's
Balance at 1st April	(345,810)	(340,101)
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	23,657	22,196
Revaluation losses on Property, Plant and Equipment	(35,669)	10,220
Amortisation of intangible assets	704	627
Revenue expenditure funded from capital under Statute	6,516	4,646
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	8,872	3,158
	4,080	40,847
Adjusting amounts written out of the Revaluation Reserve	(2,628)	(2,173)
Net written out amount of the cost of non-current assets consumed in the year	1,452	38,674
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,614)	(4,446)
Use of the Major Repairs Reserve to finance new capital expenditure	(6,688)	(7,278)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(19,311)	(12,328)
Application of grants to capital financing from the Capital Grants Unapplied Account		(5,943)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,500)	(8,212)
Statutory provision for the financing of the HRA subsidy Capital expenditure charged against the General Fund and HRA balances	(1,214)	(4,425)
	(40,327)	(42,632)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(6,435)	(1,751)
Balance at 31 March	(391,120)	(345,810)

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. As a result, the liability balance on the Account at 31 March 2016 will be £1.558 (2014/15 £1.691m) charged to the General Fund over the next 12 years.

	2015/16	2014/15
	£000's	£000's
Balance at 1st April	1,691	1,818
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(183)	(183)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	50	56
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(133)	(127)
Balance at 31st March	1,558	1,691

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-16	31-Mar-15
	£000's	£000's
Balance at 1 April	163,705	111,806
Actuarial gains or losses on pensions assets and liabilities	(32,702)	48,415
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	23,630	19,418
Employer's pensions contributions and direct payments to pensioners payable in the year.	(16,187)	(15,934)
Balance at 31 March	138,446	163,705

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-16	31-Mar-15
	£000's	£000's
Balance at 1 April	(844)	3,592
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,431)	(4,436)
Balance at 31 March	(2,275)	(844)

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.

	2015/16		2014/15	
	£000's	£000's	£000's	£000's
Balance at 1 April		4,462		4,819
Settlement or cancellation of accrual made at the end of the preceding year	(4,462)		(4,819)	
Amounts accrued at the end of the current year	3,564		4,462	
		(898)		(357)
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		3,564		4,462

27. CASHFLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Balance at 31-Mar-16	Balance at 31-Mar-15
	£000's	£000's
Interest received	(644)	(509)
Interest paid	10,080	9,854
Dividends received	(333)	(290)

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-16 £000's	31-Mar-15 £000's
Depreciation, Impairment and Amortisation of fixed assets	11,198	(33,477)
Increase/(decrease) in impairment for bad debt	(78)	(874)
Increase/(decrease) in stocks and works in progress	(27)	(128)
Increase/(decrease) in debtors	15	1,890
(Increase)/decrease in creditors	(2,937)	(4,415)
Pension Liability		
Net Charge to the CIES	37,150	15,934
Employers contributions to pension funds and direct payments to pensioners	(44,593)	(19,418)
Carrying amount of non-current assets sold	(8,872)	(3,158)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		
Provisions	1,827	(321)
Movements in the value of investment properties	6,435	1,751
Movements in the value of Finance Leases and PFI	(50)	82
Movement in the FIAA	(39)	(40)
Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements	29	(42,174)

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-16 £000's	31-Mar-15 £000's
Grants applied to the financing of capital expenditure	17,114	19,037
Proceeds from sale of property, plant and equipment, investment property and intangible assets	9,059	7,213
Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities	26,173	26,250

28. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	Balance at 31-Mar-16 £000's	Balance at 31-Mar-15 £000's
Purchase of property, plant and equipment, investment property and intangible assets	35,762	43,551
Purchase of short-term and long-term investments	24,953	(4,962)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,059)	(7,212)
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	(17,114)	(19,037)
Net cash flows from investing activities	34,542	12,340

29. CASHFLOW STATEMENT - FINANCING ACTIVITIES

	Balance at 31-Mar-16 £000's	Balance at 31-Mar-15 £000's
Cash receipts of short-term and long-term borrowing	-	(15,000)
Other receipts from financing activities	(32)	51
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	435	557
Repayments of short-term and long-term borrowing	2,000	4,500
Other payments for financing activities	(69)	(2,223)
Net cash flows from financing activities	2,334	(12,115)

30. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*.

However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure except depreciation (revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's principal (directorates) recorded in the budget reports for the year is set out below.

2015/16	Health & Wellbeing £000's	Children Services, Education & Skills £000's	City & Environmental Services £000's	Communities & Neighbourhoods £000's	Customer & Business Support Services £000's	Office of the Chief Executive £000's	Corporate £000's	Total £000's
Employees	16,536	14,754	11,300	15,505	20,187	2,382	1,107	81,771
Supplies & Services	60,268	21,968	8,427	11,934	10,399	906	518	114,420
Internal Charges	6,269	14,438	7,479	10,625	7,473	242	-	46,526
Other Expenses	4,064	106,504	18,335	8,683	47,595	27	28,237	213,445
Total Expenditure	87,137	157,664	45,541	46,747	85,654	3,557	29,862	456,162
Fees, Charges & Other Income	(23,823)	(4,599)	(19,130)	(21,724)	(10,302)	(71)	(14,592)	(94,241)
Government Grants	(9,677)	(113,435)	(2,961)	(2,681)	(42,904)	(137)	(9,833)	(181,628)
Internal Charges	(3,538)	(14,230)	(6,215)	(7,430)	(27,845)	(2,263)	(383)	(61,904)
Total Income	(37,038)	(132,264)	(28,306)	(31,835)	(81,051)	(2,471)	(24,808)	(337,773)
Net Expenditure	50,099	25,400	17,235	14,912	4,603	1,086	5,054	118,389

2014/15	Health & Wellbeing £000's	Children Services, Education & Skills £000's	City & Environmental Services £000's	Communities & Neighbourhoods £000's	Customer & Business Support Services £000's	Office of the Chief Executive £000's	Corporate £000's	Total £000's
Employees	17,297	16,219	12,185	15,726	19,568	2,687	1,440	85,122
Supplies & Services	13,909	14,227	8,457	15,836	10,895	1,012	11,346	75,682
Internal Charges	6,476	14,277	6,975	10,264	6,747	235	-	44,974
Other Expenses	46,510	114,697	15,204	5,129	47,680	68	80,694	309,982
Total Expenditure	84,192	159,420	42,821	46,955	84,890	4,002	93,480	515,760
Fees, Charges & Other Income	(21,097)	(3,763)	(19,358)	(21,595)	(9,421)	(763)	(74,509)	(150,506)
Government Grants	(8,141)	(115,262)	(1,413)	(2,444)	(45,693)	(17)	(7,818)	(180,788)
Internal Charges	(3,375)	(14,703)	(5,869)	(6,792)	(26,999)	(2,850)	(383)	(60,971)
Total Income	(32,613)	(133,728)	(26,640)	(30,831)	(82,113)	(3,630)	(82,710)	(392,265)
Net Expenditure	51,579	25,692	16,181	16,124	2,777	372	10,770	123,495

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£000	£000
Net expenditure in Directorate Analysis	118,389	123,495
Net expenditure of services and support services not included in the Analysis	(23,953)	(13,913)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(5,693)	32,108
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,537	(2,570)
Cost of Services in Comprehensive Income and Expenditure Statement	90,280	139,120

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Directorate Analysis £000	Amounts Not Reported To Management For Decision Making £000	Amounts Not Included In I&E £000	Cost Of Services £000	Corporate Amounts £000	Total £000
Employee Expenses	81,771	83,779	(276)	165,274	-	165,274
Other Service Expenses	320,933	39,658	(155,583)	205,008	10,865	215,873
Support Service Recharges	46,526	4,328	(50,854)	-	-	-
Depreciation, Amortisation & Impairment	(3,927)	(7,624)	-	(11,551)	-	(11,551)
Interest Payments	10,293	6	-	10,299	34	10,333
Transactions related to Investment properties	566	-	-	566	-	566
Pensions interest cost and expected return on pensions assets	-	-	-	-	5,110	5,110
Precepts & Levies	-	-	-	-	623	623
Payments to Housing Capital Receipts Pool	-	-	-	-	1,243	1,243
Gain Or Loss On Disposal Of Fixed Assets	-	-	-	-	4,447	4,447
Total Expenditure	456,162	120,147	(206,713)	369,596	22,322	391,918
Fees, Charges & Other Service Income	(258,058)	(142,247)	142,684	(257,621)	(21,695)	(279,316)
Support Service Recharges	(61,904)	(855)	62,759	-	-	-
Transactions related to Investment properties	(2,878)	(6,364)	2,807	(6,435)	(2,807)	(9,242)
Surplus Or Deficit On Associates & Joint Ventures	-	-	-	-	-	-
Interest & Investment Income	(631)	(276)	-	(907)	(19)	(926)
Income From Council Tax & Business Rates	(3,068)	-	-	(3,068)	(100,178)	(103,246)
Government Grants & Contributions	(12,819)	(51)	-	(12,870)	(21,142)	(34,012)
Other Grants	(123)	-	-	(123)	-	(123)
Capital Grants	1,708	-	-	1,708	(17,980)	(16,272)
Gain Or Loss On Disposal Of Fixed Assets	-	-	-	-	(4,634)	(4,634)
Total Income	(337,773)	(149,793)	208,250	(279,316)	(168,455)	(447,771)
Surplus Or Deficit On The Provision Of Services	118,389	(29,646)	1,537	90,280	(146,133)	(55,853)

