



Notice of a public meeting of Audit & Governance Committee

To:	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes, Fraser, Gunnell, Wiseman and Mr Whiteley (Co-opted Non-Statutory Member)
Date:	Wednesday, 24 September 2014
Time:	5.30 pm
Venue:	The George Hudson Board Room - 1st Floor West Offices (F045)

AGENDA

1. **Declarations of Interest**

Members are asked to declare:

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

which they may have in respect of business on the agenda.

2. **Minutes** (Pages 1 - 8)

To approve and sign the minutes of the meeting of the Audit and Governance Committee held on 30 July 2014.

3. **Public Participation**

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Tuesday 23 September 2014.**

Filming, Recording or Webcasting Meetings

Please note this meeting will be filmed and webcast and that includes any registered public speakers, who have given their permission. This broadcast can be viewed at <http://www.york.gov.uk/webcasts>.

Residents are welcome to photograph, film or record Councillors and Officers at all meetings open to the press and public. This includes the use of social media reporting, i.e. tweeting. Anyone wishing to film, record or take photos at any public meeting should contact the Democracy Officer (whose contact details are at the foot of this agenda) in advance of the meeting.

The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at http://www.york.gov.uk/downloads/download/3130/protocol_for_webcasting_filming_and_recording_of_council_meetings

4. Audit and Governance Committee Forward Plan (Pages 9 - 16)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to July 2015.

5. Annual Financial Report - Statement of Accounts 2013/14 (Pages 17 - 184)

This report presents:

- The final set of accounts for 2013/14 to reflect changes made since the draft pre-audit accounts were presented to the committee on 30 July 2014
- The external auditors' Audit Completion Report
- The letter of representation

6. Audit Completion Report (Pages 185 - 214)

This report, from Mazars, is the Audit Completion Report for the year ended 31 March 2014 and summarises the audit conclusions.

7. Update Report on Adult Social Care (Pages 215 - 232)

This report provides an update on progress made by Adult Social Care against the ten recommendations designed by the External Auditors to assist the service to respond more effectively and quickly to the challenges posed by the continuing demographic growth and by financial constraints.

8. Key Corporate Risk Monitor 1 (Pages 233 - 258)

This paper presents an update on the key corporate risks and highlights emerging risk issues with a view to Members considering any further information they would wish to receive on these matters.

9. Internal Audit Follow Up Report (Pages 259 - 264)

This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work.

10. Audit and Counter Fraud Monitoring Report (Pages 265 - 284)

This report provides an update on progress made in delivering the internal audit work plan for 2014/15 and on current counter fraud activity.

11. Updating the Constitution - Progress Report (Pages 285 - 290)

This report confirms progress in respect of reviewing the Constitution. The review is on track to be completed during the current municipal year.

12. Updating the Constitution - New Council Procedure Rules
(Pages 291 - 316)

This report asks Members to make recommendations to Council in respect of revised procedure rules for Full Council.

13. Arrangements for Petitions (Pages 317 - 322)

This report proposes new arrangements for handling petitions submitted to the Council.

14. Urgent Business

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

Democracy Officer:

Name: Jayne Carr

Contact Details:

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Email – jayne.carr@york.gov.uk

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

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports and
- For receiving reports in other formats

Contact details are set out above.

This information can be provided in your own language.

我們也用您們的語言提供這個信息 (Cantonese)

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

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

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

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

 (01904) 551550

City of York Council

Committee Minutes

Meeting	Audit & Governance Committee
Date	30 July 2014
Present	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes, Fraser, Gunnell and Wiseman
Apologies	Mr Whiteley

15. **Declarations of Interest**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. Councillor Brooks declared a personal non-prejudicial interest in agenda item 5 (minute 19 refers), as a member of the Teachers Pension Fund, which was referred to in the report.

16. **Minutes**

Resolved: That the minutes of the meeting of 25 June 2014 be approved and signed by the Chair as a correct record.

17. **Public Participation**

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

Ms Gwen Swinburn spoke on issues relating to governance including:

- Concern that the Council's protocol on the filming of meetings had been breached at the most recent Council meeting.
- A request that a project plan be put in place regarding the review of the Council's Constitution.
- A request that advisory notes be put in place to assist members of the public wishing to view the Council's Statement of Accounts.

- Concern that the Democratic Services Audit Report, which had been circulated to Members of the Committee following the last Audit and Governance Committee meeting, was not available on the Council's website and that a Freedom of Information Audit Report had not been seen by Members.
- Clarification as to the follow-up from the Audit and Governance Committee Public Engagement event.
- Concern that feedback was not given on issues raised under the Council's Public Participation Scheme. A request was made that this matter be considered as part of the review of the Constitution.

18. Forward Plan

Consideration was given to a paper which presented the future plan of reports expected to be presented to the committee during the forthcoming year to June 2015.

Members were asked to identify any further items they wished to see added to the Forward Plan.

The Chair stated that she had been assured that a report on scrutiny arrangements and procedure rules would be presented to the Committee.

Members requested that a Project Plan in respect of the review of the Constitution be presented at the next meeting¹.

Resolved: That the committee's Forward Plan for the period to June 2015 be approved subject to the inclusion of a Project Plan on the Review of the Constitution being presented at the next meeting².

Reason: To ensure the committee receives regular reports in accordance with the functions of an effective audit committee and can seek assurances on any aspect of the Council's internal control environment in accordance with its roles and responsibilities.

Action Required

1. Prepare Report

AD

2. Update Forward Plan

EA

19. Draft Statement of Accounts 2013/14

Members considered a report which presented for information the draft Statement of Accounts for 2013/14 before they were audited. A presentation was given on the accounts. *[A copy of the presentation is attached to the on-line agenda papers for the meeting]*

Members noted that they would be asked to approve the accounts at their meeting in September 2014.

Clarification was sought as to the reporting arrangements that were in place in respect of Section 106 agreements. It was noted that future reports to Cabinet would provide more detailed information on the use of this funding.

Some concerns were expressed that the Annual Governance Statement may present an overly positive view of issues such as partnership governance. Officers stated that they believed that the statement accurately reflected the current position and that, in cases where issues had been identified, these had been recognised in the statement and incorporated into the Committee's work plan to enable the situation to be monitored.

In response to concerns raised as to whether the information contained in the paragraph on consultation and communication methods was still valid, officers confirmed that the accuracy of this would be verified before the final version was issued¹.

In response to questions from Members, officers gave details of how the new arrangements in respect of Business Rates had been implemented and their likely impact.

Officers were asked if the Statement of Accounts could be made more accessible. They explained that the accounts had to comply with a prescribed format, although consideration could be given as to the feasibility of producing a more reader-friendly guide to accompany the accounts.

Resolved: That the draft pre-audit Statement of Accounts for the financial year ended 31 March 2014, including the annual governance statement contained within the accounts, be noted.

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

Action Required

1. Verify information

DM

20. Mazars Audit Progress Report

Members considered a report which provided an update from Mazars on its progress in meeting its responsibilities as City of York Council's external auditor.

Matters Arising:

(i) Audit

Members were informed that Mazars' audit of the Council's financial statement for 2013/14 was currently taking place. Its conclusions would be presented to the Committee at the September meeting.

(ii) Adult Social Care Services

Members' attention was drawn to the value for money conclusion in respect of Adult Social Care Services and the context in which this conclusion had been made. In response to questions from Members it was clarified that in July 2013 the Chief Executive and Corporate Management Team had initially sought Mazars' assistance to review how the Adult Social Care Service was managing its budget. The service had also been identified as part of the Council's transformation programme. This work was undertaken by Mazars in an advisory capacity. Subsequently Mazars, in its value for money conclusion as external auditor, had taken the view that financial management and commissioning in the adult social care service needed to improve and the service had not responded quickly and effectively enough to the challenges it faced. An accelerated recovery and improvement process had been put in place, including the drawing up of an action plan in response to Mazars' findings. Mazars would continue to provide support, including providing examples of good practice from other Local Authorities. *[see also agenda item 8 minute 22 refers]*

(iii) Emerging Issues and Developments

Members were informed of emerging issues and developments, including an update on the proposals to bring forward the accounts and audit timetable from 2017/18. Members' attention was also drawn to the Audit Commission's report on the quality of the work it had outsourced, including findings that Mazars demonstrated overall good performance in respect of quality and other standards.

Resolved: That the report be noted.

Reason: To ensure that the committee is kept updated on the work of the external auditors.

21. Scrutiny of the Treasury Management Annual Report 2013/14 and Review of Prudential Indicators

Members considered a report which presented for consideration the Treasury Management Annual Report and Review of Prudential Indicators 2013/14.

Officers responded to questions from Members and agreed to circulate background information to provide greater clarity in respect of prudential indicator values.¹

Resolved: That the Treasury Management Annual Report 2013/14 and Review of Prudential Indicators be noted.

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

Action Required

1. Provide additional information

RB

22. Progress Report by Adult Social Care

Members considered a report which outlined progress that was being made by Adult Social Care to address the ten

recommendations made by the External Auditors to assist the service to respond more effectively and quickly to the challenges posed by continuing demographic growth and also by financial constraints. It was noted that a full report on this issue was scheduled to be presented to the Committee at their meeting in September.

Copies of the following background papers were tabled as contextual information:

- Adult Social Care – managing the budget report from Mazars dated 10 July 2013
- Delivering value for money in Adult Social Care – Note of interim findings for discussion with officers – report from Mazars dated June 2014

Members requested that the benchmarking report referred to in the report dated 10 July 2013, also be made available on the Council's website¹.

Officers outlined the national and local context, including demographic trends and the need to respond to the Care Act and the integration of health and social care.

Consideration was given to the Action Plan that had been put in place. It was noted that more detailed plans were also in place to support the delivery of the Action Plan. More detailed information about the transformation savings would be presented to Cabinet.

Members queried the timescale within which the Authority was seeking to become a best achieving Authority, particularly in those areas which its performance was currently in the bottom quartile. Officers stated that although the Authority had aspirations to become a best achieving authority, the initial priority was to stabilise the budget and to move forward. It was likely to take a number of years to rebuild from the current situation. Officers stated that there were also areas in which the authority was performing well.

Clarification was sought as to the role that Members could play in terms of the commissioning process. Details were given of the overview role played by the Health and Wellbeing Board and the Health Overview and Scrutiny Committee and which were working well.

Resolved: That the Action Plan be noted.

Reason: To ensure that Members are kept updated on progress in addressing the recommendations put forward by the external auditors.

Action Required

1. Provide information for website

PE

Councillor Potter, Chair

[The meeting started at 6.15 pm and finished at 8.30 pm].

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Audit and Governance Committee

24 September 2014

Report of the Director of Customer and Business Support

Audit & Governance Committee Forward Plan to July 2015**Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to July 2015.

Background

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an Annex is the indicative rolling Forward Plan for meetings to July 2015. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. Two amendments have been made to the Forward plan since the previous version was presented to the Committee in July 2014.
4. Firstly an additional meeting has been scheduled for the 2nd October to consider the Council's Scrutiny Arrangements.
5. Secondly, the Congestion Commission report has been deferred until the next Committee meeting in December.

Consultation

6. The Forward Plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

Options

7. Not relevant for the purpose of the report.

Analysis

8. Not relevant for the purpose of the report.

Council Plan

9. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

Implications

10.
 - (a) **Financial** - There are no implications
 - (b) **Human Resources (HR)** - There are no implications
 - (c) **Equalities** - There are no implications
 - (d) **Legal** - There are no implications
 - (e) **Crime and Disorder** - There are no implications
 - (f) **Information Technology (IT)** - There are no implications
 - (g) **Property** - There are no implications

Risk Management

11. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

Recommendations

12.
 - (a) The Committee's Forward Plan for the period up to July 2015 be noted.

Reason

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

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.

Contact Details

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Customer & Business
Support Services
Telephone: 01904 551170

Chief Officer Responsible for the report:

Ian Floyd
Director of CBSS
Telephone: 01904 551100

**Report
Approved**



Date 24/09//2014

Specialist Implications Officers

Head of Civic, Democratic & Legal Services

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

None

Annex

Audit & Governance Committee Forward Plan to July 2015

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Audit & Governance Committee Draft Forward Plan to July 2015

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

- **Committee 2nd October 2014 (Additional Meeting)**

Review of Scrutiny Arrangements

- **Committee 10th December 2014**

Mazars Annual Audit Letter 2013/14

Mazars Audit Progress Report

Treasury Management mid year review report 14/15 and review of prudential indicators

Key Corporate Risk Monitor Quarter 3 (Including directorate risks)

Congestion Commission Report

Internal Audit & Fraud Plan Progress Report

Information Governance update Report

Information Security update Report

Absence Management update Report

Partnership Governance update Report

Changes to the Constitution (if any)

- **Committee 11th February 2015**

Key Corporate Risk Monitor Quarter 4 (Including directorate risks)

Scrutiny of the Treasury Management strategy statement and Prudential indicators

Business Continuity Report

Project Management Report

Counter Fraud: Risk Assessment and review of policies

Internal Audit Plan Consultation

External Audit Reports as appropriate

Changes to the Constitution (if any)

- **Committee 15th April 2015**

Approval of Internal Audit Plan

Internal Audit & Fraud Plan Progress Report

Follow up of Audit Recommendations

Information Governance Annual Report

Audit Commission reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee June 2015**

Draft Annual Governance Statement

Annual Report of the Audit & Governance Committee

Mazars Audit Progress report

Annual Report of the Head of Internal Audit

Changes to the Constitution (if any)

- **Committee July 2015**

Draft Statement of Accounts 2014/15

Mazars Audit progress report

Scrutiny of the Treasury Management Annual Report 2014/15 and review of Prudential indicators

Key Corporate Risks Quarter 1

Changes to the Constitution (if any)

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Audit and Governance Committee

24 September 2014

Report of the Director of Customer & Business Support Services

Annual Financial Report - Statement of Accounts 2013/14**Summary**

1. This report presents
 - a. a final set of accounts for 2013/14 to reflect changes made since the draft pre-audit accounts were presented to this committee on 30 July 2014
 - b. the external auditors Audit Completion Report
 - c. the letter of representation.

Background and Analysis

2. The International Standard on Auditing (ISA) 260 requires the Council's External Auditor to report to those charged with governance any issues arising from the audit of the financial statements. It is also a statutory requirement that the Council approves the final statement of accounts after the audit and by 30th September each year.
3. The accounts attached at Annex A have been revised since the Audit & Governance Committee review in July 2014. A number of changes to the notes to the accounts and some presentational changes have been agreed, along with a change in the treatment of the revaluation in Council House Dwellings. The detail of the changes made is included in section 4 of the Audit Completion Report (please see agenda item 7).
4. It should be noted that these changes have no affect on the outturn position of the council as the changes made are accounting adjustments to ensure the accounts present a true and fair view.
5. The 2013/14 audit is now substantially complete, and Mazars summarise their review of the accounts in their Audit Completion Report, (Annex B – please see agenda item 7). Their report encapsulates the following points:

- (a) opinion on the financial statements
 - (b) errors adjusted by management
 - (c) significant risks and findings
 - (d) weaknesses in Internal Control
 - (e) other matters
6. The annual production of the accounts is the subject of continuous review and as usual, lessons will be gleaned from the issues identified this year. Any subsequent issues identified in the last few days of the audit work will be reported verbally at the meeting.
7. The issues identified in 2013/14 will form the basis of a structured improvement programme in the build up to the production of next years accounts which will focus on:
- (i) continued effective project planning to ensure deadlines are achieved
 - (ii) training sessions and communication both within the finance team and across the Council to raise awareness
 - (iii) a review of the process of preparing working papers.

Consultation

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

Options

9. Not applicable.

Corporate Priorities

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

Implications

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

Risk Management

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

Recommendations

14. Members are asked to
 - (a) Note the matters set out in the Audit Completion Report (Annex B – please see agenda item 7) presented by the external auditor

Reason

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

- (b) Consider the items identified misstatements in section 10 of the Audit Completion Report at Annex B (please see agenda item 7) and agree to amend the 2013/14 Statement of Accounts for those items.
- (c) Approve the amended Annual Financial Report at Annex A for signature by the chair from a resolution of this Committee in accordance with the Accounts and Audit Regulations 2003.
- (d) Approve the letter of representation for signature by the Director of CBSS as attached at Annex C

Reason

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

Contact Details

Author:

Debbie Mitchell
Finance Manager
01904 551461

Chief Officer Responsible for the report:

Ian Floyd
Director of Customer & Business
Support Services

**Report
Approved**



Date 16-09-14

Specialist Implications Officers

Not applicable

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Audit and Governance Committee 30 July 2014 – Pre-Audit Statement of Accounts 2013/14

Annex

Annex A – Final Statement of Accounts 2013/14

Annex B – Audit Completion Report (Please note: this annex is the report presented under agenda item 7)

Annex C – Letter of representation



Annual Financial Report 2013/14

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ANNUAL FINANCIAL REPORT

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EXPLANATORY FOREWORD**1. INTRODUCTION**

The purpose of the foreword is to provide an easily understandable guide to the most significant matters reported in City of York Council's accounts. The pages which follow are the Council's final accounts for the year ending 31 March 2014 with notes to give further details of the key figures. A summary of the purpose of each statement and an overview of the Council's financial position is shown in this section.

Statement of Responsibilities

This statement explains the differing 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 international financial reporting standards (IFRS), 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. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the

EXPLANATORY FOREWORD

Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Accounting Policies

This details the legislation and principles that are used in compiling the figures in the accounts. The accounts can be understood better if the policies followed in dealing with material items are explained.

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. 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 of which rents are raised, is shown in the Movement on the HRA Statement.

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 (i.e. City of York Council) 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, North Yorkshire Police Council, North Yorkshire Fire and Rescue Council, 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 Accounts.

2. STRUCTURE OF THE COUNCIL'S ACCOUNTS

The Council has to manage spending on services within a statutory framework, making sure that spending keeps within cash-limited budgets. This requires keeping:

- A General Fund to account for day-to-day spending on most Council services.
- A separate Housing Revenue Account.
- A separate Collection Fund Account.
- A capital programme to account for investment in assets needed for the delivery of Council services.

The way each of these is funded is also different:

- General Fund services are paid for from government grant, council tax and service charges.
- Housing income comes from housing rents.
- The Collection Fund is financed by income from taxpayers.
- The capital programme is funded in various ways including long-term borrowing, external finance, capital receipts from the sale of Council assets and from revenue.

EXPLANATORY FOREWORD

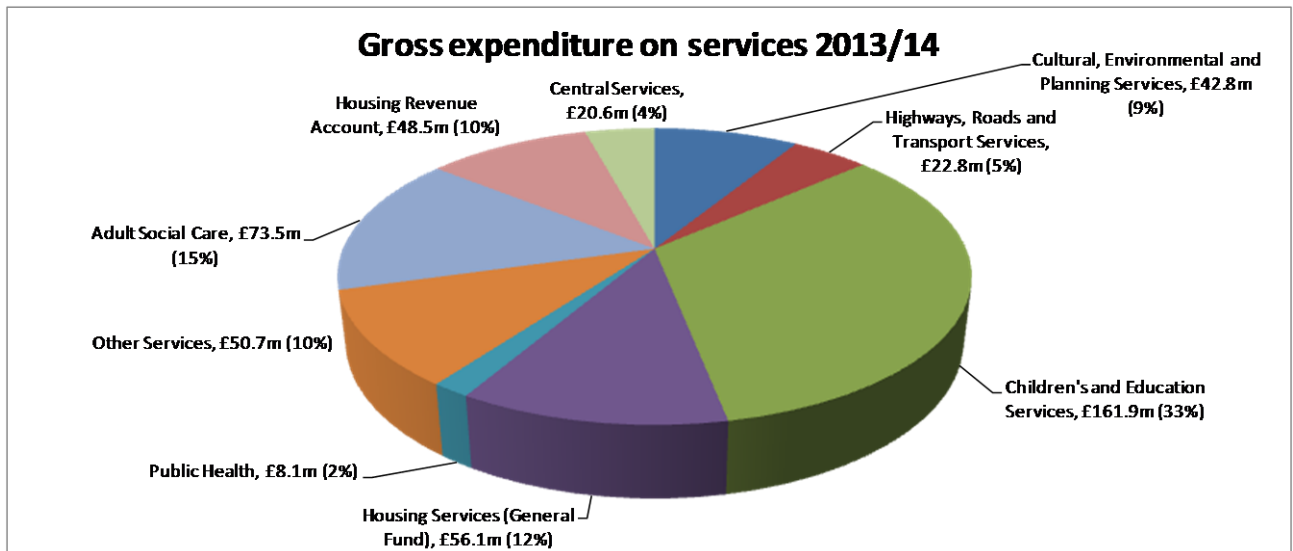
3. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

Despite continuing pressures on public sector expenditure the Council has been able to maintain good financial health, increasing the level of reserves and under spending by £314k in 2013/14.

The Council's General Fund budget for its own net expenditure was set at £127.8m. To this sum the parish precepts added a further £0.6m. Included within the 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 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 to ensure that spending has remained within budget across the Council. Full details on the individual service areas position for 2013/14 were reported to Cabinet in July 2014.

The Council's gross expenditure on services, as shown on the Income and Expenditure Account, was £485m and the following diagram shows this on a service by service basis:

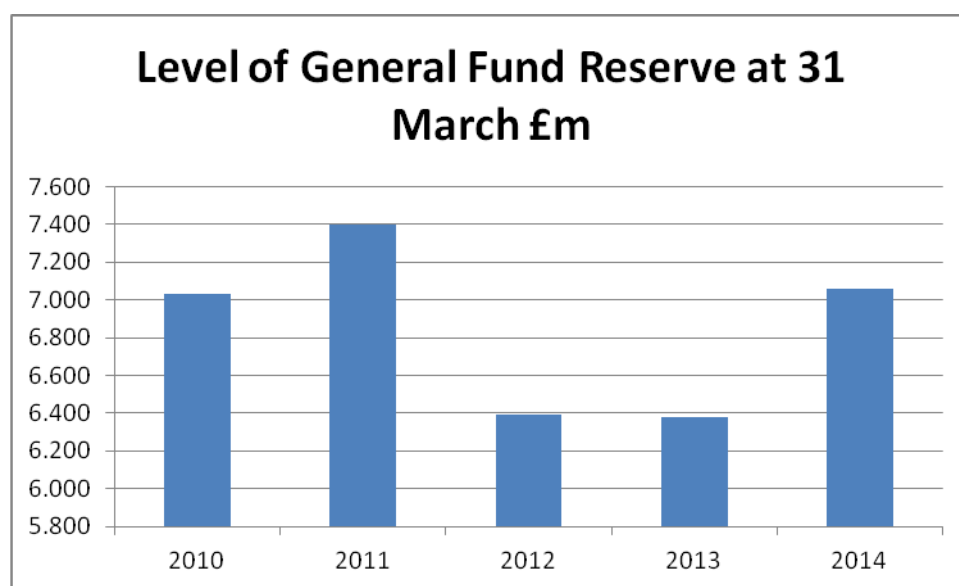


EXPLANATORY FOREWORD

Reserves

At the end of the financial year 2013/14 the useable reserves stood at £91.1m, compared to £60.0m at the end of 2012/13. This increase is primarily due to developer contributions and the HRA investment reserve. Useable reserves also include the Council's General Fund balance of £11.4m, of which individual school balances account for £4.3m. In compliance with the Education Reform Act 1988, individual school balances will be carried forward into 2014/15.

The General Fund 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. The graph below shows the level of the general fund reserve (excluding the schools' accumulated reserves which are not available for any other use) over the last five years.



As part of setting the annual budget, the Director of Customer and Business Support Services undertakes a risk assessment to calculate a minimum level for the General Fund reserve, and this was incorporated into the Council budget reports. For 2013/14, this was a recommended level of £6.4m and the outturn position was £7m.

In order to provide a sound financial platform for the authority, and ensure it continues to maintain its overall financial health and is able to deal with any unforeseen events effectively it is considered that £7m remains a prudent amount to retain as General Fund reserves. The financial strategy assumes contributions over the coming years to increase reserves, to ensure that the Council is able to meet the significant financial challenges it faces in coming years.

4. HOUSING REVENUE ACCOUNT (HRA)

The Local Government and Housing Act 1989 introduced many changes to the funding of the HRA and set the framework for ring-fencing the HRA, preventing the subsidisation of rents from the general income of the Council.

From 1 April 2001 the Council has been required to have both a business plan in place under the HRA Resource Accounting regulations and to report the HRA transactions in a specified format. The main objectives of this format are to encourage a more efficient use of housing assets, increase the transparency of the HRA and assist the Council to plan its housing strategy. This system ensures consistency with central government resource accounting structures and also promotes comparability between Councils.

EXPLANATORY FOREWORD

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.

When the 2013/14 revenue estimates were approved, rents were increased by an average of £3.14 per week or 4.36%, in accordance with rent restructuring policy.

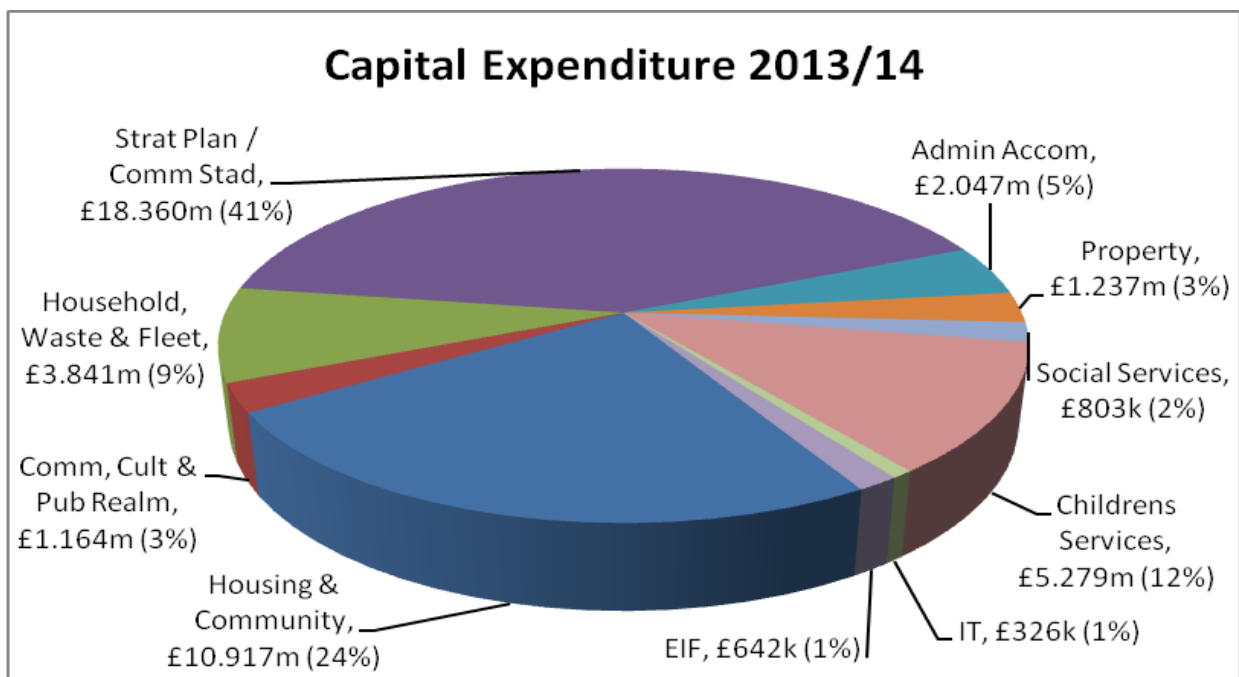
The HRA had an in year deficit of £617k. The account brought forward a surplus from 2012/13 which means that the final position is a surplus of £12.113m at the year-end (£12.730m at 1st April 2013), which is an increase of £31k from that originally budgeted for.

5. COLLECTION FUND

As outlined in the introduction, the Collection Fund is an agents statement. The account shows a surplus on Council Tax and a deficit on Business Rates at 31 March 2014. This deficit is due to the requirement to make a provision for backdated business rate appeals and will broadly be resolved over the coming years. 97.6% of the total sum collectable for 2013/14 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 98.0% of the 2013/14 bills.

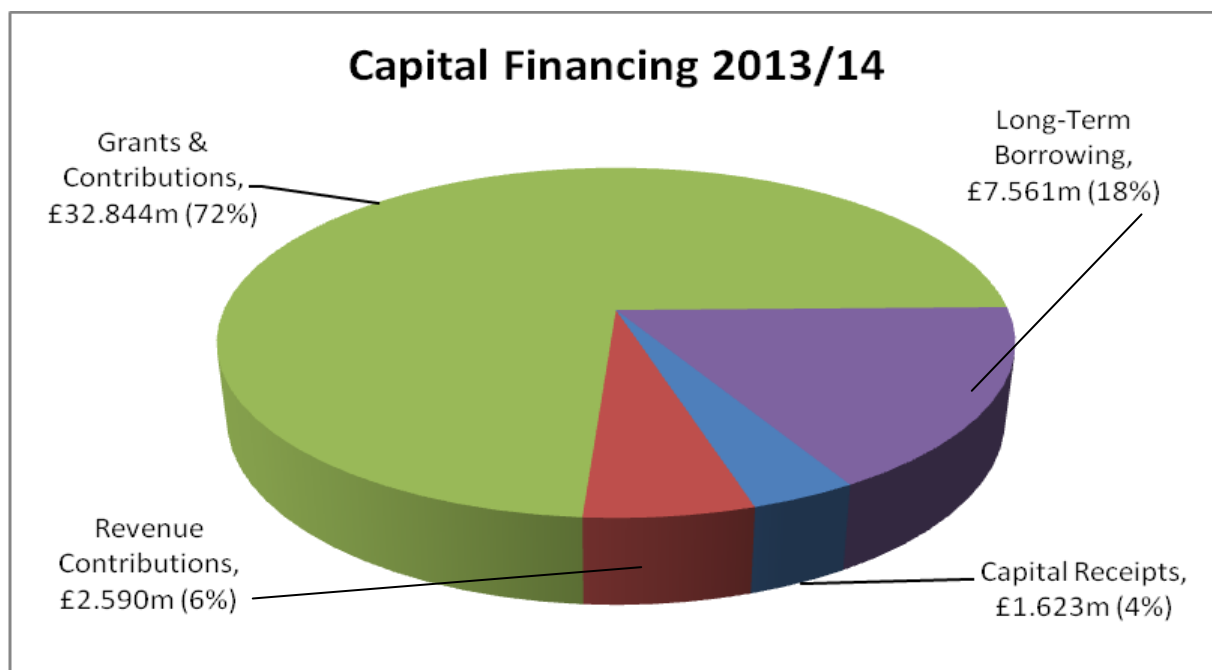
6. CAPITAL EXPENDITURE

The original gross expenditure budget was £66.844m (2012/13 £76.112m), however, due to re-programming some of the work, the final budget was £43.560m (2012/13 £57.281m). Total expenditure on capital schemes in 2013/14 was £44.618m gross (2012/13 £46.476m). An analysis of where the money was spent in 2013/14 is shown diagrammatically below:



An analysis of the sources of funding is shown diagrammatically below:

EXPLANATORY FOREWORD



The Council maintains a wide-ranging capital programme containing (including in year spend) initiatives such as:

- The delivery of the Local Transport Plan £1.914m (Strategic Planning)
- The modernisation and repairs to Council properties £9.971m (Housing and Community)
- Improvements to schools and devolved capital works on a variety of schools £5.279m (Children's Services)
- The resurfacing and refurbishment of the Council's roads £2.404m (Household, Waste and Fleet)
- The investment in the fleet of refuse collection vehicles of £1.202m (Household, Waste and Fleet)
- Work on Access York new Park and Ride sites and highways remodelling of £14.364m (Strategic Planning)

7. BORROWING FACILITIES AND CAPITAL BORROWING

The ability to borrow is governed by the Local Government (Prudential Code for Capital Finance in Local Authorities) Act 2003. Under the Prudential Code local authorities are able to borrow for capital purposes provided that it is prudent, affordable and sustainable within the Prudential Indicators approved by the Council at its meeting during the annual budget process.