2014/15

	Directorate Analysis £000	Amounts Not Reported To Management For Decision Making £000	Amounts Not Included In I&E £000	Cost Of Services £000	Corporate Amounts £000	Total £000
Employee Expenses	85,122	84,379	(238)	169,263	-	169,263
Other Service Expenses	375,432	42,773	(214,399)	203,806	10,232	214,038
Support Service Recharges	44,974	4,148	(49,122)	-	-	-
Depreciation, Amortisation & Impairment	-	30,881	-	30,881	-	30,881
Interest Payments	10,005	-	-	10,005	8	10,013
Transactions related to Investment properties	227	-	-	227	-	227
Pensions interest cost and expected return on pensions assets	-	-	-	-	4,649	4,649
Precepts & Levies	-	-	-	-	601	601
Payments to Housing Capital Receipts Pool	-	-	-	-	1,052	1,052
Gain Or Loss On Disposal Of Fixed Assets	-	-	-	-	1,318	1,318
Total Expenditure	515,760	162,181	(263,759)	414,182	17,860	432,042
Fees, Charges & Other Service Income	(314,454)	(143,986)	200,218	(258,222)	(16,840)	(275,062)
Support Service Recharges	(60,971)	-	60,971	-	-	-
Transactions related to Investment properties	(4,302)	-	-	(4,302)	-	(4,302)
Surplus Or Deficit On Associates & Joint Ventures	-	-	-	-	-	-
Interest & Investment Income	(830)	-	-	(830)	(19)	(849)
Income From Council Tax & Business Rates	-	-	-	-	(100,502)	(100,502)
Government Grants & Contributions	(5,320)	-	-	(5,320)	(28,768)	(34,088)
Other Grants	(6,388)	-	-	(6,388)	-	(6,388)
Capital Grants	-	-	-	-	(15,312)	(15,312)
Gain Or Loss On Disposal Of Fixed Assets	-	-	-	-	(5,372)	(5,372)
Total Income	(392,265)	(143,986)	261,189	(275,062)	(166,813)	(441,875)
Surplus Or Deficit On The Provision Of Services	123,495	18,195	(2,570)	139,120	(148,953)	(9,833)

31. ACQUIRED AND DISCONTINUED OPERATIONS

All council operations are categorised as continuing operations.

32. TRADING OPERATIONS

The Council had no external trading operations in 2015/16. 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 for seven schools which includes six Academy schools. Three of the schools are from outside of the City of York Council boundary. The service is also provided for a district council, a college, and various other small organisations mostly in the voluntary sector.

	2015/16	2014/15
	£000's	£000's
Expenditure incurred providing Payroll Services	63	45
Fee income earned	(73)	(62)
Net Position	(10)	(17)

34. ROAD CHARGING SCHEMES

There were no schemes under the Transport Act 2000 in 2015/16, but these will continue to be considered by the Council in future years.

35. POOLED BUDGETS

Better Care Fund (BCF)

City of York Council (CYC) and the Vale of York Clinical Commissioning Group (VoY CCG) have entered into a pooled budget arrangements under section 75 of the Health Care Act 2006 for the management of commissioning resources related to the Better Care Fund (BCF). Both parties to this agreement contribute to a pooled commissioning budget which is overseen by the City of York Health and Wellbeing Board. The VoY CCG host the pooled budget

	2015/16 £000's	2014/15 £000's
Contributions to the Better Care Fund		
Council	951	
Vale of York CCG	11,176	
	<u>12,127</u>	-
Expenditure met from the Better Care Fund		
Council Commissioned Schemes	7,918	
Vale of York CCG Commissioned Schemes	2,878	
Withheld Performance funds	1,331	
	<u>12,127</u>	-
Net Surplus arising on the Pooled budget during the year	-	-

The Council's contribution of £951k comprised of Disabled Facilities Grant (£544k) and Adult Social Care Capital Grant (£407k).

In line with national policy, the Clinical Commissioning Group has withheld Performance Funds of £1.331m due to failure to achieve performance trajectories agreed for the reduction of emergency admissions. These funds have been retained by the Clinical Commissioning Group to offset increased expenditure related to emergency activity.

36. MEMBERS ALLOWANCES

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

	2015/16 £000's	2014/15 £000's
Allowances	580	540
Expenses	13	11
Total	593	551

37. OFFICERS REMUNERATION

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

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

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

Notes:

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

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

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

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

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

The remuneration paid to the Council's senior employees in 2014/15 is as follows:

		Salary (Including Fees and Allowances)	Expenses Allowances and Benefits	Compensation for Loss of Employment	Total excluding Employer's contribution to pension	Employer's contribution to pension	Total Remuneration Package
Position	Note	£	£	£	£	£	£
Chief Executive - Kersten England		139,533	-	-	139,533	27,488	167,021
Director of Public Health and Wellbeing	(1)	77,930	-	45,459	123,389	9,952	133,341
Director of Children's Services Education and Skills		111,472	-	-	111,472	21,960	133,432
Director of Customer and Business Support Services		102,924	34	-	102,958	20,276	123,234
Director of Communities and Neighbourhoods		102,924	-	-	102,924	20,276	123,200
Director of City and Environmental Services	(2)	23,128	-	-	23,128	4,215	27,343
Assistant Director of Governance and ICT		73,926	-	-	73,926	14,563	88,489
Assistant Director of Transformation and Change (Acting up)		67,115	-	-	67,115	-	67,115
Head of Economic Development	(3)	48,925	159	-	49,084	-	49,084
Total		747,877	193	45,459	793,529	118,730	912,259

No Bonus payments were made to any Senior Officers in the 2014-15 financial year.

Notes:

(1) **Director of Public Health and Wellbeing** left the council 30th September 2014. The post was replaced by an Interim Director of Public Health and an Interim Director of Adults Social Care, both of which were external contractors therefore not included in the note above, and these officers were in place from 1st October 2014.

(2) **Director of City & Environmental Services** left the council 19th June 2014, an Interim Director who was an external contractor therefore not included in the note above and was in place from 6th May 2014

(3) **Head of Economic Development** left the council 16th January 2015

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

Remuneration band	2015/16 Number of employees					2014/15 (restated) Number of employees				
	Officers current	Officers left during year	Teachers current	Teachers left during year	Total	Officers current	Officers left during year	Teachers current	Teachers left during year	Total
£50,000 - £54,999	26	1	26	2	55	41	0	34	0	75
£55,000 - £59,999	2	1	17	0	20	5	2	21	1	29
£60,000 - £64,999	7	0	12	5	24	3	3	18	1	25
£65,000 - £69,999	1	0	8	1	10	0	0	6	0	6
£70,000 - £74,999	0	1	3	0	4	6	1	2	0	9
£75,000 - £79,999	6	0	0	0	6	0	1	1	1	3
£80,000 - £84,999	0	0	2	1	3	1	0	7	0	8
£85,000 - £89,999	1	0	2	0	3	0	0	0	0	0
£90,000 - £94,999	0	0	1	0	1	0	0	2	0	2
£95,000 - £99,999	0	0	1	0	1	0	0	0	1	1
£100,000 - £104,999	0	0	1	0	1	0	0	0	0	0
Total	43	3	73	9	128	56	7	91	4	158

Details of the Exit Packages / Termination benefits paid out to employees who were made redundant during the year are set out in the table below. This table shows the total number of compulsory and other redundancies/ departures and their total cost, broken down into incremental bands of £20k up to £80k. The total cost shown include payments made to the employees plus payments made to the relevant pension funds in year to compensate for "strain on the fund" costs resulting from the employees exit and resulting pension entitlement.

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Number of redundancies		Total cost of exit packages in each band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £000's	2014/15 £000's
£0- £20,000	17	44	43	71	60	115	400	721
£20,001 - £40,000	1	5	8	12	9	17	257	668
£40,001 - £60,000	2	-	2	3	4	3	204	190
£60,001 - £80,000	-	-	-	-	-	-	-	-
Total	20	49	53	86	73	135	861	1,579

The total cost of £861k (2015/16 £1,579k) in the table above includes £676k (2015/16 £1,220k) for exit packages that have been charged to the Authorities Comprehensive Income and Expenditure Statement in the current year. The note includes 7 exits from schools controlled by the authority.

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:

	2015/16	2014/15
	£000's	£000's
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor	110	149
Fees payable to Mazars LLP in respect of statutory inspection	-	-
Fees payable to the Mazars LLP for the certification of grant claims and returns	11	18
Fees payable in respect of other services provided by Mazars LLP	70	6
Rebate of fees received from the Audit Commission	-	(11)
	191	162

The above fees have been presented on an accruals basis, in line with Code requirements. The fees for other services payable in 2015/16 relate to an objection to the 2013/14 accounts, advice on the community stadium and advice on the older persons housing projects (In 14/15 the fees related to the National Fraud Initiative and audit of the Teachers Pension return)

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 2011.

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 2015/16 are as follows:

	Central Expend- iture £000's	Individual Schools Budget £000's	DSG Total £000's
Final DSG for 2015/16 before Academy recoupment			111,934
Academy figure recouped for 2015/16			(13,530)
Total DSG after Academy recoupment for 2015/16			98,404
Brought forward from 2014/15			241
Carry forward to 2016/17 agreed in advance			-
DSG resources available for distribution in 2014/15	11,891	86,754	98,645
In year adjustments	-	-	-
Final resources available for distribution in 2015/16	11,891	86,754	98,645
Less actual central expenditure	(10,611)		(10,611)
Less actual ISB deployed to schools		(87,819)	(87,819)
Plus Local Authority contribution for 2015/16	-	-	-
Carry forward to 2016/17 agreed in advance	1,280	(1,065)	215

40. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16	2014/15
	£000's	£000's
Credited to Taxation and Non Specific Grant Income		
Demand on Collection Fund	(75,734)	(74,512)
Non-Domestic Rates	(27,511)	(25,989)
Revenue Support Grant	(21,142)	(28,768)
Capital Grants	(16,272)	(15,312)
New Homes Bonus	(3,712)	(3,071)
Business Rates Retention Grant	(2,958)	(1,876)
Other Government Grants	(6,201)	(5,349)
Other general grants	(123)	(1,413)
TOTAL	(153,653)	(156,290)
Credited to Services		
Dedicated Schools Grant Base	(98,394)	(100,350)
DWP Council Tax, Housing Benefit & Admin Grant	(42,247)	(43,975)
Public Health Grant	(7,712)	(7,305)
Other Education Funding Agency	(8,613)	(6,736)
Pupil Premium Grant	(4,462)	(4,621)
Education Services Grant	(2,240)	(2,870)
Skills Funding Agency	(1,191)	(1,241)
PFI Revenue Support	(1,186)	(1,186)
Universal infant Free Schools meals - revenue funding	(1,702)	(1,145)
E I & P Supporting People HRA Grant	-	(480)
DCLG Flood recovery	(416)	-
Homes and Communities Agency	(365)	-
Cabinet Office	(320)	-
CYC contribution to Safeguarding Board	-	(147)
Contribution from YOT	-	(50)
DWP Access to Work grant	(3)	(12)
Other Grants	(3,931)	(1,374)
TOTAL	(172,782)	(171,492)

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.