The two key indicators in respect of capital borrowing are the authorised limit and the operational boundary. The authorised limit is the level of external debt which cannot be breached under any circumstances. The operational boundary is a measure of the most money the Council would normally borrow at any time during the year. It may be exceeded temporarily, but a regular pattern of borrowing above this level should be avoided.

In February 2013, Budget Council approved indicators for both the authorised limit and the operational boundary. During the year an amendment was agreed to the level of the authorised limit in line with reports to Members. Both authorisations are set out below:

	Opening Limits £000's	Closing Limits £000's
Authorised Limit	362,300	351,274
Operational Boundary	352,900	321,274

EXPLANATORY FOREWORD

Long Term Debt	258,615	258,615
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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). During 2013/14 the Council's long-term borrowing movements was as follows:

	2013/14	2012/13
	£000's	£000's
Opening Borrowing at 1 April	261,425	262,492
Reversal of Interest Owed & Adj Carry Value 2010/11	(2,809)	(877)
Borrowing to fund capital schemes	0	-
Interest Owed on Long Term Debt at 31st March	1,849	3,798
Adjusted Carry Value of Loans due Debt Restructure	(951)	(989)
Loans maturing in the year	-	(3,000)
Closing Borrowing at 31 March	259,514	261,425
Authorised Limit for year	351,274	357,900
Operational Boundary for year	321,274	327,900

The closing borrowing figure of £259.514 m 13/14 (£261.425 m 12/13) is different to note 16 borrowings figure of £259.617m (£262.765 m 12/13) by £103k, as the former does not include the Coppergate Bond of £2k and the loan to Veritau of £101k.

No PWLB debt was repaid in year and the Council did not draw down any new debt in 13/14. In total at 31 March 2013 the Council's adjusted debt was £259.914 m (2012/13 £261.425m). Consequently, the Council did not exceed either the authorised limit of £351.274m or the operational boundary of £321.274m. The average rate of interest on all long-term loans at 1 April 2013 was 3.872% and at 31 March 2014 was 3.872%.

8. CHANGES IN ACCOUNTING POLICIES

Several changes in accounting policies have been introduced for the 2013/14 Accounts. These changes are reflected in the 2013/14 Statement of Accounting Policies.

Pensions: IAS 19 Employee Benefits

The accounting policy has been updated to incorporate changes to the definition and terminology of various Employee Pension Benefits defined under IAS 19. These changes do not impact on the value of assets and liabilities recorded in the Balance Sheet. Details on prior period adjustments made to the Comprehensive Income and Expenditure Statement, Movement in Reserves and Cash flow Statement to reflect the impact of this change in 2012/13 can be found at note 55.

Landfill Allowances

The accounting policy associated with the Landfill Allowance Trading Scheme has been removed for 2013/14 as this trading scheme in relation to Waste Disposal Authorities ended in 2012/13.

EXPLANATORY FOREWORD

Presentation of Financial Statements

Following changes to IAS 19 presentational changes have been made to the grouping and classification of items presented in the "Other Comprehensive Income" section of the Comprehensive Income and Expenditure Statement.

Council Tax and Non-Domestic Rates (NDR) Income

The accounting policy has been expanded to reflect the introduction of the business rates retention scheme which has resulted in changes to how NDR is collected, allocated and retained locally. Under the new NDR arrangements from 1st April 2013, NDR income included in the Comprehensive Income and Expenditure Statement represents the accrued NDR income in the financial year.

9. SIGNIFICANT POINTS TO NOTE IN RESPECT OF THE BALANCE SHEET

In 2013/14, there was a significant reduction in the Council's share of the North Yorkshire Pension Fund deficit. This was due to very favourable investment returns earned in the year and the effect of changes in actuarial assumptions.

There has been a significant increase in the cash and cash equivalents value during 2013/14 by £27.526m. The increase reflects the early receipt of a variety of grants and contributions ahead of their profiled spend dates thus creating a temporary cash surplus.

Depreciation in 2013/14 was £22.491m (12/13 £22.065m), overall revaluation loss of £20.661m (12/13 revaluation loss £19.948m) and capital expenditure contributing to the asset value by £44.618m (12/13 £46.476m).

10. FUTURE DEVELOPMENTS

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. The Council is however facing significant risks and pressures over the medium term and these are identified in the following key financial challenges:

Continuing Reductions in Funding from Central Government

It is almost certain that there will be further reductions in government funding, and the major challenge facing the council in coming years will be 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.

Economic Downturn***This includes:***

- Pressures resulting from the impact on the performance of the Council's investments, an area which has traditionally provided strong support to the revenue budget

EXPLANATORY FOREWORD

- higher demands for services as the economic situation directly impacts on Citizens and business

Waste Management

This will be an area of significant cost pressure over the coming years as the Council manages the increases in Landfill Tax and the introduction of limits on Landfill Allowances.

Service Pressures

Increasing demands for services to the elderly, together with care services for both adults and children, continue to create financial pressures that the Council need to effectively manage as part of the financial planning process.

Pension Fund Deficit

Whilst the most recent triennial valuation maintained the same level of employers' contributions, the impact of the global financial problems on the investment returns of the Pension Fund continues. Any future increases in contribution rates will impact adversely on the Council's revenue budget.

Capital Programme

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.

Rewiring Public Services Programme

The Council's Medium Term Financial Plan sets out the scale of savings that will be required in future years, and these are projected at around some £10m per annum over the next few years. This means that the Council will need to consider difficult choices in terms of the services to provide and at what levels.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of City of York Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of City of York Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director (s151) and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Customer and Business Support Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of York Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

INDEPENDENT AUDITOR'S REPORT

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

INDEPENDENT AUDITOR'S REPORT

In considering the Council's arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources we identified weaknesses in budgetary control and financial management in Adult Social Care services. There was a lack of understanding and ownership of budgets within the service and performance information was limited. The Council had identified the need for improvement in adult social care and a future savings target of £6m, but during 2013/14 the service did not demonstrate an ability to address the issues that it faced. The Council has since taken action to address the issues identified in 2013/14 and has a clearer understanding of the performance of the service and the scope for future efficiency savings.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects City of York Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local electors. We are satisfied that these matters do not have a material effect on the financial statements.

Gareth Davies

For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

30 September 2014

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* and the recently published addendum. 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(3) of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

Corporate governance is the system by which the council directs and controls its functions and relates to the communities it serves. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the *Good Governance* framework and adapted for local authorities. They are defined as follows:

- focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capability of members and officers to be effective
- engaging with local people and other stakeholders to ensure robust public accountability.

The extent to which the principles of corporate governance are embedded into the culture of the council will be assessed in this statement. Furthermore the council has to be able to demonstrate that it is complying with these principles.

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 governance framework has been in place at the council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts for 2013/14.

3. The Council's 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 priorities until 2015 and priorities 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 Cabinet, 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 Cabinet 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 Legal and ICT) review reports before they are presented to the Cabinet 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.

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.

The council has established new arrangements for dealing with ethical standards issues following the abolition of the previous statutory regime. 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.

The Audit and Governance and Standards Committees have committed to working together to improve the oversight of corporate governance

Management and Decision Making Processes

As part of the refreshed strategic council plan, a core organisational capability is included as a priority theme, ensuring that the organisation is adequately equipped to deal with financial, organisational, employee and Customer priorities. Over the last year a Workforce Strategy has been approved which sets out the way the Council will develop the skills of our staff to effectively deliver our priorities.

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

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 Whistle blowing, the Prosecution of Fraud and Corruption and dealing with complaints
- Asset Management Plan
- Strategic Risk Register
- The Council's Business Model (2009 version).

Many codes and protocols form part of the constitution and are monitored for effectiveness by the Officer Governance Group (see paragraph 3.19 below). 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 Officer Governance Group (OGG) 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 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 2011 and the Public Sector Internal Audit Standards. The service in 2013/14 was provided by Veritau Limited, a shared service company established by the City of York and North Yorkshire Councils. Veritau's Internal Audit & Counter Fraud Team undertakes 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 control environment operating within the council. Through its work the team 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
- support to managers in the prevention and detection of fraud, corruption and other irregularities.

Performance Management

The council recognises the importance of effective performance management arrangements and has continued to work to secure further improvements in 2013/14. This includes establishing the Business Intelligence Hub, within the Office of the Chief Executive. 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. During 2013/14 each directorate reported finance and performance monitoring progress to members through the established Scrutiny arrangements. Corporate joint finance and performance reporting to CMT (monthly) and Executive (quarterly) takes place at a corporate level.

Finance and Performance monitoring is reported regularly at CMT and Cabinet, 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. 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
- regular residents' surveys
- publications such as Your Voice and Your Ward
- involvement in devolved budget decision-making at ward level
- budget and other consultation processes including the on-line 'You Choose' budget survey.
- 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. In addition, the council is seeking to build on existing protocols for partnership working by ensuring that responsibilities are clearly defined and relationships work effectively, for the benefit of service users. Further development of this work is covered in the section on Significant Governance Issues below.

4. Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its 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. This review has been co-ordinated by the Officer Governance Group, 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 2012/13 Annual Governance Statement.

5. Significant Governance Issues

General Comments and Financial Matters

The following are general matters that attention is drawn to, but which are not specifically considered as a weakness in Governance. They relate to overarching issues, or specific matters which the Council's Statement of Accounts will address.

- **Financial Pressures** - The financial pressures facing the Council naturally represent a potential risk to the Council's overall Governance arrangements. Savings have had to be made in many areas that form a part of the Governance Framework, including reductions in finance, ICT, performance, ward committees, Democratic services, and internal audit, and significant further savings across all areas will be required which themselves increase risks. Whilst crucial elements of the framework will be prioritised, there will be a need to keep under review the overall impact of the budget reductions to ensure that the overall Governance Framework remains effective.
- **Significant Matters within the accounts (e.g. liabilities)** - there is also a need to highlight the financial issues in respect of Lendal Bridge/Coppergate income from fines. There remain risks associated with this income, however these will be properly considered/addressed as part of the Statement of Accounts, and as such can be considered to be being properly provided for.

Review of 2012/13 Significant Issues

(i) Areas no longer considered a major concern

A review has been undertaken of the significant internal control issues that were contained within the 2012/13 AGS. The following items have all made significant progress/improvement and are no longer considered to be significant concerns, but it should be noted that in all areas the Audit and Governance Committee will receive ongoing reports :

- **Embedding of project and programme management – (Office of the Chief Executive)**
Update reports have been presented to the Committee during the year setting out the progress that has been made. It is recommended the Audit & Governance Committee receive a regular 6 monthly update report on the project management arrangements, and that the Committee continue (as they have done in the past) to identify particular major projects, and seek assurances on risk management issues relating to those projects. Members should perhaps consider having a greater role in emerging/new projects, to seek assurances that risks are being adequately considered at an earlier stage.
- **A refocus on Business Continuity, in particular a focus on the Council move to the new offices (West Offices project plan)**
The Committee has received an update report during the year on the progress that has been made in improving Business Continuity arrangements, and the move to West Offices. It is recommended that the Audit & Governance Committee continue to receive a regular 6 monthly update report on the progress made throughout the year and that this is incorporated into the forward plan.
- **Freedom of Information Process**
During the year the Committee has received reports setting out the improvements that are being put in place to the process for dealing with FOIs within the Council. As reported to the Committee there has been an improvement in performance in recent months, and further work is planned to ensure performance continues to improve. The Committee will continue to receive regular reports on FOI performance and this is incorporated into the Committee's forward plan.
- **The Role of the Audit Committee in Democratic Governance**
During the year, the Committee have taken a greater role in Democratic Governance and has received a number of reports on democratic governance including reports on the review of the petitions scheme, review of the Council's scrutiny arrangements, reports on the proposed changes to the public participation scheme, and on a protocol for filming and recording at Council meetings. The Forward plan will continue to give Democratic Governance prominence in the work of the Committee.

(ii) Areas where concerns still remain

The following areas were included in the 2012/13 AGS as significant Governance matters, and whilst there has been progress made, there remains some concerns. The progress is identified below, along with the recommended actions and lead area.

- **Information Governance including compliance with the requirements of the Information Governance Strategic Framework, including ensuring that information security requirements are adhered to (CBSS)**

There have been significant improvements in Information governance during the year, as reported to members in update reports. There are however further improvements to be made regarding the following specific area where there remains a Governance Concern

- **Information security** – continued ongoing risks associated with the control of data, particularly in electronic form, and risks of financial, service, and reputational damage. It is recommended a further update report focusing on Information Security is presented to the Committee and is incorporated into the forward plan. Members should also consider receiving a training session on this issue.
- **Partnership Governance including the shared use of resources**
The council has made significant improvements to Grant funding arrangements during the year, with recommendations made following the Scrutiny review of Grants, these being incorporated within the updated financial regulations and standard legal agreements. This issue is no longer considered a Major Governance concern.

However, the following issue is still considered to be a Governance concern:

- **Partnership Governance** - The Committee was provided with an update report during the year which included a number of recommendations. It is recommended this element remains a significant governance issue for the purpose of the Annual governance statement and a further report be brought back to the Committee to report on progress made to implement the recommendations.

New Issues

New areas identified through the effectiveness review at Section 4 above are outlined below with details of the plans which will be monitored by the OGG, and the Audit and Governance Committee during 2014/15 for evidence of improvement:

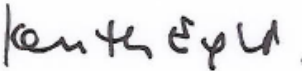
- **Adult Social Care** – Concerns in respect of Adult Care services were highlighted to the external auditors during 2013, and they were asked (as part of their consultancy services work) to support the Council in analysing the pressures the service is facing. Subsequent to this the Council established an improvement process with peer challenge. There has also been strengthening of capability at senior levels, with further actions planned. An agreed action plan focussed on management information and resource and performance management has also been produced. However, this remains an area of significant risk, with the service facing very significant financial pressures, challenges in service delivery, and major national changes. It is recommended the Committee receive an early report on the challenges facing the service, the council's plans to address these, and an understanding of the impact of national legislation on service delivery.
- **Absence Management Process** – Improvements are considered necessary in the council wide process for accurately recording and managing absences. It is recommended that the Committee receive an early report on the position, and then agree a follow up report during 2014/15. This will be produced by the HR service.

In summary:

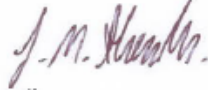
- Good progress has been made to address a range of issues identified in last year's Annual Governance Statement, and details of the work done have been reported to the Committee during the last 12 months. All of these areas will continue to feature at the Audit and Governance Committee to ensure continued oversight.

- The following areas are identified as major areas requiring focus by the Committee in the next 12 months :-
 - Information Security,
 - Partnership Governance,
 - Adult Care
 - Absence Management

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 
K. England
Chief Executive

Dated 21/08/14

Signed 
Cllr J. Alexander
Leader of the Council

Dated 22/08/14

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES**1. THE COUNCIL'S RESPONSIBILITIES**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the 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 2014 and its income and expenditure for the year ended 31 March 2014. These audited accounts replace the un-audited statement of accounts previously published on 30 June 2014.

Signed Dated 24/09/14

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 2003 (as amended)

The Statement of Accounts was approved by Audit and Governance Committee on 24 September 2014.