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

2014/15:**2014/15****£000's****Current Liabilities****Grants Receipts in Advance (Capital Grants)**

Miscellaneous other grants (capital)	-
S106 Contributions with conditions	17
TOTAL	17

Grants Receipts in Advance (Revenue Grants)

Lead Flood Authority Grant	57
CRCNB Grant	8
Dept Education Social Work Program	5
University of York	31
Skills for Care Social worker funding	8
Wilf Ward Grants	7
Pupil Premium Grant	235
DCLG Delivering differently in N'hoods	90
Springboard Project	14
Leeds City Region	90
Education Misc Grants	25
York Apprenticeship graduation	4
Creative employment programme	66
SENDIASS	13
TOTAL	653

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 are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 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 2015/16 is shown in Note 36.

The Council paid grants totalling £622k to organisations in which 5 members had positions on the board or are trustees.

On 31st March 2014 the Community Equipment Loans Store and Telecare service was transferred to Be Independent, a Communities Interest Company. One member sits on the board of this company and services totalling £1.3m were commissioned during the year.

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

In all instances, the grants and works/services commissioned were made with proper consideration of declarations of interest. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at West Offices during office hours.

Officers

During 2015/16 no works and services of a significant value were commissioned from companies in which officers had an interest outside of their Council responsibilities. All contracts were entered into in full compliance with the council's standing orders

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

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

Entities Controlled or Significantly Influenced by the Council

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

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

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

Science City York is a company limited by guarantee and is a non profit organisation. There is no share capital but the Council being the sole member is liable to contribute £1 in the event of the company being wound up. Transactions with the Council totalled £11k during the year. The previous Chief Executive of City of York Council was a member of the board. However, as outlined in Note 37 the Chief Executive left the Council in July 2015. In May 2011, a subsidiary of Science City York was set up called SCY Enterprises Ltd. This is a wholly owned subsidiary of Science City York. On 1 April 2015 Science City York sold its brand, assets and subsidiary company SCY Enterprises to Make it York Ltd. The future of this company will be considered further by the Council during 2016/17.

Make it York is a company limited by shares, created on 1st April 2015, and the Council is the sole shareholder. Of the 12 directors, 2 will represent the Council and these representatives will be the Leader of the Council and the Chief Executive. The brand and assets of Science City York and its subsidiary SCY Enterprises Ltd were transferred to Make it York in 2015/16.

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

LONG TERM INVESTMENTS

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

Yorwaste

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% share-holding in Yorwaste Limited. 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 & Expenditure Account. No dividend was received in 2015/16 or 2014/15. Similarly, the Company's assets and liabilities are not in the Consolidated Balance Sheet.

With effect from 1st 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.

Member Directors on Yorwaste are entitled to an allowance established in accordance with North Yorkshire County Council (NYCC's) remuneration arrangements which are paid for by the Company. One member sits on the board of this company.

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 at £2.166m. The Council received no dividends or profits from York Science Park and holds no liability.

Veritau

Since 1 April 2009, internal audit, counter-fraud and information governance 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 & Business Support Services and one Member of the Council.

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 Board of Directors for CYT is made up of the Director of Customer and Business Support, the Assistant Director for asset management, finance and procurement, a Member of the Council's Executive and an external Director. The company started trading in June 2013. The company provides temporary staff to the Council, schools and other external organisations.

Net Value of Transactions and Balances at Year End

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

	2015/16			2014/15		
	Expenditure £'000	Income £'000	Net Exp £'000	Expenditure £'000	Income £'000	Net Exp £'000
City of York Trading Ltd	5,298	(401)	4,897	4479	(281)	4,198
Make it York	972	(619)	353	0	-	-
Veritau	620	(17)	603	642	(10)	632
Yorwaste Ltd	7,304	(633)	6,671	6891	(536)	6,355
Science City York	11	-	11	192	-	192
York Science Park	2	-	2	0	-	-
Be Independent	1,768	(214)	1,554	1333	(260)	1,073
	15,975	(1,884)	14,091	13,537	(1,087)	12,450

The following amounts were due from related parties at 31 March 2016 and are included in debtors:

	2015/16 £'000	2014/15 £'000
City of York Trading Ltd	102	961
Make it York	172	-
Veritau	12	-
Yorwaste Ltd	59	83
Science City York	-	-
York Science Park	-	-
Be Independent	261	-
	606	1,044

The following amounts were due to related parties at 31 March 2016 and are included in creditors:

	2015/16 £'000	2014/15 £'000
City of York Trading Ltd	456	388
Make it York	13	20
Veritau	-	-
Yorwaste Ltd	852	779
Science City York	-	-
York Science Park	-	-
Be Independent	7	-
	1,328	1,187

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.

	2015/16 £000's	2014/15 £000's
Opening Capital Financing Requirement	322,474	316,903
Capital Investment		
Property, Plant and Equipment	34,968	43,155
Investment Properties	202	86
Intangible Assets	10	316
Revenue Expenditure Funded from Capital under Statute	6,749	4,646
Leases / PFI	-	-
HRA Self Financing payment	-	-
Sources of Finance		
Capital Receipts	(4,613)	(4,446)
Government grants and other contributions	(26,000)	(25,549)
Direct revenue contributions	(1,215)	(4,425)
MRP (Minimum Revenue Repayment)	(8,149)	(8,212)
Movement in Year	1,952	5,571
Closing Capital Financing Requirement	324,426	322,474
Explanations of movement in year		
Increase in underlying need to borrow (supported by government financial assistance)	-	
Increase in underlying need to borrow (unsupported by government financial assistance)	10,101	13,783
Assets acquired under finance leases/PFI		
HRA Self Financing payment		
MRP/ loans fund principal	(8,149)	(8,212)
Increase/ (decrease) in Capital Financing Requirement	1,952	5,571

The Capital Financing Requirement increased in 2015/16 as a result of the level of borrowing required to fund capital expenditure being greater than the provision set aside for the repayment of debt.

43. LEASES

Council as Lessee

Finance Leases

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

	2015/16	2014/15
	£000's	£000's
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	103	-
	103	-

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

	2015/16	2014/15
	£000's	£000's
Finance lease liabilities (net present value of minimum lease payments)		
- Current	81	-
- Non-current	22	-
Finance costs payable in future years	12	-
Minimum lease payments	115	-

The minimum lease payments are:

	Minimum lease payments		Finance lease liabilities	
	2015/16	2014/15	2015/16	2014/15
	£000's	£000's	£000's	£000's
Not later than one year	92	-	81	-
Later than one year and not later than five years	23	-	22	-
Later than five years	-	-	-	-
	115	-	103	-

Due to the short-term nature of the leases entered into by the Council, no contingent rents were payable by the Council in 2015/16 (2014/15 £0).

The Council has not sub-let any of the assets acquired under finance leases.

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, typical lives of three years
- Photocopying equipment, typical lives of three years
- Various property assets, typical lives between 15 and 30 years

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

	31-Mar-16	31-Mar-15
	£000's	£000's
Not later than one year	865	867
Later than one year and not later than five years	1,020	1,771
Later than five years	213	243
	2,098	2,881

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

	2015/16	2014/15
	£000's	£000's
Minimum lease payments	1,158	986
Contingent rents	40	43
	1,198	1,029

Council as Lessor

Finance Leases

The Council acts as lessor for a small number of property leases, with start dates between 1976 and 1994 and remaining lease terms of between 13 and 22 years. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end.

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

	2015/16	2014/15
	£000's	£000's
Finance lease debtor (net present value of minimum lease payments)		
- Current	11	10
- Non-current	333	344
Unearned finance income	206	225
Unguaranteed residual value of property	-	
Gross Investment in the lease	550	579

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	
	2015/16	2014/15	2015/16	2014/15
	£000's	£000's	£000's	£000's
Not later than one year	29	29	11	10
Later than one year and not later than five years	116	116	50	47
Later than five years	405	434	283	296
	550	579	344	353

The minimum lease payments include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 contingent rents of £135k were receivable by the Council (2014/15 £135k).

Operating Leases

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

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

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

	2015/16	2014/15
	£000's	Restated £000's
Not later than one year	2,479	2,355
Later than one year and not later than five years	7,007	7,148
Later than five years	48,895	46,986
	58,381	56,489

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 2015/16 contingent rents of £732k were receivable by the Council (2014/15 £663k restated).

44. PFI AND SIMILAR CONTRACTS

PFI

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

Property Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2016 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000's	Finance Paymen t £000's	Liability Repayme nt £000's	Total Payment s £000's
Within 1 Yr	604	225	247	1,076
Between 2 Yrs and 5 Yrs	2,615	802	996	4,413
Between 6 Yrs and 10 Yrs	3,953	729	985	5,667
Between 11 Yrs and 15 Yrs	4,244	675	1,037	5,956
Between 16 Yrs and 20 Yrs	3,659	1,150	1,562	6,371
Between 21 Yrs and 25 Yrs	-	-	-	-
	15,075	3,581	4,827	23,483

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

PPP

The City Council has undertaken a joint procurement with North Yorkshire for a long term Waste Management Service Contract for the provision of landfill diversion services. The council's agreed a

preferred bidder and signed a commercial contract with Amey Cespa in 2012. The contract allows for the council's waste to be dealt with a number of processes including mechanical sorting and treatment, Energy from Waste and Anaerobic Digestion. The contractor was required to achieve planning consent for its facility and propose a funding package to the councils. This was finally completed in summer 2014.

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

North Yorkshire County Council has entered into a contract with Amey Cespa and the City Council has entered into a Joint Waste Management Agreement with North Yorkshire which commits the City Council into the obligations set out in the main contract with Amey Cespa the main requirement being to provide a guaranteed minimum number of tonnes of municipal waste into the facility.