On behalf of the Audit and Governance Committee

Signed Dated 24/09/14

Cllr R Potter

Chair, Audit and Governance Committee

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2013/14			2012/13 Restated		
		Gross		Net	Gross		Net
		Exp.	Income	Exp.	Exp.	Income	Exp.
		£000's	£000's	£000's	£000's	£000's	£000's
Service Costs							
Central Services to the Public		20,623	(7,428)	13,195	35,020	(18,226)	16,794
Cultural Services		13,363	(1,903)	11,460	12,386	(1,698)	10,689
Environmental Services		22,637	(6,175)	16,462	21,518	(5,850)	15,667
Planning Services		6,844	(3,260)	3,584	7,686	(2,818)	4,868
Children's and Education Services		161,868	(128,402)	33,466	164,886	(124,394)	40,492
Highways, Roads and Transport Services		22,835	(13,009)	9,826	21,610	(10,613)	10,997
Local Authority Housing - Other		48,522	(48,894)	(372)	30,893	(37,903)	(7,011)
Housing Services (General Fund)		56,116	(48,022)	8,094	54,749	(47,620)	7,129
Adult Social Care		73,460	(22,466)	50,994	74,225	(22,133)	52,092
Public Health		8,148	(7,018)	1,130	-	-	-
Corporate and Democratic Core		2,827	(74)	2,753	2,991	(69)	2,921
Non-Distributed Costs - Other		1,285	(2)	1,283	1,013	(13)	1,000
Cost of Services	(30)	438,528	(286,653)	151,875	426,976	(271,337)	155,639
Other Operating Expenditure	(9)			5			740
Financing and Investment Income and Expenditure	(10)			16,238			19,302
Taxation and Non-Specific Grant Income	(11)			(179,798)			(155,492)
(Surplus)/Deficit on Provision of Services	(30)			(11,681)			20,189
Revaluation (gains) on non current assets	(26)			(6,252)			(19,933)
Impairment losses on non current assets	(26)			2,117			20,256
Surplus/loss arising on the revaluation of available-for-sale financial assets				-			-
Remeasurement of net defined benefit/liability	(49)			(120,652)			31,549
Other Comprehensive Income and Expenditure				(124,787)			31,872
Total Comprehensive Income and Expenditure				(136,468)			52,061

MOVEMENT Page 52: STATEMENT

	Note	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Housing Revenue Account £000's	Earmarked HRA Reserves £000's	Major Repairs Reserve £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
Restated MIRS 2012-13	(55)										
Balance at 31 March 2012		(13,441)	(21,063)	(10,811)	(2,478)	(574)	(991)	(4,596)	(53,954)	(288,700)	(342,654)
Movement in Reserves during 2012/13											
Surplus /(Deficit) on Provision of Services		23,325	-	(3,136)	-	-	-	-	20,189	-	20,189
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	-	31,872	31,872
Total Comprehensive Expenditure and Income		23,325	-	(3,136)	-	-	-	-	20,189	31,872	52,061
Adjustments between accounting basis & funding basis under regulations	(7)	(19,210)	-	(1,675)	-	(2,087)	(545)	(2,756)	(26,753)	26,753	-
Net Increase/Decrease before Transfers to Earmarked Reserves		4,115	-	(4,811)	-	(2,087)	(545)	(2,756)	(6,084)	58,145	52,061
Transfers to/from Earmarked Reserves		(2,594)	2,594	2,892	(2,892)	-	-	-	-	-	-
Increase/Decrease in Year		1,521	2,594	(1,919)	(2,892)	(2,087)	(545)	(2,756)	(6,084)	58,145	52,061
Balance at 31 March 2013 carried forward		(11,920)	(18,469)	(12,730)	(5,370)	(2,661)	(1,536)	(7,352)	(60,038)	(230,555)	(290,593)
Balance at 1 April 2013		(11,920)	(18,469)	(12,730)	(5,370)	(2,661)	(1,536)	(7,352)	(60,038)	(230,555)	(290,593)
Movement in Reserves during 2013/14											
Surplus /(Deficit) on Provision of Services		(15,801)	-	4,120	-	-	-	-	(11,681)	-	(11,681)
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	-	(124,787)	(124,787)
Total Comprehensive Expenditure and Income		(15,801)	-	4,120	-	-	-	-	(11,681)	(124,787)	(136,468)
Adjustments between accounting basis & funding basis under regulations	(7)	(3,863)	-	(8,238)	-	(611)	(2,413)	(4,275)	(19,400)	19,400	-
Other Adjustments										(408)	(408)
Net Increase/Decrease before Transfers to Earmarked Reserves		(19,664)	-	(4,118)	-	(611)	(2,413)	(4,275)	(31,081)	(105,795)	(136,876)
Transfers to/from Earmarked Reserves	(8)	20,119	(20,119)	4,735	(4,735)	-	-	-	-	-	-
Increase/Decrease in Year		455	(20,119)	617	(4,735)	(611)	(2,413)	(4,275)	(31,081)	(105,795)	(136,876)
Balance at 31 March 2014 carried forward		(11,465)	(38,588)	(12,113)	(10,105)	(3,272)	(3,949)	(11,627)	(91,119)	(336,350)	(427,469)
Split of General Fund Balance between Schools and GF								31-Mar-14	31-Mar-13		
								£000's	£000's		
Amount of General Fund Balance held by governors under schemes to finance schools								(4,405)	(5,540)		
Amount of General Fund Balance generally available for new expenditure								(7,060)	(6,380)		
Total General Fund Balance								(11,465)	(11,920)		

	Note	31 March 2014	31 March 2013
		£000's	£000's
Property, Plant and Equipment	(12)	693,016	697,373
Investment Property	(14)	32,274	32,999
Intangible Assets	(15)	1,692	1,970
Heritage Assets	(13)	39,708	38,757
Long - Term Investments	(16)	1,215	1,215
Long - Term Debtors	(20)	5,807	5,641
LONG - TERM ASSETS		773,712	777,955
Short-Term Investments	(16)	10,000	8,000
Assets Held for Sale	(22)	4,074	1,756
Inventories	(17)	373	411
Short-Term Debtors	(19)	31,127	27,100
Cash and Cash Equivalents	(21)	36,639	9,080
CURRENT ASSETS		82,213	46,347
Short-Term Borrowing	(16) / (52)	(11,450)	(8,900)
Provisions due to be settled within 12 months	(24)	(12,014)	(5,583)
Short-Term Creditors	(24)	(34,227)	(33,532)
Other Short-Term Liabilities	(23)	(181)	(375)
CURRENT LIABILITIES		(57,872)	(48,390)
Long-Term Creditors	(16)	(5)	(16)
Provisions	(24)	(5,271)	(4,890)
Long-Term Borrowing	(16) / (52)	(248,167)	(252,805)
Other Long-Term Liabilities	(16)	(5,336)	(5,784)
Liability related to Defined Benefit Pension Scheme	(26) / (49)	(111,806)	(221,824)
LONG-TERM LIABILITIES		(370,585)	(485,319)
NET ASSETS		427,469	290,593
RESERVES			
<u>Usable Reserves</u>	(25)		
Capital Receipts Reserve		3,950	1,536
General Fund Balance		11,465	11,920
Housing Revenue Account Reserve		12,113	12,730
Major Repairs Reserve		3,272	2,661
Capital Grants Unapplied		11,627	7,352
Earmarked Reserves		48,693	23,839
		91,120	60,038
<u>Unusable Reserves</u>	(26)		
Revaluation Reserve		118,283	116,649
Capital Adjustment Account		340,101	342,745
Available-for-sale Financial Instruments Reserve			0
Financial Instruments Adjustment Account		(1,818)	(1,938)
Pensions Reserve		(111,806)	(221,824)
Collection Fund Adjustment Account		(3,592)	2
Employee Benefit Adjustment Account		(4,819)	(5,079)
		336,349	230,555
TOTAL RESERVES		427,469	290,593

	Note	2013/14 £000's	2012/13 restated £000's
Net (Surplus)/Deficit on the provision of Services		(11,681)	20,189
Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements	(27)	(58,055)	(55,071)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities	(27)	35,571	19,855
Net Cash Flows from Operating Activities		(34,164)	(15,027)
Investing Activities	(28)	7,607	24,486
Financing Activities	(29)	(1,002)	2,920
Net (Increase)/Decrease in Cash and Cash Equivalents		(27,559)	12,379
Cash and Cash Equivalents at the beginning of the reporting period		(9,080)	(21,459)
Cash and Cash Equivalents at the end of the reporting period		(36,639)	(9,080)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

I. General

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued by government.

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

II. Accruals of Income and Expenditure

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

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

III. Cash and Cash Equivalents

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

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

IV. Exceptional Items

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

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

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

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

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

VI. Charges to Revenue for Non-Current Assets

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

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

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

VII. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate Service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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.

- Remeasurement 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. 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 derecognition 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).

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. We are not aware of any guarantees that would need to be reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is

needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

X. 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.

XI. Government Grants and Contributions

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

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

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

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

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

XII. Heritage Assets

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

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

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

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

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

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

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

- (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 insurance valuations is reviewed annually and has been updated using the percentage increase advised by the insurer. 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 Civic Regalia has been increased to reflect changes in the cost of metal. 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. Insurance Valuations are reviewed annually and have been updated using the percentage increase advised by the insurer.

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 note on impairment XIX 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 XIX in this summary of accounting policies).

XIII. Intangible Assets

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

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

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

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

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

XIV. Interests in Companies and Other Entities

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. The following paragraphs list those companies and describe the nature of the Council's interest.

Yorwaste Limited

The share-holding for this company was formerly 100% owned by North Yorkshire County Council. As a consequence of the local government review City of York Council now owns 22.27% of the share-holding.

Yorkshire Purchasing Organisation

This 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.

City of York Trading Limited

The company was formed by the Council on 18th November 2011 and began trading in June 2012. It was established as a means of trading services that the Council is able to provide to other organisations and is 100% owned by the Council.

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.

Science City York

Science City York is a company limited by guarantee of which the Council is a member. The company was established for the creation and growth of business and employment opportunities across York.

XV. 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.

XVI. 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 amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually 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.

XVII. 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.

XVIII. 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 2013/14 (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.

XIX. 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 does not include the 9 Voluntary Aided or 10 Voluntary Controlled schools within its financial statements as the Council does not own the school assets. The Council does, however, include the playing fields where these are owned by the Council. The matter of which types of school should be included is currently unresolved within the Code and CIPFA has been working to resolve this. Until such time as a conclusion is made, each Council should apply its own interpretation of whether its Voluntary Aided and Voluntary Controlled schools should be included or not. In the professional opinion of the Council's accountants and valuer, based on the Code as it currently stands, these schools are not a resource controlled by the authority as a result of past events and from which future economic benefits or service potential are expected to flow to the authority and as such should not be included. All elements of the 42 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 – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets:
 - – intangibles and equipment fair value market value,
 - – buildings and land 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Componentisation

All Property assets containing a building are split into two components - Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set, below which this additional review will not be done. Only buildings with a valuation greater than £1m will be considered for componentisation, which accounts for approximately 88% of depreciation charged to the Comprehensive Income & Expenditure Account for buildings. The cost of the component should be at least 20% of the value of the building.

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (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.

Council dwellings revaluations are carried out at 1st April but for accounting purposes have been recorded as at 31st March. This gives rise to a variation in depreciation charges compared to the accounting policy in prior years, when revaluations were accounted for as at 1 April in accordance with DCLG guidance. The overall impact on the Council's accounts is not significant however as the Council currently exercises the option, permitted under the 2012 Item 8 determination, to charge notional depreciation based on the Major Repairs Reserve balance, rather than actual depreciation, to the Housing Revenue 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.

XX. 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.

XXI. 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.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

Provision for Lendal Bridge trial Claims

The Council has made a provision for the costs of settling claims for repayment of Penalty Charge Notices in relation to the trial traffic regulation of Lendal Bridge.

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.

XXII. 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.

Certain reserves 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 policies.

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. The major earmarked reserves include the Venture Fund, developer contribution in relation to the new Community Stadium and the HRA investment reserve.

A new earmarked reserve has been included in 2013/14 in relation to **Lendal Bridge**. More details are provided in note 50.

The Council established a **Venture Fund** 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.

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 introducing self-financing. As part of the self financing HRA business plan a reserve has been created for **HRA investment** in new-build/redevelopment opportunities.

There are also a number of **Miscellaneous Reserves** that comprise mainly legacies and donations given to the Council to fund future revenue expenditure.

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 year. These funds are then available to councils for capital expenditure on HRA assets. They will have the flexibility to carry over any unspent MRA funds from one year to the next. The HRA may also benefit from any short-term investment of unspent funds.

Unusable Reserves

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

The **Pensions Reserve** (an unusable reserve) has been created as part of the accounting requirements of implementing IAS19, and is equal to the Pensions Liability shown in the Balance Sheet and shown in further detail in note 49.

XXIII. 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.

XXIV. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

XXV. Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. 2013/14 is the final year of Phase 1, the introductory phase of the scheme. From 2014/15 the Council does not qualify for participation in the scheme. As school emissions are not reported within local authority emissions from phase 2 onwards, the Authority no longer meets the qualifying threshold of the scheme.

The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvement in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. Further information is provided below in line with the new disclosure requirements of IFRS12.
- **IFRS 11 Joint Arrangements** - This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities.
- **IFRS 12 Disclosures of Involvement with Other Entities** – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12.
- **IAS 32 Financial Instruments Presentation** – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required
- **IAS 1 Presentation of the Financial Statements** – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2014/15.

The implementation of IFRS 13 Fair Value Measurement has been deferred from 2014/15 until 2015/16.

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.

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.

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 – 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.

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 an impairment to nil value 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 XIX

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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Business Rates

Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2012-13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014.

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 2013/14 the Council's actuaries advised that the net pension liability had reduced by £110.018m. This is made up of:

- £120.652m actuarial gains
- £10.634m loss arising from employer contributions of £16.219m being less than the pension obligations of £26.853m

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 £8.5m.

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

It should be noted that £892k of transactions relating to changes in retirement benefits in 2012/13 have been transferred from exceptional items to non-distributed costs other due to the low materiality value of the transactions involved, in line with the disclosure of the equivalent transactions in 2013-14.

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 2014. During 2013/14 the Council carried out a trial scheme that involved Lendal Bridge only being open during daytime hours (10:30am-5pm) to pedestrians, cyclists, buses, taxis, and emergency vehicles. A process was put in place to enforce the new traffic measures with penalties issued to drivers. The Traffic Penalty Tribunal Adjudicator subsequently challenged the Council's ability to regulate traffic in this way and whilst the council does not accept this finding, neither does it believe it to be in the public interest to pursue the review in respect of Lendal Bridge. At a meeting on 5th August Cabinet decided to open an application process for the repayment of Penalty Charge Notices in relation to the trial traffic regulation of Lendal Bridge. As a consequence of this decision, the Council has changed the accounting treatment of the income included in these statements resulting in a movement of £708k from an earmarked reserve to a provision. The figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 – 2013/14

2013/14

	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	(14,093)	-	(8,398)	-	-	-	22,491
Revaluation losses on Property Plant and Equipment	(11,181)	-	(9,480)	-	-	-	20,661
Movements in the market value of Investment Properties	(237)	-	-	-	-	-	237
Amortisation of intangible assets	(707)	-	-	-	-	-	707
Capital grants and contributions applied	26,304	-	-	-	-	-	(26,304)
Movement in the Donated Assets Account	-	-	-	-	-	-	-
Revenue expenditure funded from Capital under statute	(3,548)	-	-	-	-	-	3,548
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	(1,617)	-	(1,844)	-	-	-	3,461
<u>Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	8,496	-	-	-	-	-	(8,496)
Capital expenditure charged against the							
General Fund and HRA balances	11	-	2,580	-	-	-	(2,590)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the							
Comprehensive Income and Expenditure Statement	4,275	-	-	-	-	(4,275)	-
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	1,996		2,996	-	(4,992)	-	-

Use of the Capital Receipts Reserve to finance new

capital expenditure	-	-	-	-	1,623	-	(1,623)
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	-	-	(955)	-	955	-	-
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	-	-	6,877	(6,877)	-	-	-
Non dwelling depreciation reversed to the MRR			274	(274)			
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,540	-	-	(6,540)
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	120	-	-	-	-	-	(120)
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	15,801	-	418	-	-	-	(16,219)
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,143)	-	(710)	-	-	-	26,853
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,594)	-	-	-	-	-	3,594
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	255	-	5	-	-	-	(260)
Total Adjustments:	(3,863)	-	(8,238)	(611)	(2,414)	(4,275)	19,401

**Adjustments between Accounting Basis and Funding Basis under Regulations – Restated
2012/13**

2012/13

	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	(12,998)	-	(8,223)	-	-	-	21,221
Revaluation losses on Property Plant and Equipment	(13,434)	-	(1,918)	-	-	-	15,352
Movements in the market value of Investment Properties	(4,171)	-	-	-	-	-	4,171
Amortisation of intangible assets	(762)	-	-	-	-	-	762
Capital grants and contributions applied	13,608	-	1,031	-	-	-	(14,639)
Movement in the Donated Assets Account	-	-	-	-	-	-	-
Revenue expenditure funded from Capital under statute	(3,434)	-	-	-	-	-	3,434
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	(1,337)	-	(829)	-	-	-	2,166
<u>Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:</u>							
Statutory provision for the financing of capital investment	7,484	-	-	-	-	-	(7,484)
Capital expenditure charged against the General Fund and HRA balances	-	-	907	-	-	-	(907)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,834	-	-	-	-	(2,834)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(78)	-	-	-	-	78	-
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	1,085	-	1,374	-	(2,459)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	1,085	-	(1,085)
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	-	-	(829)	-	829	-	-
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	-	-	6,693	(6,693)	-	-	-
Non dwelling depreciation reversed to the MRR			257	(257)			
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	4,863	-	-	(4,863)
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	121	-	-	-	-	-	(121)
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	14,839	-	377	-	-	-	(15,216)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,017)	-	(540)	-	-	-	23,557
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	(167)	-	-	-	-	-	167
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	217	-	25	-	-	-	(242)
Total Adjustments:	(19,210)	-	(1,675)	(2,087)	(545)	(2,756)	26,273

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 2013/14.

	Transfers Out During Year £000's	Transfers In During Year £000's	Net mov't During Year £000's	Balance at 31-Mar-14 £000's	Balance at 31-Mar-13 £000's
General Fund					
Investment Reserves	-			(1,208)	(1,208)
Venture Fund	1,074	(436)		(1,721)	(2,359)
Developers Contributions Unapplied	1,867	(19,018)		(21,981)	(4,830)
Insurance Fund	897	(17)		(264)	(1,144)
Bus Lane enforcement		(1,095)		(1,095)	-
Miscellaneous	1,746	(5,137)		(12,319)	(8,928)
Subtotal General Fund			(20,119)	(38,588)	(18,469)
HRA					
53rd Week Rent	(485)	-		-	485
HRA Investment Reserve	-	(4,250)		(10,105)	(5,855)
Subtotal HRA			(4,735)	(10,105)	(5,370)
Total Earmarked Reserves	5,099	(29,953)	(24,854)	(48,693)	(23,839)

Further information on the nature of the significant earmarked reserves are set out in note XXII of the Accounting policies.

9. OTHER OPERATING EXPENDITURE

	2013/14 £'000's	2012/13 £'000's
Parish council precepts	580	616
Levies	-	-
Payments to the Government Housing Capital Receipts Pool	955	829
Gains/losses on the disposal of non-current assets	(1,530)	(705)
Total	5	740

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14	Restated 2012/13
	£'000's	£'000's
Interest payable and similar charges	10,010	10,253
Net interest on the net defined benefit liability	8,912	8,508
Interest receivable and similar income	(329)	(695)
Income and expenditure in relation to investment properties and changes in their fair value	(2,055)	1,478
Other investment income	(300)	(242)
Total	16,238	19,302

11. TAXATION AND NON SPECIFIC GRANT INCOME

	2013/14	2012/13
	£'000's	£'000's
Council tax income	(71,438)	(76,127)
Non domestic rates	(18,718)	(45,672)
Non-ringfenced or government grants	(43,532)	(18,466)
Capital grants and contributions	(46,110)	(15,227)
Total	(179,798)	(155,492)

12. PROPERTY, PLANT AND EQUIPMENT

2013/14	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation (GCA)</u>									
At 1 April 2013	259,769	322,488	21,405	112,425	-	3,613	22,620	742,320	15,167
Additions	8,965	6,880	1,922	4,360	-	29	18,733	40,889	13
Acc Dep & Imp WO to GCA	-	(2,857)	-	-	-	(124)	-	(2,981)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	762	1,232	-	-	241	950	-	3,185	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,525)	(6,948)	-	-	-	(2,387)	-	(18,860)	-
Derecognition - Disposals	(1,844)	(27)	-	-	-	(100)	-	(1,971)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(3,629)	-	-	-	(2,029)	-	(5,658)	-
Assets reclassified (to)/from Investment Property	-	(411)	-	-	-	1,000	-	589	-
Other movements in Cost or Valuation	-	5,393	732	633	-	2,031	(9,157)	(368)	-
At 31 March 2014	258,127	322,121	24,059	117,418	241	2,983	32,196	757,145	15,180
<u>Accumulated Depreciation & Impairment</u>									
At 1 April 2013	-	(20,013)	(9,914)	(14,966)	-	(55)	1	(44,947)	(1,022)
Depreciation Charge for 2013/14	(8,124)	(8,022)	(3,291)	(3,139)	-	-	-	(22,576)	(383)
Acc. Depreciation WO to GCA	-	2,857	-	-	-	124	-	2,981	-
Assets reclassified (to)/from Investment Property	-	5	-	-	-	-	-	5	-
Other movements in Depreciation and Impairment	-	69	-	-	-	(69)	-	-	-
Other Adjustment	-	-	408	-	-	-	-	408	-
At 31 March 2014	(8,124)	(25,104)	(12,797)	(18,105)	-	-	1	(64,129)	(1,405)
<u>Net Book Value</u>									
At 31 March 2014	250,003	297,017	11,262	99,313	241	2,983	32,197	693,016	13,775
At 31 March 2013	259,769	302,475	11,491	97,459	-	3,558	22,621	697,373	14,145

Comparative Movements in 2012/13

2012/13	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation (GCA)</u>									
At 1 April 2012	263,303	302,485	16,565	105,964	-	3,711	38,786	730,814	15,154
Category Transfer	-	(2,372)	-	-	-	2,372	-	-	-
Adj for assets removed from FAR as fully depreciated in 11/12	-	(96)	(1,829)	-	-	(93)	-	(2,018)	-
Revised 1 April 2012	263,303	300,017	14,736	105,964	-	5,990	38,786	728,796	15,154
Additions	6,742	12,762	6,466	4,338	-	-	12,547	42,855	13
Acc Dep & Imp WO to GCA	(7,966)	(4,444)	-	-	-	(110)	-	(12,520)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	497	(881)	-	-	-	61	-	(323)	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,978)	(13,376)	-	-	(75)	-	-	(15,429)	-
Derecognition - Disposals	(829)	-	-	-	-	-	-	(829)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(300)	-	-	-	(1,455)	-	(1,755)	-
Assets reclassified (to)/from Investment Property	-	155	-	-	75	1,295	-	1,525	-
Other movements in Cost or Valuation	-	28,555	203	2,123	-	(2,168)	(28,713)	-	-
At 31 March 2013	259,769	322,488	21,405	112,425	-	3,613	22,620	742,320	15,167
<u>Accumulated Depreciation & Impairment</u>									
At 1 April 2012	-	(17,167)	(8,899)	(11,904)	-	(204)	-	(38,174)	(777)
Category Transfer	-	98	-	-	-	(98)	-	-	-
Adj for assets removed from FAR as fully depreciated in 11/12	-	96	1,829	-	-	93	-	2,018	-
Revised 1 April 2012	-	(16,973)	(7,070)	(11,904)	-	(209)	-	(36,156)	(777)
Depreciation Charge for 2012/13	(7,966)	(7,441)	(2,843)	(3,062)	-	-	-	(21,312)	(245)
Acc. Depreciation WO to GCA	7,966	4,444	-	-	-	110	-	12,520	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	(44)	(1)	-	-	44	1	-	-
At 31 March 2013	-	(20,013)	(9,914)	(14,966)	-	(55)	1	(44,947)	(1,022)
<u>Net Book Value</u>									
At 31 March 2013	259,769	302,475	11,491	97,459	-	3,558	22,621	697,373	14,145
At 31 March 2012	263,303	285,318	7,666	94,060	-	3,507	38,786	692,640	14,377

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
- Vehicles, Plant, Furniture & Equipment – 5-10 years
- Infrastructure – 40 years

Capital Commitments

- At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost c£0.686m,. Similar commitments as 31 March 2012 were c£3.797m.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair 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 current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The last full valuation of council dwellings was done in 2010/11 and the actual valuation figure is shown in the table below. Desktop reviews are done on the interim years, and the valuation from the 2013/14 desktop review for council dwellings was £259,971k.

	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 Fair Value as at:						
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
31-Mar-11	259,768	62,706	-	-	168	322,642
31-Mar-10	-	41,149	-	-	17,330	58,479
Total Cost or Valuation	259,768	470,836	-	-	22,987	753,591

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 2012	1,054	30,405	6,374	924	38,757
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 2013	1,054	30,405	6,374	924	38,757
Cost or Valuation					
1 April 2013	1,054	30,405	6,374	924	38,757
Transfer to/from Property, Plant & Equip	14	-	-	-	14
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	(3)	912	(28)	56	937
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 2014	1,065	31,317	6,346	980	39,708

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 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

In 2013/14, the Council's valuer re-categorised a property from Property, Plant & Equipment to Heritage Asset.

Art Collection

The Council's collection of art is located at the City Art Gallery and is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuation is reviewed annually and has been updated using the percentage increase advised by the insurer.

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 includes the Bowes Sword, the Emperor Sigismund's Sword, the Great Mace, the Lady Mayoress' staff of Honour, the Lord Mayor's gold chain of office.

Museum Collections

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

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

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

Additions/ Disposal of Heritage Assets

There were no additions or disposals of heritage Assets in 2013/14 or 2012/13.

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:

	2013/14	2012/13
	£000's	£000's
Commercial rental income from investment property	(2,474)	(2,889)
Commercial direct operating expenses arising from investment property	182	196
Net Income	(2,292)	(2,693)

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.

	2013/14 £000's	2012/13 £000's
Balance at start of the year	32,999	38,700
Additions	106	22
Disposals	-	(2)
Net gain or loss on Fair Value	(237)	(4,196)
Transfers:		
to/ from Inventories	-	-
to/ from Property, Plant & Equipment	(594)	(1,525)
to/ from Heritage Assets	-	-
to/ from Assets Held for Sale	-	-
Other changes	-	-
Balance at end of year	32,274	32,999

Included within this table is an Investment Property which met the criteria for Asset Held for Sale during 2013/14, so has been recategorised as an Investment Property Held for Sale (value £160k at 31 March 2014). This asset is not included in the Asset Held for Sale note.

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

The carrying amount of intangible assets is amortised on a straight-line basis and the amortisation charge in 2013/14 was £707k (2012/13 was £762k).

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

	2013/14			2012/13		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year:						
- Gross carrying amounts		4,373	4,373	-	9,384	9,384
- Adjustment for assets now fully amortised		-	-		(5,432)	(5,432)
Category Adjustments		354	354	-		
- Revised Gross carrying amounts		4,727	4,727		3,952	3,952
- Accumulated amortisation		(2,403)	(2,403)	-	(7,073)	(7,073)
Adjustment for assets now fully amortised		-	-		5,432	5,432
- Revised Accumulated amortisation		(2,403)	(2,403)		(1,641)	(1,641)
Net carrying amount at the start of the year	-	2,324	2,324	-	2,311	2,311
Additions:						
- Internal development	-	-	-	-	-	-
- Purchases	-	75	75	-	421	421
- Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-
Revaluations increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the Surplus/ Defecit on the Provision of Services	-	-	-	-	-	-
Reversals of past impairment losses written back to the surplus/ Defecit on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	-	(707)	(707)	-	(762)	(762)
Other changes	-	-	-	-	-	-
Net carrying amount at the end of year	-	1,692	1,692	-	1,970	1,970
Comprising:						
- Gross carrying amounts	-	4,802	4,802	-	4,373	4,373
- Accumulated amortisation	-	(3,110)	(3,110)	-	(2,403)	(2,403)
	-	1,692	1,692	-	1,970	1,970

16. FINANCIAL INSTRUMENTS

Financial Instruments are formally defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For the Council, this definition covers the instruments used in Treasury Management activities, including the borrowing and lending of money and the making of investments

Categories of financial Instruments

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

	31-Mar-14	Long-Term 31-Mar-13	31-Mar-14	Short-Term 31-Mar-13
	£000's	£000's	£000's	£000's
Investments				
Loans and receivables			10,000	8,000
Available-for-sale financial assets				
Unquoted equity investment at cost	1,215	1,215		
Financial assets at fair value through profit and loss				
Total Investments	1,215	1,215	10,000	8,000
Debtors				
Loans and receivables	5,807	5,641		
Financial assets carried at contract amounts			26,273	22,391
Total Debtors	5,807	5,641	26,273	22,391
Borrowings				
Financial Liabilities at amortised cost	(248,164)	(252,805)	(11,453)	(8,900)
Financial Liabilities at fair value through profit and loss				
Total Borrowings	(248,164)	(252,805)	(11,453)	(8,900)
Other Long Term Liabilities				
PFI liabilities	(5,336)	(5,603)		
Finance lease liabilities	-	(181)	(181)	(375)
Total other long term liabilities	(5,336)	(5,784)	(181)	(375)
Creditors				
Financial liabilities at amortised cost	(5)	(16)		
Financial liabilities carried at contract amount			(28,657)	(27,456)
Total Creditors	(5)	(16)	(28,657)	(27,456)

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

Note 2 - 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 2013/14 £36.639m (2012/13 £9.080m).

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 rate 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-14		31-Mar-13	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair Value £000's
PWLB debt	(239,311)	(258,068)	(241,224)	(279,656)
Non-PWLB debt	(20,306)	(21,604)	(20,481)	(22,305)
Total debt	(259,617)	(279,672)	(261,705)	(301,961)
Long term creditors	(5)	(5)	(16)	(16)
Total Financial liabilities	(259,622)	(279,177)	(261,721)	(301,977)

The fair value 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 receivable 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 of loans and receivables.

For bond holding, the differences are attributable to fixed interest loans receivable being held by the Council whose interest rate is lower than the prevailing rate estimated to be available at 31 March. This depresses the fair value of financial liabilities and raises the value of loans and receivables.

	31-Mar-14		31-Mar-13	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair Value £000's
Money market loans < 1yr	44,176	44,176	12,071	12,071
Money market loans > 1yr	-	-	-	-
Bonds	-	-	-	-
Long term trade debtors	5,807	5,807	1,559	1,559
Total Loans and receivables	49,983	49,983	13,630	13,630

The fair values for loans and receivables have been determined by reference to similar practices, as above, 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.