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

The Councils financial commitments under this are:

	CYC more than 1 year £000's
Liability payments	41,873
Finance payments	64,228
Operating costs	91,192
Total	197,293

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 2015/16.

47. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £862k (£1,579k in 2014/15). See Note 37 for further details of the number of exit packages and total cost per band. This sum is payable to officers across all of the Council's directorates.

48. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers Pension Scheme

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

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

In 2015/16 the Council paid £6.526m (2014/15 £6.118m) to CTP in respect of teachers' retirement benefits, representing 14.1% up to 31/08/2015 and 16.48% from 01/09/2015 to 31/03/2016 (2014/15, 14.1%) of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £6.374m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These amounted to £757k (2014/15 £742k) and are fully accrued in the pensions liability described in the figures that follow in Note 49. The Council is not liable to the scheme for any other entities obligation under the plan.

NHS Staff Pension Scheme

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

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

In 2015/16, the Council paid £15k (2014/15 £26k) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £253k. The Council is not liable to the scheme for any other entities obligation under the plan.

49. DEFINED BENEFIT PENSION SCHEMES

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

The North Yorkshire Pension Fund, which is a Local Government Pension Scheme, is treated as a defined benefit scheme, since the Council's liabilities to its current and former employees can be identified within the fund, and the Council will be liable to meet these, irrespective of the future performance of the fund. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The information below relates to the cost of pension arrangements borne by this Council and included in the revenue accounts.

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

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

The costs of retirement benefits are recognised 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:

	2015/16			2014/15		
	LGPS	Teachers	Total	LGPS	Teachers	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Comprehensive Income and Expenditure Statement						
Cost of Services						
Current service cost	17,869	-	17,869	13,940	-	13,940
Past service cost	366	-	366	48	-	48
Administration expenses	285	-	285	285	-	285
(Gain) / Loss from settlements and curtailments	-	-	-	136	360	496
	18,520	-	18,520	14,409	360	14,769
Financing and Investment Income and Expenditure						
Interest cost	20,371	420	20,791	22,417	523	22,940
Expected return on assets in the scheme	(15,681)	-	(15,681)	(18,291)	-	(18,291)
Net Interest expense	4,690	420	5,110	4,126	523	4,649
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services						
	23,210	420	23,630	18,535	883	19,418
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)	15,063	-	15,063	(45,401)		(45,401)
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-		-
Actuarial gains and losses arising on changes in financial assumptions	(40,170)	(1,005)	(41,175)	92,565	1,251	93,816
Experience gains and losses	(6,324)	(266)	(6,590)			-
Actuarial gains and losses	-	-	-			
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(31,431)	(1,271)	(32,702)	47,164	1,251	48,415
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	(23,210)	(420)	(23,630)	(18,535)	(883)	(19,418)
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	15,430	757	16,187	15,192	742	15,934

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's	£000's
<u>Present Value of Liabilities</u>					
Local Government Pension Scheme	458,631	549,523	503,304	622,093	604,574
Unfunded Teachers Pensions	11,684	13,120	12,524	13,916	12,308
<u>Fair Value of Assets</u>					
Local Government Pension Scheme	(288,381)	(340,819)	(404,022)	(472,304)	(478,436)
<u>(Surplus)/Deficit in the Scheme</u>					
Local Government Pension Scheme	170,250	208,704	99,282	149,789	126,138
Unfunded Teachers Pensions	11,684	13,120	12,524	13,916	12,308
Net liability arising from defined benefit obligation	181,934	221,824	111,806	163,705	138,446

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

	As at 31-Mar-16		As at 31-Mar-15	
	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	(472,304)	-	(404,022)	-
Interest income	(15,681)	-	(18,291)	-
Remeasurement (gain) / loss	15,063	-	(45,401)	-
Administration expenses	285	-	285	-
Employer contributions	(15,715)	(757)	(15,192)	(742)
Contributions by scheme participants	(4,607)	-	(4,591)	-
Benefits/transfers paid	14,523	757	14,908	742
Closing fair value of scheme assets	(478,436)	-	(472,304)	-

Reconciliation of present value of the scheme liabilities

	As at 31-Mar-16		As at 31-Mar-15	
	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	622,093	13,916	503,304	12,524
Current service cost	18,154	-	13,940	-
Interest cost	20,371	420	22,417	523
Contributions by scheme participants	4,607	-	4,591	-
Re-measurement (gains)/losses:				
Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
Actuarial gains and losses arising on changes in financial assumptions	(40,170)	(1,005)	92,565	1,251
Experience gains and losses	(6,324)	(266)	-	-
	-	-	-	-
Benefits/transfers paid	(14,523)	(757)	(14,908)	(742)
Past service costs	366	-	48	-
Curtailments	-	-	136	360
Settlements	-	-	-	-
Closing balance at 31 March	604,574	12,308	622,093	13,916

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £138.4m (2014/15 £163.705m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

Basis for Estimating Assets and Liabilities

In calculating the Council's assets and liabilities Aon Hewitt Ltd, an independent firm of actuaries, make a number of assumptions about events and circumstances in the future. This means that the calculations are subject to uncertainties within a range of possible values. The liabilities have been assessed using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

	As at 31-Mar-16	As at 31-Mar-15
Life expectancy		
Of a male future pensioner aged 65 in 20 years time	25.6	25.4
Of a female future pensioner aged 65 in 20 years time	28.1	28
Of a male current pensioner aged 65	23.3	23.1
Of a female current pensioner aged 65	25.8	25.6

The following shows the inflation factors used:

	As at 31-Mar- 16	As at 31-Mar- 16	As at 31-Mar- 15	As at 31-Mar-15
	% pa LGPS	% pa UTS	% pa LGPS	% pa UTS
Rate of Inflation	1.8	1.8	2	2
Rate of increase in salaries	3.3	N/A	3.5	N/A
Rate of increase in pensions	1.8	1.8	2	2
Discount rate	3.5	3.5	3.3	3.1

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)	14,918	-
Rate of inflation (increase by 0.1%)	8,775	-
Rate of increase in salaries (increase by 0.1%)	3,367	-
Rate of increase in pensions (increase by 0.1%)	8,775	-
Rate for discounting scheme liabilities (increase by 0.1%)	-	(11,991)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 27 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on the 31 March 2016.

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 2017 is £14.3m. The weighted average duration of the defined benefit obligation for scheme members is 20 years (20 years in 2014/15).

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-16 %	£m	As at 31-Mar-15 %	£m
Equities	62.2	297.6	59.9	282.9
Property	7.3	34.9	6.5	30.7
Government Bonds	14.1	67.5	16.9	79.8
Corporate Bonds	5.4	25.8	6.8	32.1
Cash	0.8	3.8	1.3	6.1
Other	10.2	48.8	8.6	40.6
Total	100.0	478.4	100.0	472.3

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

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

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

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Budget Council in February 2015 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2015/16 was set at £387.732m. This figure is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary for 2015/16 was set at £357.732m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 119% and –19% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are contained within this note.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

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

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

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

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

The full Investment Strategy for 2015/16 was approved by Budget Council in February 2015 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Full Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £77.326m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

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

Maximum Exposure to Credit Risk

	Amount at 31-Mar-16	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31-Mar-16	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-16	Estimated Maximum Exposure at 31-Mar-15
	£000's	%	%	£000's	£000's
Deposit with banks and financial institutions (Maturities <1yr therefore fair value is carrying amount)	77,326	-	-	-	-
Bonds	-	-	-	-	-
Customers	24,546	0.95	0.95	233	270
	101,872			233	270

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

The Council does not generally allow credit for its trade debtors, such that £4.358m of the £24.546m balance is past its due date for payment. The past its due date amounts can be analysed by age as follows:

	31-Mar-16	31-Mar-15
	£000's	£000's
Less than three months	673	1775
three to six months	1361	395
Six months to one year	385	635
More than one year	1939	2006
Total	4,358	4,811

Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

	31-Mar-16	31-Mar-15
	£000's	£000's
Analysis of loans by maturity:		
Interest Due within one year	(1,937)	(1,961)
Maturing within one year	(12,101)	(12,104)
Maturing in 1 - 2 years	(5,000)	(7,000)
Maturing in 2 - 5 years	(31,000)	(21,000)
Maturing in 5 - 10 years	(44,815)	(41,315)
Maturing in more than 10 years (average maturity 20 years)	(174,300)	(187,800)
Carrying Value Adjustment	869	911
Total	(268,284)	(270,269)

All trade and other payables (£31.016m) are due to be paid in less than one year and are not shown in the table above.

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

	Interest Rates Payable	31-Mar-16 £000's	31-Mar-15 £000's
Total Outstanding			
Public Works Loan Board (PWLB)	2.500% to 4.750%	(247,115)	(249,115)
PWLB (Carrying Value Adjustment)		869	911
Royal Exchange Trust Co. Ltd	7.155%	(10,000)	(10,000)
Local Bonds		-	(3)
Short Term Loans		(101)	(101)
Dexia Bank LOBO	3.880%	(5,000)	(5,000)
RBS Bank LOBO	3.600%	(5,000)	(5,000)
Interest Owed on Long Term Debt at 31st March		(1,937)	(1,961)
Total		(268,284)	(270,269)

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period as approved by Council in the Treasury Management Strategy.

	Approved Min Limit 31-Mar- 16 %	Approved Max Limit 31-Mar- 16 %	Authority Actual at 31-Mar- 16 £000's	Authority Actual at 31-Mar- 16 %	Authority Actual at 31-Mar- 15 £000's	Authority Actual at 31-Mar- 15 %
Less than 1 year	0%	30%	(14,038)	5%	(14,064)	5%
Between 1 and 2 years	0%	30%	(5,000)	2%	(7,000)	3%
Between 2 and 5 years	0%	40%	(31,000)	12%	(21,000)	8%
Between 5 and 10 years	0%	40%	(44,815)	17%	(41,315)	15%
More than 10 years	30%	90%	(174,300)	65%	(187,800)	69%
Total			(269,153)		(271,179)	

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; and
- 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, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

	31-Mar-16	31-Mar-15
	£000's	£000's
Increase in interest payable on variable rate investments borrowings	-	-
Increase in interest receivable on variable rate investments	773	556
Impact on Surplus or Deficit on the Provision of Services	773	556
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)	52,322	55,328

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds but does hold an equity stake in the newly formed Municipal Bonds Agency (Local Capital Finance Company). This investment is a policy investment, rather than a treasury management investment and is not material. The Investment is disclosed in the Council's Balance Sheet at cost, as a long-term investment and annual impairment reviews are carried out to determine if cost is still appropriate.