17. INVENTORIES

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Property Acquired or constructed for Sale		Total	
	2013/14 '£000's	2012/13 '£000's	2013/14 '£000's	2012/13 '£000's	2013/14 '£000's	2012/13 '£000's	2013/14 '£000's	2012/13 '£000's	2013/14 '£000's	2012/13 '£000's
Balance Outstanding at 1 April	411	453	-	-	-	5	-	-	411	458
Purchases	314	223	-	-	-	-	-	-	314	223
Recognised as an Expense in the Year	(352)	(265)	-	-	-	(5)	-	-	(352)	(270)
Written Off Balances	-	-	-	-	-	-	-	-	-	-
Reversals of Write Offs in Previous Years	-	-	-	-	-	-	-	-	-	-
Balance Outstanding at 31 March	373	411	-	-	-	-	-	-	373	411

18. CONSTRUCTION ACCOUNTS

At 31 March 2014 the Council has no construction contracts in progress that requires 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-14 £000's	Balance at 31-Mar-13 £000's
Central Government Bodies	9,093	5,387
Other Local Authorities	526	2,189
NHS Bodies	1,945	1,783
Public Corporations	1,093	2,914
Other Entities and Individuals	24,442	19,311
	37,099	31,584
Provision for Bad and Doubtful Debts	(5,972)	(4,484)
Total Debtors	31,127	27,100

20. LONG TERM DEBTORS

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-14 £000's	Balance at 31-Mar-13 £000's
Employee Loans	84	(99)	202	217
Council House Mortgages	-	(3)	2	5
Housing Act Advances	-	(1)	12	13
Prepayment - PFI scheme	-	(50)	847	897
PFI - Residual Value Asset	84	-	526	442
PFI - Sculpting Prepayment	193	-	2,637	2,444
Yorwaste Loan	-	-	1,000	1,000
Other	2	(44)	581	623
	363	(197)	5,807	5,641

21. CASH AND CASH EQUIVALENTS

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

	Balance at 31-Mar-14 £000's	Balance at 31-Mar-13 £000's
Cash Held by the Authority	6,318	8,157
Short Term Deposits	34,176	4,071
Bank Current Accounts	(3,856)	(3,148)
Total Cash and Cash Equivalents	36,639	9,080

22. ASSETS HELD FOR SALE

	2013/14 £000's	2012/13 £000's
Balance outstanding at start of year	1,756	1,335
Assets newly classified as held for sale:		
- Property, Plant and Equipment	5,918	1,756
- Investment Properties		
- Intangible Assets	-	-
- Other assets/ liabilities in disposal groups	-	-
Revaluation losses	(1,894)	
Revaluation gains	44	-
Impairment losses	-	-
Assets declassified as held for sale:		
- Property, plant and Equipment	(260)	-
- Intangible Assets	-	-
- Other assets/ liabilities in disposal groups	-	-
Assets sold	(1,490)	(1,335)
Transfers from non-current to current	-	-
[Other movements]	-	-
Balance outstanding at year-end	4,074	1,756

23. CREDITORS

	Balance at 31-Mar-14 £000's	Balance at 31-Mar-13 £000's
Central Government Bodies	(5,208)	(8,382)
Other Local Authorities	(3,384)	(2,489)
NHS Bodies	(968)	(290)
Public Corporations	(25)	(27)
Other Entities and Individuals	(24,642)	(22,343)
Total Creditors	(34,227)	(33,532)
Other Short-Term Liabilities	(181)	(375)
Total Short-Term Liabilities	(34,408)	(33,907)

This note contains £517k (2012/13 £1,768k) of Capital Grants received in advance. Further details can be found in Note 40.

24. PROVISIONS

	Employee Absences £000's	Insurance Fund £000's	Equal Pay £000's	Business Rates £000's	Council Tax £000's	Lendal Bridge £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2013	(5,079)	(1,776)	(1,337)	(1,500)	(500)	-	(281)	(10,473)
Additional provisions made in 2013/14	(4,819)	(667)	-	(5,970)	-	(708)	(225)	(12,389)
Amounts Used In 2013/14	-	270	-	0	0	-	228	498
Unused amounts reversed in 2013/14	5,079	-	-	-	-	-	-	5,079
Unwinding of discounting in 2013/14	-	-	-	-	-	-	-	-
Balance at 31 March 2014	(4,819)	(2,173)	(1,337)	(7,470)	(500)	(708)	(278)	(17,285)

Of which the following is 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 £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2013	(5,079)	(272)	-	-	-	-	(232)	(5,583)
Additional provisions made in 2013/14	(4,819)	(287)	-	(5,970)	-	(708)	(225)	(12,009)
Amounts Used In 2013/14	-	270	-	-	-	-	229	499
Unused amounts reversed in 2013/14	5,079	-	-	-	-	-	-	5,079
Unwinding of discounting in 2013/14	-	-	-	-	-	-	-	-
Balance at 31 March 2014	(4,819)	(289)	-	(5,970)	-	(708)	(228)	(12,014)

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.

Lendal Bridge

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.

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

	New Balance at 2013/14 £000's	Balance at 2012/13 £000's
Revaluation Reserve	118,283	116,649
Available for Sale Financial Instruments Reserve	-	-
Capital Adjustment Account	340,101	342,745
Financial Instruments Adjustment Account	(1,818)	(1,938)
Deferred Capital Receipts Reserve	-	-
Pensions Reserve	(111,806)	(221,824)
Collection Fund Adjustment Account	(3,592)	2
Accumulated Absences Account	(4,819)	(5,079)
Total Unusable Reserves	336,349	230,555

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.

	2013/14		2012/13	
	£000's	£000's	£000's	£000's
Balance at 1 April		(116,649)		(119,128)
Upward revaluation of assets	(6,252)		(6,778)	
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	2,117		7,101	
(Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services		(4,135)		323
Difference between fair value depreciation and historical cost depreciation	2,086		2,156	
Accumulated gains on assets sold or scrapped	415		-	
Amount written off to the Capital Adjustment Account		2,501		2,156
Properties RR movement with CAA			-	-
Balance at 31 March		(118,283)		(116,649)

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 does not hold these types of investments.

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.

	2013/14 £000's	2012/13 £000's
Balance at 1st April	(342,745)	(358,716)
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	22,491	21,221
Revaluation losses on Property, Plant and Equipment	20,661	15,352
Amortisation of intangible assets	707	762
Revenue expenditure funded from capital under Statute	3,548	3,434
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,461	2,166
Other Adjustment	(408)	
	50,460	42,935
Adjusting amounts written out of the Revaluation Reserve	(2,501)	(2,156)
Net written out amount of the cost of non-current assets consumed in the year	47,959	40,779
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,623)	(1,085)
Use of the Major Repairs Reserve to finance new capital expenditure	(6,540)	(4,863)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26,304)	(14,640)
Application of grants to capital financing from the Capital Grants Unapplied Account		
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,495)	(7,484)
Statutory provision for the financing of the HRA subsidy		-
Capital expenditure charged against the General Fund and HRA balances	(2,590)	(907)
	(45,552)	(28,979)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	237	4,171
Balance at 31 March	(340,101)	(342,745)

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 2014 will be £1.818m (£1.938m 2012/13) charged to the General Fund over the next 12 years.

	2013/14		2012/13	
	£000's	£000's	£000's	£000's
Balance at 1st April		1,938		2,058
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(183)		(181)	
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	63		61	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(120)		(120)
Balance at 31st March		1,818		1,938

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-14	restated 31-Mar-13
	£000's	£000's
Balance at 1 April	221,824	181,934
Actuarial gains or losses on pensions assets and liabilities	(120,652)	31,549
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	26,853	23,557
Employer's pensions contributions and direct payments to pensioners payable in the year.	(16,219)	(15,216)
Balance at 31 March	111,806	221,824

Collection Fund Adjustment Account

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

	31-Mar-14	31-Mar-13
	£000's	£000's
Balance at 1 April	(2)	(169)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,594	167
Balance at 31 March	3,592	(2)

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.

	2013/14		2012/13	
	£000's	£000's	£000's	£000's
Balance at 1 April		5,079		5,321
Settlement or cancellation of accrual made at the end of the preceding year	(5,079)		(5,321)	
Amounts accrued at the end of the current year	4,819		5,079	
		(260)		(242)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-		-

Balance at 31 March	4,819	5,079
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27. CASHFLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Balance at 31-Mar-14	Balance at 31-Mar-13
	£000's	£000's
Interest received	(674)	(923)
Interest paid	13,776	6,777
Dividends received	(252)	(248)

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-14	31-Mar-13 Restated
	£000's	£000's
Depreciation, Impairment and Amortisation of fixed assets	(44,007)	(37,517)
Increase/(decrease) in impairment for bad debt	1,488	
Increase/(decrease) in stocks and works in progress	(38)	(47)
Increase/(decrease) in debtors	4,280	516
(Increase)/decrease in creditors	1,113	889
Pension Liability		
Net Charge to the CIES	16,219	13,021
Employers contributions to pension funds and direct payments to pensioners	(26,853)	(21,363)
Carrying amount of non-current assets sold	(3,462)	(2,167)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		
Provisions	(6,812)	(1,884)
Movements in the value of investment properties	(237)	(4,196)
Movements in the value of Finance Leases and PFI	292	(115)
Movement in the MRR	-	(2,087)
Movement in the FIAA	(38)	(121)
Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements	(58,055)	(55,071)

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-14	31-Mar-13
	£000's	£000's
Grants applied to the financing of capital expenditure	30,580	17,396
Proceeds from sale of property, plant and equipment, investment property and intangible assets	4,991	2,459
Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities	35,571	19,855

28. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	Balance at 31-Mar-14	Balance at 31-Mar-13
	£000's	£000's
Purchase of property, plant and equipment, investment property and intangible assets	40,983	44,341
Purchase of short-term and long-term investments	2,195	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,991)	(2,459)
Other receipts from investing activities	(30,580)	(17,396)
Net cash flows from investing activities	7,607	24,486

29. CASHFLOW STATEMENT - FINANCING ACTIVITIES

	Balance at 31-Mar-14	Balance at 31-Mar-13
	£000's	£000's
Other receipts from financing activities	131	(1,120)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	758	1,040
Repayments of short-term and long-term borrowing		3,000
Other payments for financing activities	(1,891)	-
Net cash flows from financing activities	(1,002)	2,920

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. The Council has re-organised directorates during 2013/14 so restated 2012/13 figures to aid comparison.

2013/14	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	18,151	17,847	14,307	20,241	18,752	1,966	1,324	92,588
Supplies & Services	60,116	16,038	4,366	10,840	10,132	1,410	10,996	113,898
Internal Charges	-	-	-	-	-	-	69,413	69,413
Other Expenses	5,865	127,082	65,948	16,249	56,367	639	(20,038)	252,112
Total Expenditure	84,132	160,967	84,621	47,330	85,251	4,015	61,695	528,011
Fees, Charges & Other Income	(22,748)	(10,263)	(20,437)	(20,449)	(10,185)	(393)	(33,411)	(117,886)
Government Grants	(7,450)	(107,050)	(42,485)	(3,226)	(46,232)	-	(6,806)	(213,249)
Internal Charges	(250)	(16,564)	(5,820)	(7,939)	(24,821)	(1,467)	(12,552)	(69,413)
Total Income	(30,448)	(133,877)	(68,742)	(31,614)	(81,238)	(1,860)	(52,769)	(400,548)
Net Expenditure	53,684	27,090	15,879	15,716	4,013	2,155	8,926	127,463

restated 2012/13	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	17,088	21,309	14,740	21,401	19,486	1,846	1,150	97,020
Supplies & Services	52,643	17,322	3,243	12,404	7,594	1,124	12,798	107,128
Internal Charges	-	-	-	-	-	-	65,597	65,597
Other Expenses	5,970	128,202	31,020	21,398	65,575	795	(38,384)	214,576
Total Expenditure	75,701	166,833	49,003	55,203	92,655	3,765	41,161	484,321
Fees, Charges & Other Income	(21,822)	(12,533)	(20,091)	(19,842)	(9,413)	(285)	(16,967)	(100,953)
Government Grants	(4,309)	(118,479)	(5,833)	(8,829)	(56,331)	(10)	(1,830)	(195,621)
Internal Charges	-	(13,433)	(5,123)	(8,599)	(24,308)	(1,854)	(12,280)	(65,597)
Total Income	(26,131)	(144,445)	(31,047)	(37,270)	(90,052)	(2,149)	(31,077)	(362,171)
Net Expenditure	49,570	22,388	17,956	17,933	2,603	1,616	10,084	122,150

original 2012/13	Adults, Children & Education £000's	City Strategy £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	38,397	14,680	21,461	19,486	1,846	1,150	97,020
Supplies & Services	69,965	3,243	12,354	7,594	1,174	12,798	107,128
Internal Charges	-	-	-	-	-	65,597	65,597
Other Expenses	134,172	30,957	21,461	65,575	795	(38,347)	214,613
Total Expenditure	242,534	-	48,880	55,276	92,655	3,815	484,358
Fees, Charges & Other Income	(34,359)	(20,091)	(19,842)	(9,413)	(285)	(17,000)	(100,990)
Government Grants	(122,788)	(5,833)	(8,829)	(56,331)	(10)	(1,830)	(195,621)
Internal Charges	(13,433)	(5,122)	(8,600)	(24,308)	(1,854)	(12,280)	(65,597)
Total Income	(170,580)	-	(31,046)	(37,271)	(90,052)	(2,149)	(362,208)
Net Expenditure	71,954	-	17,834	18,005	2,603	1,666	122,150

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.

	2013/14	2012/13
	£000	£000
Net Expenditure in Directorate Analysis	127,463	122,150
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	58,726	45,233
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(34,314)	(12,363)
Cost of Services in Comprehensive Income and Expenditure Statement	151,875	155,020

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.

2013/14

	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	92,588	10,084		102,672	(9,720)	92,952
Other Service Expenses	366,010	14,922	(78,796)	302,136	44,532	346,668
Support Service Recharges	69,413		(69,413)	-		-
Depreciation, Amortisation & Impairment		33,720		33,720		33,720
Interest Payments				-	10,010	10,010
Precepts & Levies				-	580	580
Payments to Housing Capital Receipts Pool				-	955	955
Gain Or Loss On Disposal Of Fixed Assets				-	(1,530)	(1,530)
Total Expenditure	528,011	58,726	(148,209)	438,528	44,827	483,355
Fees, Charges & Other Service Income	(187,299)		113,895	(73,404)	(58,125)	(131,529)
Surplus Or Deficit On Associates & Joint Ventures				-		-
Interest & Investment Income				-	(329)	(329)
Income From Council Tax				-	(71,438)	(71,438)
Government Grants & Contributions	(213,249)			(213,249)	(78,491)	(291,740)
Total Income	(400,548)	-	113,895	(286,653)	(208,383)	(495,036)
Surplus Or Deficit On The Provision Of Services	127,463	58,726	(34,314)	151,875	(163,556)	(11,681)

2012/13

	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	97,020	(242)		96,778	7,358	104,136
Other Service Expenses	321,741	(15,045)	(15,486)	291,210	104	291,314
Support Service Recharges	65,597		(65,597)	-		-
Depreciation, Amortisation & Impairment		41,506		41,506		41,506
Interest Payments		(121)		(121)	10,374	10,253
Precepts & Levies				-	616	616
Payments to Housing Capital Receipts Pool				-	829	829
Gain Or Loss On Disposal Of Fixed Assets		630		630	3,380	4,010
Total Expenditure	484,358	26,727	(81,083)	430,003	22,661	452,664
Fees, Charges & Other Service Income	(166,587)	3,094	68,719	(94,774)	(3,500)	(98,274)
Surplus Or Deficit On Associates & Joint Ventures				-		-
Interest & Investment Income				-	(695)	(695)
Income From Council Tax		167		167	(76,294)	(76,127)
Government Grants & Contributions	(195,621)	15,245		(180,376)	(79,198)	(259,574)
Total Income	(362,208)	18,506	68,719	(274,983)	(159,687)	(434,670)
Surplus Or Deficit On The Provision Of Services	122,150	45,234	(12,364)	155,020	(137,026)	17,994

31. ACQUIRED AND DISCONTINUED OPERATIONS

The Council has acquired Public Health operations from the NHS in April 2013. With the transfer brought a number of commissioning responsibilities for the Council, together with overall responsibility for improving health at borough level. The national Public Health outcomes framework has been developed, which sets out key outcomes of interest for partners in improving health including some mandatory services including :- the National Child Measurement Programme; NHS health check assessments; comprehensive sexual health services (including testing and treatment for sexually transmitted infections, contraception outside of the GP contract and sexual health promotion and disease prevention; the local authority role in dealing with health protection incidents, outbreaks and emergencies; providing public health support to health care commissioners. (No operations were acquired in the year to 31 March 2013).

32. TRADING OPERATIONS

The Council had no external trading operations in 2013/14. The Council has established 15 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 North Yorkshire Police Council 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 five schools (which includes four Academy schools), one college, City of York Trading, one District Council, and various small organisations mostly in the voluntary and sports sectors. These contracts are detailed in the table:

	2013/14	2012/13
	£000's	£000's
Expenditure incurred providing Payroll Services	44	23
Fee income earned	(52)	(37)
Net Position	(8)	(14)

34. ROAD CHARGING SCHEMES

There were no schemes under the Transport Act 2000 in 2013/14, but these will continue to be considered by the Council in future years.

35. POOLED BUDGETS

There were no pooled budgets in 2013/14, but these will continue to be considered by the Council in future years.