Foreign Exchange Risk

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

53. TRUST FUNDS

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

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-16 £000's	Balance at 31-Mar-15 £000's
Haughton/Gardiner Trust	1	-	(54)	(55)
Staff Lottery	12	-	(19)	(31)
Edward Lamb Automoton Clock Legacy	24	-	-	(24)
Edmund Wilson Trust	-	-	(21)	(21)
Other Funds	25	(44)	(114)	(95)
	62	(44)	(208)	(226)

Edward Lamb donated the **James Cox Automoton Clock** to the Castle Museum in 1982. Mr. Lamb died on 2 May 1986 and in his will left a legacy of £6k to be used and applied by the Museum solely for the maintenance of the said clock.

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

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

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

DRAFT

SUPPLEMENTARY STATEMENTS

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HOUSING REVENUE ACCOUNT

	Note	2015/16 £000's	2014/15 £000's
Income			
Dwellings Rents	(3)	(32,620)	(32,063)
Non-dwelling rents		(616)	(613)
Charges for Services and Facilities		(1,036)	(973)
Contributions Towards Expenditure		(351)	(354)
Transfer from General Fund		-	-
Total Income		(34,623)	(34,003)
Expenditure			
Repairs and maintenance		6,865	6,826
Supervision and management		6,966	7,305
Rents, Rates, Taxes and Other Charges		270	253
Depreciation and Impairment of non-current assets	(8)	(28,290)	(5,918)
Debt Management Costs		55	55
Movement in the allowance for bad debts	(4)	222	206
Sums directed by the Secretary of State that are expenditure in accordance with the Code		-	-
Exceptional Items		-	-
Total Expenditure		(13,912)	8,727
Net Cost of Services included in the Comprehensive Income and Expenditure Statement		(48,535)	(25,276)
<u>Share of Corporate Costs</u>			
HRA share of Corporate and Democratic Core		91	87
HRA share of other amounts included in the Council			
Net Cost of Services but not allocated to specific services		101	12
Net Cost of HRA Services		(48,343)	(25,177)
HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Payments to the Government Housing Capital Receipts pool		1,243	1,053
(Gain) or loss on sale of HRA non-current assets		(2,666)	(1,455)
Interest payable and similar charges		4,584	4,567
Interest and investment income		(268)	(216)
Pensions interest cost and expected return on pension assets	(6)	141	120
Capital grants and contributions receivable		(51)	(403)
(Surplus)/Deficit on Provision of Services		(45,360)	(21,511)

	2015/16		2014/15	
	£000's	£000's	£000's	£000's
Balance on the HRA at the end of the previous year		(14,021)		(12,113)
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(45,360)		(21,511)	
Adjustments between accounting basis & funding basis under regulations				
Depreciation and impairment charges	28,290		5,918	
Revaluation charges	14			
Capital grants applied in year	-			
Non-current assets written off	(4,425)		(1,840)	
Capital Expenditure funded by the HRA	1,214		4,364	
Income from non-current asset sales	7,091		3,295	
Transfer from Capital Receipts Reserve	(1,242)		(1,052)	
Transfer to Capital Receipts Reserve	-		-	
Depreciation costs met by MRR	7,520		7,349	
Retirement benefits	414		441	
Pension payments	(655)		(537)	
Applied grants transferred to CAA	-		403	
Transfer from Capital Adjustment Account	-			
Accumulated absences	(2)	-	(18)	-
Net Increase/Decrease before Transfers to or from reserves	(7,141)	-	(3,188)	-
Transfers to/(from) reserves	2,797		1,280	
(Increase)/Decrease in Year on the HRA		(4,344)		(1,908)
Balance on the HRA at the end of the current year		(18,365)		(14,021)

1. SIGNIFICANCE OF THE STATUTORY HOUSING REVENUE ACCOUNT

There is a surplus of £45.360m (2014/15 surplus of £21.511m) on the Housing Revenue Account Income and Expenditure Account, this decreases to a surplus of £4.344m (2014/15 surplus of £1.908M) for the year on the Statutory Housing Revenue Account. This is explained as follows.

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with IFRS, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Reserve.

The surplus or deficit on the HRA Income and Expenditure Account is the best measure of the Council's operating financial performance for the year for HRA services. However, the statutory surplus or deficit on the Statutory HRA is also an important amount since it indicates whether the Council added to or drew from the brought forward balance on its Statutory HRA Reserve during the year. This, in turn, affects the amount of the balance on the HRA that the Council can take into account when determining its spending plans on HRA services for the following year.

2. LEGISLATIVE BACKGROUND

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 rent income is the total amount due for the year after allowance for voids of £259k (2014/15 £246k) which represents 0.79% (2014/15 0.76%) of the gross rent income including charges for services. Average rents in March 2015 were £78.87 (2014 £75.18) a week. In April an increase of 2.2% (2014 - 4.95%) was applied increasing the average rent at that time by £1.73 (2014/15 £3.72).

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.

	2015/16	2014/15
	£000's	£000's
Rents due from Tenants	(14,879)	(13,882)
Rents remitted by Rent Rebates through the Housing Benefit System	(17,741)	(18,181)
Total Rent Income	(32,620)	(32,063)

The Council was responsible for managing 7,767 (2014/15 7,796) dwellings at 31 March. In addition to this total are 225 (2014/15 225) properties that the Council manages on behalf of a Housing Association and 41 (2014/15 55) properties on behalf of private landlords through the social lettings agency, Yorhome, although these properties are not part of the HRA stock.

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

	Pre 1919	1919/ 1944	1945/ 1964	After 1964	Total
Low Rise Flats	-	533	645	736	1,914
Medium Rise Flats	4	3	819	774	1,600
Houses and Bungalows	18	2,051	1,490	694	4,253
	22	2,587	2,954	2,204	7,767

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

	2015/16			2014/15		
	Houses/ Bungalows	Flats	Total	Houses/ Bungalows	Flats	Total
Operational Stock						
Balance at 1 April	4,292	3,504	7,796	4,325	3,523	7,848
Sales	(58)	(20)	(78)	(33)	(19)	(52)
New Builds/Conversions	18	31	49	-	-	-
Acquisitions	-	-	-	1	-	1
Awaiting Demolitions	-	-	-	-	-	-
Dwellings declared surplus	-	-	-	-	-	-
Dwellings reprovided with Housing Association	-	-	-	-	-	-
Re-categorisation	-	-	-	-	-	-
To General Fund	-	-	-	-	-	-
To HRA non-housing stock	-	-	-	(1)	-	(1)
Balance at 31 March	4,252	3,515	7,767	4,292	3,504	7,796

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 2014/15 rent arrears as a proportion of gross rent income have increased from 3.04% of the amount due to 3.09%. The rent arrears figures are as follows:

		2015/16	2014/15
		£000's	£000's
Arrears at 31 March	- Current tenants	668	659
	- Former tenants	339	317
Amounts Written Off during the Year		163	120
Increased/(Reduced) Provision during the Year		194	175
Provision for Bad and Doubtful Debts		734	702

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

		2015/16	2014/15
		%	%
Dwelling rent arrears as a % of gross rent debit			
	- Current tenants	2.05%	2.06%
	- Former tenants	1.04%	0.99%
		3.09%	3.04%

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

	2015/16	2014/15
	£000's	£000's
Arrears at 31 March	18	13
Amounts Written Off during the Year	3	5
Increased/(Reduced) Provision during the Year	9	10
Provision for Bad and Doubtful Debts	24	18

5. HRA SHARE OF CORPORATE AND DEMOCRATIC CORE (CDC)

The Code of Practice requires that the HRA includes a proportion of the corporate costs of the Council (CDC). However these costs are not permitted to be a cost to the Statutory HRA and so are reversed out in the Statement of Movement on the Housing Revenue Account.

6. 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:

	2015/16 £000's	£000's	2014/15 £000's	£000's
Income and Expenditure Account Entries				
Net Cost of HRA Services				
Current service cost	536		404	
Past service cost	20		1	
Curtailment Cost	-		12	
		556		417
Financing and Investment Income and Expenditure				
Interest cost	611		650	
Expected return on assets in the scheme	(470)		(530)	
		141		120
Net Charge to the Income and Expenditure Account		697		537
Statement of Movement on the Housing Revenue Account Balance Entries				
Reversal of net charges made for retirement benefits				
Contribution to/(from) Pensions Reserve		414		441
Actual amount charged to the Housing Revenue Account for Pensions in the year		(655)		(537)

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

Councils are required by an amendment to the Accounts and Audit Regulations 1996, to establish and maintain an MRR. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. The Item 8 Credit and Item 8 Debit (General) Determination from April 2012 (Item 8 determination), for a transitional period, permits the difference between a notional Major Repairs Allowance (MRA) and depreciation (where dwelling depreciation is greater than the MRA) to be charged to the MRR such that the notional MRA becomes the charge against the HRA balance. Councils are also able to charge capital expenditure directly to the reserve. The following table shows the depreciation charged during the year:

	2015/16 £000's	2014/15 £000's
Dwellings	9,622	8,271
Other Land and Buildings	209	282
Intangible assets	34	15
Infrastructure	1	1
	9,866	8,569
Depcn adj for reversal of revaluation loss - Dwellings	1,590	435
	11,456	9,004
Reversal of Revaluation loss/Impairment	(39,746)	(14,922)
	(28,290)	(5,918)

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

	2015/16 £000's	2014/15 £000's
Depreciation on other HRA assets	-	-
Depreciation on dwellings higher than MRA	(2,346)	(1,204)
Total Transfer from MRR	(2,346)	(1,204)

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:

	2015/16 £000's	2014/15 £000's
Balance at 1 April	(3,343)	(3,272)
Depreciation on HRA dwellings	(9,666)	(8,271)
Depreciation on other HRA assets	(200)	(282)
Transfer to HRA during the financial year	2,346	1,204
Capital expenditure on houses within the HRA charged to the reserve	6,688	7,278
Balance at 31 March	(4,175)	(3,343)

8. MOVEMENT OF FIXED ASSETS

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:

2015/16 Movement of Fixed Assets

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Community Assets £000's	Surplus £000's	Assets under Cons-truction £000's	Total Property, plant & Equipment £000's	PFI Assets included in Property, plant & equipment £000's
Cost or Valuation (GCA)									
At 1 April 2015	276,118	8,496	-	17	-	4	-	284,635	-
Category Transfer	-	-	-	-	-	-	-	-	-
Revised 1 April 2015	276,118	8,496	-	17	-	4	-	284,635	-
Additions	10,582	-	-	25	-	-	-	10,607	-
Acc Dep & Imp WO to GCA	(8,271)	(185)	-	-	-	-	-	(8,456)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,927	1,968	-	-	(190)	-	-	7,705	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	37,993	(501)	-	-	-	20	-	37,512	-
Derecognition - Disposals	(4,415)	-	-	-	-	-	-	(4,415)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	900	(1,086)	-	-	190	(4)	-	-	-
At 31 March 2016	318,834	8,692	-	42	-	20	-	327,588	-
Accumulated Depreciation & Impairment									
At 1 April 2015	(8,271)	(49)	-	(4)	-	-	-	(8,324)	-
Category Transfer	-	-	-	-	-	-	-	-	-
Revised 1 April 2015	-	-	-	-	-	-	-	-	-
Depreciation Charge for 2015/16	(9,622)	(209)	-	-	-	-	-	(9,831)	-
Acc. Depreciation WO to GCA	8,271	185	-	-	-	-	-	8,456	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
At 31 March 2016	(9,622)	(73)	-	(4)	-	-	-	(9,699)	-
Net Book Value									
At 31 March 2016	309,212	8,619	-	38	-	20	-	317,889	-
At 31 March 2015	267,847	8,447	-	13	-	4	-	276,311	-

2014/15 Movement of Fixed Assets

	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	PFI Assets included in Property, plant & equipment £000's
Cost or Valuation (GCA)									
At 1 April 2014	258,127	7,903	-	17	-	4	-	266,051	-
Category Transfer	-	-	-	-	-	-	-	-	-
Revised 1 April 2014	258,127	7,903	-	17	-	4	-	266,051	-
Additions	13,289	-	-	-	-	-	-	13,289	-
Acc Dep & Imp WO to GCA	(8,124)	(258)	-	-	-	-	-	(8,382)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	747	418	-	-	-	-	-	1,165	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	13,919	568	-	-	-	-	-	14,487	-
Derecognition - Disposals	(1,840)	-	-	-	-	-	-	(1,840)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(135)	-	-	-	(10)	-	(145)	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	10	-	10	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-	-
At 31 March 2015	276,118	8,496	-	17	-	4	-	284,635	-
Accumulated Depreciation & Impairment									
At 1 April 2014	(8,124)	(26)	-	(3)	-	-	-	(8,153)	-
Category Transfer	-	-	-	-	-	-	-	-	-
Revised 1 April 2014	(8,124)	(26)	-	(3)	-	-	-	(8,153)	-
Depreciation Charge for 2014/15	(8,271)	(281)	-	(1)	-	-	-	(8,553)	-
Acc. Depreciation WO to GCA	8,124	258	-	-	-	-	-	8,382	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
At 31 March 2015	(8,271)	(49)	-	(4)	-	-	-	(8,324)	-
Net Book Value									
At 31 March 2015	267,847	8,447	-	13	-	4	-	276,311	-
At 31 March 2014	250,003	7,877	-	14	-	4	-	257,898	-

9. 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. From 1 April 2010 the adjustment factor was increased from 53% to 69%, meaning that council houses from 2010/11 are included at 31% of the open market valuation. The council recognises council dwellings at a value of £307.916m (2014/15 £267.847m) on the balance sheet. The vacant possession value of the council dwellings at 1 April 2015 was £962.407m (2014/15 £827.623m). The difference between vacant possession value and balance sheet value of dwellings shows the economic cost to government of providing council housing at less than market rents.

10. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The capital expenditure to be financed in 2015/16 is £10.582m (2014/15 £13.387m). The analysis of the expenditure and the sources of financing used are set out in the following table:

	2015/16					2014/15				
	Dwellings £000's	Infra- structure £000's	Equipment £000's	Intangibles £000's	Total £000's	Dwellings £000's	Infra- structure £000's	Equipment £000's	Intangibles £000's	Total £000's
Total capital expenditure	-	-	-	-	-	-	-	-	-	-
Financing										
Borrowing	-	-	-	-	-	-	-	-	-	-
Capital Receipts	(2,679)	-	-	-	(2,679)	(158)	-	-	-	(158)
Major Repairs Reserve	(6,688)	-	-	-	(6,688)	(7,278)	-	-	-	(7,278)
Grants Revenue	-	-	-	-	-	(1,587)	-	-	-	(1,587)
Contributions	(1,215)	-	-	-	(1,215)	(4,265)	-	-	(99)	(4,364)
	(10,582)	-	-	-	(10,582)	(13,288)	-	-	(99)	(13,387)

11. 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:

	2015/16			2014/15		
	Council	Land	Total	Council	Land	Total
	Dwellings £000's	Land £000's	Total £000's	Dwellings £000's	Land £000's	Total £000's
Sales proceeds	(7,031)	-	(7,031)	(3,248)	(40)	(3,288)
less: administrative costs			-			-
Net proceeds	(7,031)	-	(7,031)	(3,248)	(40)	(3,288)
Right to buy discount repaid	(58)		(58)	(5)		(5)
Mortgage principal repaid	(2)		(2)	(2)		(2)
	(7,091)	-	(7,091)	(3,255)	(40)	(3,295)
of which:						
Usable	(5,848)	-	(5,848)	(2,202)	(40)	(2,242)
Payable to Housing Pooled Capital Receipts	(1,243)		(1,243)	(1,053)		(1,053)
	(7,091)	-	(7,091)	(3,255)	(40)	(3,295)

12. 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:

	2015/16 £000's	2014/15 £000's
Balance 1 April	2,425	2,435
Additions:		
Acquisitions	-	-
Enhancements	-	-
Disposals	-	-
Net gain or loss on Fair Value	645	
Transfers:		
From Held for Sale		
To / From Property, Plant & Equipment	-	(10)
Other changes	-	-
Balance 31 March	3,070	2,425

13. ASSETS HELD FOR SALE

The following table summarises the movement in HRA assets held for sale over the year:

Description	2015/16 £000's	2014/15 £000's
Balance outstanding at Start of Year	145	80
Assets newly classified as Held for Sale :		
Property, Plant and Equipment		145
Newly Acquired Assets	-	-
Revaluation Losses	-	-
Revaluation Gains	-	-
Impairment Losses	-	-
Assets declassified as Held for Sale:		
Property, Plant and Equipment	-	-
Investment Properties	-	-
Other Transfers	-	-
Assets Sold	(10)	(80)
Transfers from Non-Current to Current	-	-
Changes to Plan to Sell	-	-
Balance outstanding at End of Year	135	145

COLLECTION FUND

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INCOME AND EXPENDITURE ACCOUNT

	Note	2015/16 Business Rates £000	2015/16 Council Tax £000	2015/16 Total £000	2014/15 Total £000
Income					
Council Tax Receivable	2	-	(94,005)	(94,005)	(92,241)
Business Rates Receivable	3	(104,496)	-	(104,496)	(103,429)
Total Income		(104,496)	(94,005)	(198,501)	(195,670)
Expenditure					
Apportionment of Prior Year Surplus					
Central Government		339	-	339	14
City of York Council		332	1,284	1,616	14
North Yorkshire Police & Crime Commissioner		-	230	230	-
North Yorkshire Fire & Rescue Authority		7	70	77	0
		678	1,584	2,262	28
Precepts, Demands and Shares					
Central Government		50,561	-	50,561	46,897
City of York Council		49,550	72,737	122,287	117,727
Parish Councils		-	623	623	601
North Yorkshire Police & Crime Commissioner		-	13,278	13,278	12,846
North Yorkshire Fire & Rescue Authority		1,011	4,031	5,042	4,837
		101,122	90,669	191,791	182,908
Charges to Collection Fund					
Write Offs		793	396	1,189	609
Increase/(Decrease) in Bad Debt Provision		371	13	384	747
Increase/(Decrease) in Appeals Provision		498	(6)	492	3,520
Cost of Collection		295	-	295	295
Transitional Protection		69	-	69	206
		2,026	403	2,429	5,377
Total Expenditure		103,826	92,655	196,481	188,312
(Surplus)/Deficit Arising In Year		(670)	(1,349)	(2,019)	(7,358)
(Surplus)/Deficit Brought Forward		5,000	(4,072)	928	8,286
(Surplus)/Deficit Carried Forward		4,330	(5,421)	(1,091)	928

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 2015/16 was 62,405.70 (61,574.84 in 2014/15).

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, has been 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 2015/16 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 £461k (2014/15 £459k) 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	10.26	5/9	5.70	£829.88
A	up to £40,000	6,186.45	6/9	4,124.30	£995.86
B	£40,000 to £52,000	17,721.51	7/9	13,783.40	£1,161.84
C	£52,000 to £68,000	20,843.55	8/9	18,527.60	£1,327.81
D	£68,000 to £88,000	10,842.50	9/9	10,842.50	£1,493.79
E	£88,000 to £120,000	6,430.42	11/9	7,859.40	£1,825.74
F	£120,000 to £160,000	3,022.82	13/9	4,366.30	£2,157.70
G	£160,000 to £320,000	1,467.96	15/9	2,446.60	£2,489.65
H	over £320,000	66.45	18/9	132.90	£2,987.58
TOTAL		66,591.92		62,088.70	
Crown Properties				317.00	
Tax Base for the calculation of Council Tax				62,405.70	

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 £396k (2014/15 £284k) were written off against the provision for bad/doubtful debts. An annual assessment of the level of arrears and their age and recoverability, the amount to be provided as provision for future write-offs and the value of outstanding appeals against the council tax band that has been awarded for new properties is undertaken. Following this exercise the level of provision set-aside against bad debts on the current level of arrears was increased by £14k (increase in 2014/15 of £188k).

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 2016 was 247,997,505 (2014/15 247,678,158) and the rate for 2015/16 was 49.3p (2014/15 48.2p), with a reduction to 48.0p (2014/15 47.1p) for small businesses. The Council has no control over these values.

The current business rates retention scheme aims to give Council's a greater incentive to grow businesses but also increases the financial risk due to volatility and non- collection rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the collectable rates due. In the case of York the local share is 49% and the remainder is distributed to the preceptors and in the case of York these are 50% to Central Government and 1% to North Yorkshire Fire and Rescue Authority (NYFRA).

The business rates shares payable for 2015/16 were estimated before the start of the financial year as £50.561m (£46.897m in 2014/15) to Central Government, £1.011m (£0.938m in 2014/15) to NYFRA and £49.550m (£45.959m in 2014/15) to City of York Council. These sums have been paid in 2015/16 and charged to the collection fund in year.

The total income from business rate payers collected in 2015/16 was £104.496m (£103,429m in 2014/15). This sum includes £69k of transitional protection payments from ratepayers, which under government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government to £50.630m.

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 2016. 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 2015/16 has been calculated at £498k.

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).

	2015/16 Business Rates £'s	2015/16 Council Tax £'s	2015/16 Total £'s	2014/15 Total £'s
Central Government	2,165,038		2,165,038	2,500,017
City of York Council	2,121,737	(4,397,231)	(2,275,494)	(843,789)
North Yorks Police & Crime Commissioner		(785,066)	(785,066)	(596,714)
North Yorkshire Fire and Rescue Authority	43,301	(238,339)	(195,038)	(131,143)
	4,330,076	(5,420,636)	(1,090,560)	928,371

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ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility the council is also responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercise of the council's functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is in the council's Constitution and on the council's website. 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, and accompanies the 2015/16 Statement of Accounts of the Council. It is a requirement to produce this Statement under regulation 6 (1)_ b of the Accounts and Audit (England) Regulations and that it is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

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 2016 and up to the date of approval of the Statement of Accounts for 2015/16.

3. THE 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 consist of strategic planning processes, political and managerial structures and processes, management and decision making processes, policies and guidance, financial management, compliance arrangements, risk management, internal audit, counter fraud activities, performance management, consultation and communication methods and partnership working arrangements.

Strategic Planning Processes

The council has in place a strategic planning process, informed by community and member consultation, that reflects political and community objectives and acts as the basis for corporate prioritisation. The council's Council Plan expresses the council's Key priorities until 2019. The aims and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

The full Council is responsible for agreeing overall policies and setting the budget. The Executive, which meets monthly, is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT), which meets weekly, has responsibility for implementing council policies and decisions, providing advice to members and for coordinating the use of resources and the work of the council's directorates. The Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The Chief Finance Officer (Director of CBSS) (Customer and Business Support Services) and the Monitoring Officer (Head of Governance and ICT) review reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

The council implemented new scrutiny arrangements during 2009/10 and continues to seek to develop and improve these arrangements. During 2015 further improvements included the early publication of forward items for Executive, to allow for pre decision of Scrutiny items.

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 oversees the financial reporting process and approves the Final Statement of Accounts.

A Joint Standards Committee comprising members of the City 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.

Peer Review:

In March 2016, the council opted to undergo a Peer challenge to assess how well we are meeting our aims to shape and deliver a strong vision for the authority and its services for the city. The Peer review team focused on three specific areas:

1) Building on progress:

This peer challenge focussed on strategy, leadership and future direction. The Challenge highlighted that the council has delivered on many of its actions within previous Peer Reviews and subsequent action plans in 2014 and 2015 and continues, to this day, to build on these.

The team recognised that there is clear visible pride and commitment with positive views about the city and authority, but suggested more needs to be done to improve partnership working and cultural change within the council and there was a need to provide further clarity amongst residents and staff about what the council does and why it takes the decisions it takes and to share its vision for the future.

2) Improving and cementing behaviours and relationships:

The Peer Challenge highlighted that the leadership provided by members and officers is both functional and operational, in that services are delivered well, and staff are committed to doing a good job to high standards, but this has been limited by a lack of ownership of some of the issues and challenges facing the council.

It's acknowledged there has been a significant period of change at both a political and managerial level, but there is now the potential for a period of stability that should be grasped.

Securing this stability is a priority through the action plan.

3) Shaping and sharing future plans:

The Challenge team said that more attention needs to be paid to ensure that objectives and outcomes of major projects are more closely aligned and to include more opportunities for members and officers to discuss together how and where savings will be made in future budget decisions.

Progressing new ways of delivering services and commissioning of service continues to evolve which will help to increase the understanding of how working together delivers better solutions, ensure ideas are encouraged and people see how they can make a difference and deliver an increased understanding of the new way of working.

Details of the Peer challenge and resulting action plan can be found on the Council's website at the link below:

https://www.york.gov.uk/info/20036/performance_and_policies/31/peer_challenge

ICO audit

The Information Commissioner's Office (ICO) undertook a voluntary audit at the Council in August 2015. This onsite audit covered records management, subject access requests and data sharing. The ICO's overall opinion was that there was limited assurance with scope for improvement but that there was also good practice in a number of areas including archive and storage arrangements, information security checks and data sharing.

The council responded to the 90 recommendations for improvements to existing arrangements by formally documenting procedures and implementing further compliance measures. A follow up audit assessment in June 2016 by the ICO showed that the Council had completed 31 recommendations in full, 58 partially (with completion in the next 3 months) with 1 not yet completed. This provided assurance to the ICO that the agreed recommendations has been appropriately implemented mitigating risks identified thereby supporting data protection legislation and implementing good practice.

Management and Decision Making Processes

Corporate management and leadership at officer level is led by CMT, and is supported and developed through the Corporate Leadership Group (CMT plus Assistant Directors). Decisions are operated in accordance with the Council's constitution. The Council has a Workforce Strategy which sets out the way the Council will develop the skills of our staff to help deliver our key priorities effectively.

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The council's Constitution
- Codes of Conduct for Council Members and Council Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules
- Member and Officer Schemes of delegation
- Registers of Council Members' interests, gifts and hospitality
- Registers of Council Officers' interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing, the Prosecution of Fraud and Corruption and dealing with complaints
- Asset Management Plan
- Strategic Risk Register

Many codes and protocols form part of the constitution and are monitored for effectiveness by the Governance, Risk and Assurance Group (GRAG) . Amendments to the constitution are normally scrutinised by the Audit & Governance Committee prior to approval by full Council.

Financial Management

The Director of Customer & Business Support Services (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control.

The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:

- he is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the council's financial strategy; and
- he leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

In delivering these responsibilities:

- he leads and directs a finance function that is resourced to be fit for purpose; and
- he is professionally qualified and suitably experienced.

The council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision. The financial management system includes:

- A Medium Term Financial Plan highlighting key financial risks and pressures on a 5 year rolling basis
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow best professional practice as set out in the Chartered Institute of Public Finance and Accountancy's guidance and International Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.

Compliance Arrangements

Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The Section 151 Officer
- The Monitoring Officer
- The Head of Internal Audit
- Finance officers and other relevant service managers.

The Council's Monitoring Officer has a statutory responsibility for ensuring that the council acts lawfully and without maladministration.

Compliance with the council's governance arrangements is subject to ongoing scrutiny by the

external auditors, Mazars and other external agencies. The Governance, Risk and Assurance Group (GRAG) also monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Chief Executive, Leader and Audit & Governance Committee.

Risk Management

The council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Risk Management Service to ensure that:

- the council's assets are adequately protected
- losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures
- service managers are adequately supported in the discharge of their responsibilities in respect of risk management.

The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk register is 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 in accordance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The service in 2015/16 was provided by Veritau Limited, a shared service company jointly established by the Council and North Yorkshire County Council. Veritau's internal audit & counter fraud teams undertake an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the governance, risk management and control environment operating within the council. Through its work Veritau also provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team:

- provides advice and assistance to managers in the design, implementation and operation of controls
- helps to maintain the council's counter fraud arrangements including policy framework
- supports managers in the prevention and detection of fraud, corruption and other irregularities.

Performance Management

The council recognises the importance of effective performance management arrangements and 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 performance monitoring progress to members through the established Scrutiny arrangements.

Finance and Performance monitoring is reported regularly at CMT and Executive, and there is

ongoing regular discussion of financial performance at CMT to ensure that the Council is able to manage the major savings programmes.

Consultation and Communication Methods

The council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the council's stakeholders is undertaken and relevant and effective channels of communication are developed. The Council has in place an Engagement Strategy and media protocol. Examples of communication and consultation include:

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform stakeholders and services users of the previous year's achievements and outcomes
- the annual report on the performance of the scrutiny function
- opportunities for the public to engage effectively with the council including attending meetings and watching meetings live or recorded at www.york.gov.uk/webcasts
- 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
- providing a place for businesses, organisations and residents to publicly share their data, for free, so that anybody can connect to hundred's of up-to-date, searchable data sets and use them to make a difference in their local area at <https://www.yorkopendata.org/>
- citywide publications such as Our City and Your Ward and Streets Ahead (for 8,000 council tenants)
- internal communications within City of York Council to ensure staff and arms length partners are kept informed of communications
- regular interaction via the council's social media channels including Twitter and Facebook
- involvement in devolved budget decision-making at ward level
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

The overall governance framework established by the council contributes to effective partnership and joint working arrangements.. The council has developed methodology and protocols during the year to ensure that partnerships operate effectively across the Council.

4. REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control has been undertaken, co-ordinated by the Governance, Risk and Assurance Group (GRAG), which comprises the Director of Customer & Business Support Services (the Section 151 Officer), the Assistant Director of Customer & Business Support Services - Governance & ICT (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
- 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 register 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 2014/15 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

Having considered all 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. The Council recognises an ongoing need to review its governance arrangements, and to respond to external reports and changes in legislation to ensure it continues to learn, improve systems, and ensure compliance with relevant legislation.