36. MEMBERS ALLOWANCES

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

	2013/14	2012/13
	£000's	£000's
Allowances	551	552
Expenses	10	9
Total	561	561

The Local Authorities (Members' Allowances) (England) Regulations 2003 include a requirement for local authorities to publicise the scheme for members' allowances and to disclose annually amounts paid to each member under such schemes. The information on amounts paid during 2013/14 will be released to the press during the summer and will identify that the Council spent £561k (2012/13 £561k) on members' allowances and expenses. Members receive payments that reflect the special responsibilities of the individual Member, together with a basic allowance. Other allowances received include those for telephones, internet and dependent care. Expenses are made up of travel and subsistence costs. The level of the basic and responsibility allowances are set by the Council after recommendations are received from the Cabinet, having regard to the review undertaken by the Council's independent remuneration panel. In addition to the allowances and expenses the Council has incurred a cost of £41k (2012/13 £41k) for members pensions contributions.

37. OFFICERS REMUNERATION

Regulation 7 of the Accounts and Audit (England) Regulations 2011 contain requirements for the disclosure of the remuneration of higher paid officers. In addition it is also a requirement to disclose the number of employees, including teachers, whose total remuneration is above £50k in £5k increasing bands. The numbers in different bands are shown below.

The remuneration paid to the Council's senior employees in 2013/14 is as follows:

	Notes	Salaries, Fees and Allowances £000's	Expenses Allowances £000's	Compensation for Loss of Office £000's	Pension Contributions £000's	Total Remuneration including pension contributions £000's
Chief Executive		137	0	-	27	164
Director of Adults, Children & Education	1	68	0	-	13	81
Director of Children's Services Education & Skills	2	9	1	-	2	12
Director of Public Health & Wellbeing	3	149	-	-	20	169
Director of Communities & Neighbourhoods		103	0	-	20	123
Director of Customer & Business Support Services		103	0	-	20	123
Director of City and Environmental Services		92	3	-	18	113
Assistant Director Legal Governance & IT		73	-	-	14	87
Head of Economic Development		53	-	-	-	53
Head of Strategy Partnerships and Communication		54	-	-	0	54
		841	4	-	134	979

No Bonus payments were made to any Senior Officers in the 2013-14 financial year.

Note 1 – Director of Adults, Children and Education left the Council on the 31st March 2013, an interim Director was in place between 01/04/2013 and 15/12/2013.

Note 2 – The above post was replaced by a new Director of Children's services, Education & Skills from 03/03/2014.

Note 3 – Director of Public Health & Well Being commenced on 01/04/2013.

The remuneration paid to the Council's senior employees in 2012/13 is as follows:

	Notes	Salaries, Fees and Allowances £000's	Expenses Allowances £000's	Compensation for Loss of Office £000's	Pension Contributions £000's	Total Remuneration including pension contributions £000's
Chief Executive		136	-	-	27	163
Director of Adults, Children & Education	1	108	-	-	20	128
Director of Communities & Neighbourhoods		103	-	-	20	123
Director of Customer & Business Support Services		103	-	-	20	123
Director of City Strategy	2	27	-	-	4	31
Director of City and Environmental Services	3	36	-	-	7	43
Assistant Director Legal Governance & IT		73			14	87
Head of Strategy Partnerships and Communication		57			-	57
		643	-	-	112	755

No Bonus payments were made to any Senior Officers in the 2012-13 financial year.

Note 1 - Director of Adults, Children and Education left the Council on the 31st March 2013

Note 2 - Director of City Strategy left the Council on 10th June 2012

Note 3 - Director of City and Environmental services commenced on 5th November 2012

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	2013/14					2012/13				
	Number of employees					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	34	2	32	2	70	28	1	37	1	67
£55,000 - £59,999	3	2	18	-	23	4	-	21	3	28
£60,000 - £64,999	2	1	11	-	14	-	-	10	-	10
£65,000 - £69,999	2	1	8	-	11	1	-	4	1	6
£70,000 - £74,999	5	1	2	-	8	11	-	3	-	14
£75,000 - £79,999	2	1	3	-	6	-	-	6	-	6
£80,000 - £84,999	-	-	2	-	2	-	-	1	-	1
£85,000 - £89,999	1	-	-	-	1	-	-	1	-	1
£90,000 - £94,999	-	-	1	-	1	-	-	2	-	2
£95,000 - £99,999	1	-	-	-	1	-	-	-	-	-
	50	8	77	2	137	44	1	85	5	135

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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
							£000's	£000's
£0- £20,000	33	8	83	77	116	85	1,023	997
£20,001 - £40,000	3	4	11	12	14	16	554	553
£40,001 - £60,000	-	1	1	2	1	3	50	362
£60,001 - £80,000	1	-	-	-	1	-	182	-
Total	37	13	95	91	132	104	1,809	1,912

The total cost of £1,809k (12/13 £1,912k) in the table above includes £1,294k (12/13 £1,288k) for exit packages that have been charged to the Authorities Comprehensive Income and Expenditure Statement in the current year.

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:

	2013/14	2012/13
	£000's	£000's
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor	145	134
Fees payable to Mazars LLP in respect of statutory inspection	-	-
Fees payable to the Mazars LLP for the certification of grant claims and returns	18	14
Fees payable in respect of other services provided by Mazars LLP	21	4
Rebate of fees received from the Audit Commission	(15)	(12)
	169	140

The above fees have been presented on an accruals basis, in line with Code requirements. The fees for other services payable in 2013/14 relate to a review of Adult Social Care; in 2012/13 the fee is for work on the National Fraud Initiative.

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 ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England)

The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (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 2013/14 are as follows:

	Central Expend- iture £000's	Individual Schools Budget £000's	DSG Total £000's
Final DSG for 2013/14 before Academy recoupment			109,797
Academy figure recouped for 2013/14			(8,729)
Total DSG after Academy recoupment for 2013/14			101,068
Brought forward from 2012/13			(632)
Carry forward to 2014/15 agreed in advance			400
DSG resources available for distribution in 2013/14	9,289	91,547	100,836
In year adjustments	-	-	
Final resources available for distribution in 2013/14	9,289	91,547	100,836
Less actual central expenditure	(9,189)	-	(9,189)
Less actual ISB deployed to schools		(91,536)	(91,536)
Plus Local Authority contribution for 2013/14	-	-	-
Carry forward to 2014/15	100	11	111

40. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14 £000's	2012/13 £000's
Credited to Taxation and Non Specific Grant Income		
Demand on Collection Fund	71,438	(76,127)
Non-Domestic Rates	18,719	(45,671)
Revenue Support Grant	34,870	(885)
Other general grants	6,228	(15,752)
Capital Grants	46,110	(15,227)
New Homes Bonus	2,433	(1,830)
TOTAL	179,798	(155,492)

Credited to Services		
Dedicated Schools Grant Base	(100,325)	(99,974)
DfT	-	(1,005)
Access to Work	(156)	(170)
Other Grants	(1,342)	(638)
DWP Council Tax, Housing Benefit & Admin Grant	(45,459)	(55,948)
Troubled Families	(388)	(125)
Pupil Premium	(3,682)	(2,398)
Additional Grant for Schools	(41)	(203)
PFI Revenue Support	(1,186)	(1,186)
Skills Funding Agency	(1,299)	(1,365)
Education Funding Agency	(6,345)	(6,414)
Public Health Grant	(6,667)	-
TOTAL	(166,890)	(169,426)

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.

	31-Mar-14
	£000's
Current Liabilities	
Grants Receipts in Advance (Capital Grants)	
Miscellaneous other grants (capital)	(500)
S106 Contributions with conditions	(17)
TOTAL	(517)
Grants Receipts in Advance (Revenue Grants)	
Better Bus Area Fund	(172)
Troubled Families	(353)
Education Misc Grants	(34)
DCLG NPG	(10)
SFA	(8)
TOTAL	(577)

31-Mar-13

£000's

Current Liabilities

Grants Receipts in Advance (Capital Grants)

BBAF grant (capital)	(1,505)
Miscellaneous other grants (capital)	(26)
S106 Contributions with conditions	(237)
TOTAL	(1,768)

Grants Receipts in Advance (Revenue Grants)

BBAF grant (revenue)	(980)
Joseph Rowntree Housing Trust s278 Derwenthorpe	(386)
Troubled Families	(280)
University of York s278 East Campus	(78)
Linden Homes (North) Ltd s278 Ouseacres	(13)
English Heritage Characterisation Project	(12)
Education Misc Grants	(78)
ASB	(137)
DLS	(13)
LLDD	(9)
DOH Drug and Alcohol Action Team	205
TOTAL	(1,781)

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 2014 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 2013/14 is shown in Note 36.

During 2013/14, works and services to the value of £395k were commissioned from companies in which a total 2 members had an interest in. Contracts were entered into in full compliance with the council's standing orders

Company name	No of Members that holds an interest	Value of works commissioned by the Council £000's	Value outstanding as at 31 March 2014 £000's
York Wheels	1	106	0
Yorkshire Energy Partnership Board	1	289	0

In addition, the Council paid grants totalling £1,423k to York Museum & Arts Galleries Trust, a voluntary organisation in which one member had a position on the governing body.

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 the Guildhall during office hours.

Officers

During 2013/14 no works and services of a significant value were commissioned from companies in which officers had an interest in 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 members of the families of 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 and Veritau Limited please see Long Term Investments 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 a member is liable to contribute £1 in the event of the company being wound up. The members also include the University of York. There are two regular transactions between Science City York and the Council each year. Loan interest is paid to the Council on the £50k loan and a service level agreement is set up where by the Council gives a grant to Science City York of £100k. In 2013/14 the Council also provided additional grant funding totalling £226k. The Chief Executive of City of York Council is a member of the board. 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.

The Council is reviewing alternative structures for the delivery of those services currently the responsibility of Science City York, including the transfer to a new company. An in principle decision will be made by the Cabinet in July. There will be no changes to the accounts as a result of this decision and any changes will be fully reflected in the 2014/15 accounts.

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 Customer and Business Support Management Team and a Member of the Council's Cabinet. The company started trading in June 2013 and 2013/14 is the first full year of operation. The company provides temporary staff to the Council, schools and other public sector organisations. Transactions with the Council during the year included charges of £2.2m and income from providing support services, including payroll of £3.1m

LONG TERM INVESTMENTS

The Council holds a number of investments for the medium/long-term. They comprise mainly share investments in three companies: Yorwaste (£1.008m), York Science Park (£0.200m) Veritau (a nominal £1) and City of York Trading 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, however dividend income of £29k (£nil 2012/13) is included as part of the Council's income for Cultural, Environmental and Planning Services. Similarly, the Company's assets and liabilities are not in the Consolidated Balance Sheet.

The Council has a contract with Yorwaste Limited for waste disposal services. Contract prices are negotiated on an arms length commercial basis. The total value of services received in the year was £6.418m (£5.05m 2012/13) including Landfill Tax, and at 31 March 2014 there was a creditor balance of £0.560m excluding vat (£0.247m excluding vat 2012/13).

In addition the Council provides services to Yorwaste Limited that totalled £0.519m (£0.364m during 2012/13). There was a debtor outstanding at 31 March 2014 of £0.178m (£0.115m 2012/13).

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 shares which represent less than 20% of the total share capital at £1.157m. The Council received no dividends or profits from York Science Park and holds no liability. There were no significant monetary transactions between the Council and the company during 2013/14.

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. The Council is represented

on the Board by the Director of Customer & Business Support Services and one Member of the Council.

The Council has a contract with Veritau Limited for the provision of internal audit, counter-fraud and information governance services. Contract prices are negotiated on an arms length commercial basis. The total value of services received in year was £624k (£681k in 12/13) and Veritau Limited paid the Council £15k (£12k in 2012/13). As at 31 March 2014 there was a creditor balance of £0k (£0k 2012/13) and a debtor balance of £0k (£2k 2012/13).

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

Other

The Council has recently transferred some services into new companies. Libraries and Archives have transferred to a new organisation called York Explore, a Community Benefit Society. The Community Equipment Loans Store and Telecare service has transferred to Be Independent, a Communities Interest Company. The Council retains an interest in both companies but the staff of these organisations will be the majority share holders. Both transfers happened after 31st March 2014 and further disclosures will be included in the 2014/15 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.

	2013/14	2012/13
	£000's	£000's
Opening Capital Financing Requirement	317,839	300,086
Capital Investment		
Property, Plant and Equipment	40,889	42,600
Investment Properties	106	22
Intangible Assets	75	421
Revenue Expenditure Funded from Capital under Statute	3,548	3,434
Leases / PFI	-	256
HRA Self Financing payment	-	-
Sources of Finance		
Capital Receipts	(1,623)	(1,085)
Government grants and other contributions	(32,845)	(19,504)
Direct revenue contributions	(2,590)	(907)
MRP (Minimum Revenue Repayment)	(8,496)	(7,484)
Movement in Year	(936)	17,753

Closing Capital Financing Requirement	316,903	317,839
Explanations of movement in year		
Increase in underlying need to borrow (supported by government financial assistance)	304	8,833
Increase in underlying need to borrow (unsupported by government financial assistance)	7,256	16,148
Assets acquired under finance leases/PFI	-	256
HRA Self Financing payment	-	-
MRP/ loans fund principal	(8,496)	(7,484)
Increase/ (decrease) in Capital Financing Requirement	(936)	17,753

The Capital Financing Requirement decreased in 2013/14 as a result of the provision set a side for the repayment of debt being higher than the level of borrowing required to fund capital expenditure.

43. LEASES

Council as Lessee

Finance Leases

The Council has acquired a number of assets under finance leases, which relate principally to IT and photocopiers. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2013/14	2012/13
	£000's	£000's
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	121	480
	121	480

The Council has not acquired any new property assets under finance leases.

The Council is committed to making minimum payments under these 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:

	2013/14	2012/13
	£000's	£000's
Finance lease liabilities (net present value of minimum lease payments)		
- Current	181	376
- Non-current	-	181
Finance costs payable in future years	8	46
Minimum lease payments	189	603

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	2013/14	2012/13	2013/14	2012/13
	£000's	£000's	£000's	£000's
Not later than one year	189	414	181	375
Later than one year and not later than five years	-	189	-	181
Later than five years	-	-	-	-
	189	603	181	556

Due to the short-term nature of the leases entered into by the Council, no contingent rents were payable by the Council in 2013/14 (2012/13 £0).

The Council has not sub-let any of the assets acquired under these 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 leases arrangement as well as maintenance charges and cost of materials. Examples of the assets that have been acquired include:

- Fleet of refuse collection vehicles (extensions after primary rental period), typical life less than one year
- IT equipments in ICT managed services, typical lives of three years
- Hygiene units, typical lives of five years
- Photocopying equipments, typical lives of three years
- Various property assets, typical lives between 10 and 20 years

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

	31-Mar-14	31-Mar-13
	£000's	Restated £000's
Not later than one year	967	1,350
Later than one year and not later than five years	2,906	2,444
Later than five years	892	1,160
	4,765	4,954

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:

	2013/14 £000's	2012/13 £000's
Minimum lease payments	967	1,628
Contingent rents	3	81
	970	1,709

Council as Lessor

Finance Leases

The Council acts as lessor for a small number of property leases, with start dates between 1967 and 1994 and remaining lease terms of between 2 and 24 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:

	2013/14 £000's	2012/13 Restated £000's
Finance lease debtor (net present value of minimum lease payments)		
- Current	12	11
- Non-current	336	348
Unearned finance income	234	253
Unguaranteed residual value of property	-	-
Gross Investment in the lease	582	612

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	
	2013/14 £000's	2012/13 Restated £000's	2013/14 £000's	2012/13 Restated £000's
Not later than one year	30	28	12	11
Later than one year and not later than five years	113	94	45	45
Later than five years	439	416	291	303
	582	538	348	359

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 2013/14 contingent rents of £137k

were receivable by the Council (2012/13 £124k).

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:

	2013/14	2012/13
		Restated
	£000's	£000's
Not later than one year	2,030	1,995
Later than one year and not later than five years	5,248	5,707
Later than five years	15,231	15,373
	22,539	23,075

The 31st March 2013 figure has been restated to reflect the overall review of all lease considerations..

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 2013/14 contingent rents of £818k were receivable by the Council (2012/13 £734k).