This on-going review of the effectiveness of governance and internal control systems is also informed by the work of Veritau who have responsibility for providing assurance on the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

5. SIGNIFICANT GOVERNANCE ISSUES

On the basis of the review work carried out it was considered that the majority of the governance and internal control arrangements continue to be regarded as fit for purpose in accordance with the governance framework during the financial year 2015/16. There were however some areas identified which require attention to address weaknesses and ensure continuous improvement of governance and internal control arrangements.

Also included in the table below 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. This includes in particular the financial challenges, the Local Plan, Adult Social Care and Devolution. This approach is in line with other Councils preparation of Governance statements.

	Issue	Action taken to date/ Planned 2016/17	Reports/ Decisions to be presented to
1	<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 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 has set a one year budget in 2016/17 with services setting a 4 year direction of travel. Further update on the strategy, and the Councils response to the Governments offer to authorities that agree an efficiency plan will be taken to Executive in June/July.</p> <p>A review of the Local Code of Corporate Governance will be carried out during 2016/17 in order to reflect the new Cipfa/ Solace Framework <i>'Delivering Good Governance in Local Government: Framework 2016'</i></p>	<p>Executive/ Council</p> <p>Audit & Governance Committee</p> <p>Executive/ Council</p>

	<p>(ii) Major capital projects</p> <p>The Council has a number of major capital projects at different stages, including the Community Stadium, York Central, and the Older Peoples Accommodation Programme (including Burnholme)</p>	<p>There are significant risks associated with the range of major schemes which have been identified in various reports. Ongoing regular reporting to various member meetings, alongside effective Project Management will be essential to ensure risks can be mitigated/ managed.</p> <p>The Council has put in place dedicated project management expertise for its major projects, and invested in a project management system to manage programme/ cost risks attached to these major projects</p>	<p>Executive/ Council</p> <p>Audit & Governance Committee</p> <p>Scrutiny Committees</p>
2	<p>Local Plan</p> <p>Officers produced a publication draft Local Plan in autumn 2014. This process, however, was halted by Council resolution on the 9th October 2014. Following the Local Government Elections in May 2015 the agreement between the Conservative and Liberal Democrat Groups, to establish a joint administration for City of York Council from May 21st 2015 indicates that:</p> <p>'We will prepare an evidence-based Local Plan which delivers much needed housing whilst focusing development on brownfield land and taking all practical steps to protect the Green Belt and the character of York.'</p> <p>Planning policy sits within a national regulatory framework; non-compliance with that framework means that planning decisions by the local authority can be successfully challenged both in the Courts and through the Secretary of State. In addition</p>	<p>In response to both the Council resolution and the changed context officers have initiated a work programme culminating in a document focusing on housing and employment land. This document and supporting technical documents will be reported to Members in June. It is anticipated, subject to Member approval, that the document will be published for the six week consultation in July.</p> <p>The reports to Members in June will also sets out a project plan for the progression of the Local Plan. It will highlight the intention to consult on a publication draft plan early in 2017 following which it will be submitted to Government. This will be followed by an 'Examination in Public'. This is a form of public inquiry where an independent planning inspector, appointed by the Secretary of State, will 'test' the document to see if it meets the requirements of the relevant legislation and to see if it is 'sound'. Soundness is tested by considering whether the document is justified; effective and consistent with</p>	<p>Executive/ Council</p>

	<p>failure to adopt a compliant Local Plan, given the expectations embodied in the National Planning Policy Framework (NPPF) leaves undeveloped areas of the city vulnerable to development proposals which the Council will be unable to stop.</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>national policy. This could last up to 12 months.</p>	
<p>3</p>	<p>Adults/ Health Risks - Challenges of Better Care Act/ Pool budgets</p> <p>Adult Social Care is the biggest area of spend (excepting Housing Revenue Account and Education). There is an increasing and ageing population with more complex needs which could dominate council finance's in years to come.</p> <p>The Department continues to implement new duties imposed under the Care Act 2014 as well as pooling budgets with the Vale of York Clinical Commissioning Group in the Better Care Fund, a step in the longer term ambition to integrate Health and Social Care</p>	<ul style="list-style-type: none"> • Regular budget monitoring meetings and reports with all levels of budget managers within the Department • Robust plans in place to deliver savings proposals and develop mitigating actions where savings are not being met • Development of a new operating model which will prevent , reduce, delay and manage an individual's care needs and reduce the number of people needing ongoing statutory agency based support • Increase in reablement and community based support • Increase use of community assets and capacity • Ambition to pool more budgets in order to achieve system wide efficiencies and improve the customer/resident experience • Ensure appropriate governance is in place for the pooled budgets • Attendance at the appropriate level of cross organisation meetings to ensure Council's best interests and strategic aims are met • Complete the national stocktakes relating to how successful implementation of the Care Act has been and what further needs doing • Review Universal Information and Advice in line with the Care Act to support people to self manage 	<p>Executive/ Health and Wellbeing Board, Scrutiny</p>

		<ul style="list-style-type: none"> • Change culture of workforce and population to promote self care/ management • Comprehensive Service plans with clear objectives 	
4	<p>Devolution –</p> <p>Ensuring the Council is best positioned to be able to take advantage of devolution opportunities with particular benefit for the local economy</p>	Ongoing dialogue with neighbouring councils, LEP's, Central Government and other key stakeholders in order to maximise outcomes	Executive
5	<p>External Reports from Mazars -</p> <p>Public Interest Report - During the year a Public Interest report was presented to Full Council. In summary this concluded that there were failings in governance by the Council, and that important governance issues should be applied to ensure future good governance of the Council's relationship with all of its trading companies. Ten specific Recommendations were made in the report</p> <p>Review of Project Management Arrangements for the Transformation Programme - A number of recommendations were issued in respect of:</p> <ol style="list-style-type: none"> 1) Programme Initiation 2) Programme Governance, Decision making & Communication 3) Programme Management & Resourcing 4) Procurement Process 5) Approach to Alternative solution <p>During the year, Internal Audit also issued a limited assurance report</p>	<p>The Council Responded to each of the 10 recommendations and action is underway to address each issue, including a report taken to executive on 28th April 2016. Further reports are planned in June 2016.</p> <p>A number of reports have been taken to the A&G Committee during 2015/16 setting out the processes now in place for Project Management within the Council. This will continue to be monitored and further update reports presented to the Committee in 2016/17</p>	<p>Executive</p> <p>Audit & Governance Committee</p>

	<p>on the Council's corporate arrangements for managing projects / programmes. Whilst the auditors recognised that good progress had been made to develop systems and procedures there was still a need to ensure these new arrangements were applied consistently.</p>		
6	<p>Information Governance - (Information security existing issue from 2014/15 statement) -</p> <p>(i) Information security - due to the nature of the issue there remains ongoing risks in terms of control of data, particularly in electronic form, and risks of financial, service and reputational damage.</p> <p>(ii) Information Governance</p> <ul style="list-style-type: none"> - Risk to individuals - Corporate risks - Compliance risks 	<p>Internal audit security checks have been undertaken during 2015/16 which have seen higher levels of security than previously. Further checks will be undertaken during 2016/17 and the committee will receive an update report during the year.</p> <p>The Council responded to the recommendations from the ICO audit during the year with 31 completed in full and 58 partially completed (due to be fully completed in 3 months)</p> <p>A highly visible campaign (Th!nk Privacy) was delivered to drive home the importance of information and data security delivered to staff and councilors.</p> <p>The CYC ICT Cloud security policy was developed and implemented, and the CYC Electronic Communications policy was distributed via MetaCompliance.</p> <p>Further actions planned for 2016/17 include completing the recommendations from the ICO audit, and carrying out a review of both the records management policy and the subject access request process.</p> <p>The committee will receive an update report on progress during the year.</p>	<p>Audit & Governance Committee</p> <p>Audit & Governance Committee</p>

7	<p>Absence Management - (Existing Issue from 2014/15 Statement) -</p> <p>Internal Audit work carried out during the year highlighted continuing inconsistencies in the recording of sickness on iTrent and evidence of supporting documentation. Along with a lack of progress in implementing the new iTrent module.</p>	<p>An Absence Management Project group has been established with the purpose of implementing the iTrent Absence Management module. Regular update reports will continue to be brought to the Audit & Governance Committee in 2016/17 to allow progress to be monitored</p>	<p>Audit & Governance Committee</p>
8	<p>Risk Management -</p> <p>The Council needs to reliably manage its risks to meet its strategic objectives and agreed priorities. This is particularly important given the range of issues/challenges set out in this AGS, and the range of complex projects, transformation, and changing legislation the Council has to respond to.</p>	<p>Ongoing reports will be presented to Audit Committee during the year including a risk appetite statement. This is intended primarily to offer a framework for members and senior officers to provide context around risk scores when these are provided as part of risk information.</p>	<p>Audit & Governance Committee</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Dated 29/09/16



S Stewart
Acting Chief Executive

Signed

Dated 29/06/16



Cllr D Carr
Leader of the Council

DRAFT

GLOSSARY

GLOSSARY

Accounting Concepts

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

Accounting Period

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

Accounting Policies

Accounting Policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy will, for example, specify the estimation basis for accruals where there is uncertainty over the amount.

Accruals

Sums included in the final accounts to cover income or expenditure, whether revenue or capital in nature, attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses which arise because either events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Agency

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

Amortisation

The gradual elimination of a debt by periodic payments over a specified number of years.

Appropriation of Land or Buildings

The transfer of a holding of land or buildings from one service area to another, at current market value.

Asset

Something of worth which is measurable in monetary terms. These are normally divided into current assets and fixed assets.

Assets Under Construction

This is the value of work on uncompleted tangible fixed assets at the balance sheet date.

GLOSSARY

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

GLOSSARY

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.

GLOSSARY

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

GLOSSARY

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.

GLOSSARY

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

GLOSSARY

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

GLOSSARY

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.

GLOSSARY

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.

GLOSSARY

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

GLOSSARY

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

GLOSSARY

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