44. PFI AND SIMILAR CONTRACTS

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 2014 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000's	Finance Payment £000's	Liability Repayment £000's	Total Payments £000's
Within 1 Yr	603	237	245	1,085
Between 2 Yrs and 5 Yrs	2,489	886	1,048	4,423
Between 6 Yrs and 10 Yrs	3,750	828	1,060	5,638
Between 11 Yrs and 15 Yrs	4,159	705	1,019	5,883
Between 16 Yrs and 20 Yrs	3,987	947	1,320	6,254
Between 21 Yrs and 25 Yrs	1,514	476	644	2,634
	16,502	4,079	5,336	25,917

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.

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 2013/14.

47. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £1,809k (£1,912k in 2012/13). See Note 37 for 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). It provides teachers with defined 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 defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use 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 a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14 the Council paid £5.762m (2012/13 £6.378m) to CTP in respect of teachers' retirement benefits, which represents 14.1% (2012/13, 14.1%) of teachers' pensionable pay. The contributions due to be paid in the next financial year are estimated to be £5.7m.

In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement which are not the responsibility of the CTP. These amounted to £731k (2012/13 £711k) 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

During 2013/14, NHS Staff have transferred to the Council. These staff 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 2013/14, the Council paid £51k to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% 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 £50k. The Council is not liable to the scheme for any other entities obligation under the plan.

49. DEFINED BENEFIT PENSION SCHEMES

The Council offers retirement benefits to its employees as part of their employment terms and conditions. Although these benefits are not payable until the employees retire, the Council is committed to make the payments that will enable the cost of the benefits to be met. The future commitment for meeting these payments must be disclosed at the time that the employees earn their future entitlement. In other words, the cost of meeting these payments in the future when employees retire are disclosed in the accounts at the time that employees are working at the Council and are earning their future entitlement.

The Council participates in two schemes, the North Yorkshire Pension Fund and the Teachers Scheme. Brief details of the two pension schemes are shown in Policy 1 section VII of the Statement of Accounting Policies.

The liability for payment of pensions under the Teachers Pension scheme rests with the Department for Children, Schools and Families, and it is therefore classed as a multi-employer defined benefit scheme for which the liabilities of individual employers cannot be separated. It is therefore treated in the same way as a defined contribution scheme, and no additional disclosures are required. However, where benefits have been offered outside the scheme costs they have to be funded by the Council instead of the Teachers Pension scheme. Under the IAS19 reporting requirements these payments need to be treated as if they were part of a defined benefit scheme and have been included in all the information provided by the Actuaries.

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.

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:

	2013/14				Restated 2012/13			
	LGPS £000's	Teachers £000's	Total £000's	£000's	LGPS £000's	Teachers £000's	Total £000's	£000's
Comprehensive Income and Expenditure Statement								
Cost of Services								
Current service cost	16,579	-	16,579		13,869	-	13,869	
Past service cost	-	-	-		-	-	-	
Administration expenses	298	-	298		288	-	288	
(Gain) / Loss from settlements and curtailments	958	106	1,064		809	83	892	
	17,835	106		17,941	14,966	83		15,049
Financing and Investment Income and Expenditure								
Interest cost	22,871	472	23,343		22,242	521	22,763	
Expected return on assets in the scheme	(14,431)	-	(14,431)		(14,255)	-	(14,255)	
Net Interest expense	8,440	472		8,912	7,987	521		8,508
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services								
	26,275	578		26,853	22,953	604		23,557
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)	(43,506)			(43,506)	(33,394)			(33,394)
Actuarial gains and losses arising on changes in demographic assumptions	(916)	136		(780)	5,595	164		5,759
Actuarial gains and losses arising on changes in financial assumptions	(55,504)	(922)		(56,426)	57,805	1,379		59,184
Experience gains and losses	(20,283)	343		(19,940)				
Actuarial gains and losses								
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(120,209)	(443)		(120,652)	30,006	1,543		31,549
Movement in Reserves statement								
Reversal of net charges made to the Surplus or Defecit for the Provision of Services for post employment benefits in accordance with the Code	(26,275)	(578)		(26,853)	(22,953)	(604)		(23,557)
Actual amount charged against the General Fund Balance for pensions in the year:								

Employers' contributions payable to scheme	15,488	731	16,219	14,505	711	15,216
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Assets and Liabilities in Relation to Retirement Benefits

The following analyses are all based on the annual updated position provided by the Fund's actuaries.

The reconciliation of present value of the scheme liabilities is as follows:

	As at 31-Mar-14		As at 31-Mar-13	
	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	549,523	13,120	458,631	11,684
Current service cost	16,579		13,538	-
Interest cost	22,871	472	22,573	521
Contributions by scheme participants	4,684		4,651	
Remeasurement (gains)/losses:				
Actuarial gains and losses arising on changes in demographic assumptions	(916)	136		
Actuarial gains and losses arising on changes in financial assumptions	(55,504)	(922)	63,400	1,543
Experience gains and losses	(20,283)	343		
Benefits/transfers paid	(14,608)	(731)	(14,079)	(711)
Past service costs	-	-	-	-
Curtailments	958	106	809	83
Settlements	-	-	-	-
Closing balance at 31 March	503,304	12,524	549,523	13,120

The reconciliation of the fair value of the scheme assets is as follows:

	As at 31-Mar-14		As at 31-Mar-13	
	Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's	Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's
Opening fair value of scheme assets	(340,819)	-	(288,381)	-
Interest income	(14,431)		(16,161)	
Remeasurement gain	(43,506)		(31,200)	
Administration expenses	298		-	
Employer contributions	(15,488)	(731)	(14,505)	(711)
Contributions by scheme participants	(4,684)		(4,651)	
Benefits/transfers paid	14,608	731	14,079	711
Settlements				
Closing fair value of scheme assets	(404,022)	-	(340,819)	-

Scheme History – Pension Scheme assets and liabilities recognised in the balance sheet

The history of the liabilities and assets over the last five years has been:

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000's	£000's	£000's	£000's	£000's
<u>Present Value of Liabilities</u>					
Local Government Pension Scheme	420,933	414,656	458,631	549,523	503,304
Unfunded Teachers Pensions	10,663	11,113	11,684	13,120	12,524
<u>Fair Value of Assets</u>					
Local Government Pension Scheme	(241,618)	(277,696)	(288,381)	(340,819)	(404,022)
<u>(Surplus)/Deficit in the Scheme</u>					
Local Government Pension Scheme	179,315	136,960	170,250	208,704	99,282
Unfunded Teachers Pensions	10,663	11,113	11,684	13,120	12,524
Net liability arising from defined benefit obligation	189,978	148,073	181,934	221,824	111,806

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £111.806m (2012/13 £221.824m) 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 Mercer Human Resource Consulting Ltd., an independent firm of actuaries who are the fund's actuaries, had to make a number of assumptions about events and circumstances in the future. This means that the results of actuarial calculations are subject to uncertainties within a range of possible values. The liabilities have been assessed on an actuarial basis 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 liabilities have been assessed by Mercer, with the estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	As at 31-Mar-14	As at 31-Mar-13
Post Retirement Mortality Assumptions		
Non-retired members (retiring in the future in normal health)	S1PA CMI 2012 1.5% Tables	S1PA CMI 2009 1.25% Tables
Current pensioners (retired in normal health)	S1PA CMI 2012 1.5% Tables	S1PA CMI 2009 1.25% Tables
Life expectancy		
Of a male future pensioner aged 65 in 20 years time	25.3	24.4
Of a female future pensioner aged 65 in 20 years time	27.8	27.2
Of a male current pensioner aged 65	23	22.6
Of a female current pensioner aged 65	25.5	25.3

The following shows the inflation factors used:

	As at 31-Mar-14	As at 31-Mar-14	As at 31-Mar-13	As at 31-Mar-13
	% pa LGPS	% pa UTS	% pa LGPS	% pa UTS
Rate of Inflation	2.4	2.4	2.4	2.4
Rate of increase in salaries	3.9	N/A	4.15	N/A
Rate of increase in pensions	2.4	2.4	2.4	2.4
Discount rate	4.5	4.3	4.2	3.7

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)	9,530	
Rate of inflation (increase by 0.1%)	9,911	
Rate of increase in salaries (increase by 0.1%)	2,426	
Rate of increase in pensions (increase by 0.1%)	9,911	
Rate for discounting scheme liabilities (increase by 0.1%)		(9,718)

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 2015 is £14.8m. The weighted average duration of the defined benefit obligation for scheme members is 20 years (16 years in 2012/13).

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- 14 £'000	Percentage Total of asset	As at 31-Mar- 13 £'000	Percentage Total of asset
Equities				
UK quoted	82,421	20.4	58,961	17.3
UK quoted (unitised)	111,106	27.5	89,976	26.4
Global quoted	66,664	16.5	58,962	17.3
Emerging Markets (unitised)	10,505	2.6	10,225	3.0
Bonds				
UK Government fixed	20,605	5.1	23,517	6.9
UK Government indexed	26,665	6.6	15,678	4.6
Overseas Government fixed	2,020	0.5	6,135	1.8
Overseas Government indexed	808	0.2	1,704	0.5
UK Corporate (Unitised)	26,665	6.6	24,539	7.2
Euro Corporate (Unitised)	2,020	0.5	4,771	1.4
International Corporate (Unitised)	1,616	0.4	2,386	0.7
Property				
UK (Unitised)	18,989	4.7	12,610	3.7
Alternatives				
DGF (UK Unitised)	31,918	7.9	29,651	8.7
Cash				
Cash accounts	1,414	0.3	1,363	0.4
Net current assets	-	-	341	0.1
	404,022	100.00	340,819	100.00

The long-term rates of expected return on the investments are as follows:

	As at 31-Mar-14 % pa	As at 31-Mar-13 % pa
Equities	7.00	7.00
Government Bonds	3.40	2.80
Other Bonds	4.30	3.90
Property	6.20	5.70
Cash/liquidity	0.50	0.50
Other	N/A*	7.00

* Dependent on type of asset

50. CONTINGENT LIABILITIES

Waste Management - North Yorkshire County Council entered into a commercial agreement for the provision of a long term waste management service contract on August 26th 2011 with AmeyCespa (Contractor). As part of the agreement City of York Council entered a Joint Waste Management Agreement with North Yorkshire County Council.

The contract includes provision whereby compensation could be payable by the County Council up to a maximum of £5m to the Contractor in specific circumstances should the contract not proceed to financial close. The City of York Council will be liable to pay North Yorkshire County Council 21% of any compensation payable under the Joint Waste Management Agreement. The Council recognises the risk of potential liability and accepts that should it not proceed to financial close as described above City of York Council will need to identify funds to cover any compensation due. The decision regarding financial close is expected by the end of the 2014 calendar year.

NNDR Appeals - The Council has made a provision for NNDR appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have an impact on the Accounts.

Lendal Bridge – During 2013/14 the Council carried out a trial scheme that involved Lendal Bridge only being open during daytime hours (10:30am-5pm) to pedestrians, cyclists, buses, taxis, and emergency vehicles. A process was put in place to enforce the new traffic measures with penalties issued to drivers. The Traffic Penalty Tribunal Adjudicator subsequently challenged the Council's ability to regulate traffic in this way and whilst the council does not accept this finding, neither does it believe it to be in the public interest to pursue the review in respect of Lendal Bridge. A process of refunding Penalty Charge Notices has been agreed by Cabinet and a provision of £708k has been created to reflect this change. The remaining income from bus lane enforcement is set aside into an earmarked reserve. The net income from the projects can legally be used for expenditure on transport schemes however this will not be released until the resolution of the legal process. In addition a further £718k which covers the administration cost of the two schemes is set aside which would mean that any scenario whereby all fines had to repaid could be funded. This ensures the Council has effectively provided for any future liability that may accrue.

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
- 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 Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with 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, as are three in-year updates.

The annual treasury management strategy which incorporates the prudential indicators was approved by Budget Council in February 2013 and is available on the Council website. The key issues within the strategy were:

- The revised Authorised Limit for the 2013/14 was set at £362.3m (adjusted to £351.3m in year) . This figure is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary for 2013/14 was set at £352.9m (adjusted to £321.3m in year). 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 109% (adjusted to 116% in year) and -9% (adjusted to -16%) 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 Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and 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 2013/14 was approved by Budget Council in February 2013 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 £44.176m 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 2014 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-14	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31-Mar-14	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-14	Estimated Maximum Exposure at 31-Mar-13
	£000's	%	%	£000's	£000's
Deposit with banks and financial institutions (Maturities <1yr therefore fair value is carrying amount)	44,176	-	-	-	-
Bonds	-	-	-	-	-
Customers	26,273	1.30	1.30	342	375
	70,449			342	375

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

The Council does not generally allow credit for its trade debtors, such that £3.820m of the £26.273m balance is past its due date for payment. The past its due date amounts can be analysed by age as follows:

	31-Mar-14	31-Mar-13
	£000's	£000's
Less than three months	956	1792
three to six months	538	304
Six months to one year	623	707
More than one year	1703	1559

Total	3,820	4,362
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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. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. 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-14 £000's	31-Mar-13 £000's
Analysis of loans by maturity:		
Interest Due within one year	(1,849)	(3,800)
Maturing within one year	(9,603)	(5,100)
Maturing in 1 - 2 years	(7,000)	(4,500)
Maturing in 2 - 5 years	(22,000)	(19,179)
Maturing in 5 - 10 years	(33,915)	(37,700)
Maturing in more than 10 years (average maturity 20 years)	(186,200)	(192,415)
Carrying Value Adjustment	951	989
Total	(259,616)	(261,705)

All trade and other payables (£28.838m) 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-14 £000's	31-Mar-13 £000's
Total Outstanding			
Public Works Loan Board (PWLB)	2.500% to 4.750%	(238,615)	(238,615)
PWLB (Carrying Value Adjustment)		951	989
Royal Exchange Trust Co. Ltd	7.155%	(10,000)	(10,000)
Local Bonds		(3)	(179)
Short Term Loans		(101)	(100)
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		(1,849)	(3,800)

Total	(259,617)	(261,705)
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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-14 %	Approved Max Limit 31-Mar-14 %	Authority Actual at 31-Mar-14 £000's	Authority Actual at 31-Mar-14 %	Authority Actual at 31-Mar-13 £000's	Authority Actual at 31-Mar-13 %
Less than 1 year	0%	30%	(11,453)	4%	(8,900)	4%
Between 1 and 2 years	0%	30%	(7,000)	3%	(4,500)	2%
Between 2 and 5 years	0%	40%	(22,000)	8%	(19,179)	7%
Between 5 and 10 years	10%	50%	(33,915)	13%	(37,700)	14%
More than 10 years	30%	90%	(186,200)	71%	(192,415)	73%
Total			(260,568)		(262,694)	

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 rates 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 (ie 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.

In respect of the HRA borrowings the risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

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

	31-Mar-14	31-Mar-13
	£000's	£000's
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	492	69
Impact on Surplus or Deficit on the Provision of Services	-	-
Increase in government grant receivable for financing costs	-	-
Impact on Income and Expenditure Account	492	69
Share of overall impact credited to the HRA	74	10

Decrease in fair value of fixed rate borrowing liabilities

(no impact on surplus or deficit on the provision of services or other CIES)

12,297	12,297
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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.

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- 14 £000's	Balance at 31-Mar- 13 £000's
Strensall & Towthorpe Village Trust	8	(0)	(0)	(8)
Haughton/Gardiner Trust	2	(1)	(54)	(55)
Staff Lottery	6	(0)	(41)	(47)
Edward Lamb Automoton Clock Legacy	-	(0)	(24)	(24)
Edmund Wilson Trust	-	(0)	(21)	(21)
Other Funds	38	(19)	(95)	(114)
	54	(20)	(235)	(269)

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.

The **Strensall and Towthorpe** Village Trust Fund was transferred to City of York Council in 1996 following the local government review. The section 52 agreement (dated 12 April 1990) provides for a sports hall/facilities, administered by Strensall and Towthorpe Parish Council.

54. HERITAGE ASSETS: 5 YEAR SUMMARY OF TRANSACTIONS

A five year summary of transactions detailing the

- (a) cost of acquiring assets,
- (b) value of heritage assets acquired by donation,
- (c) impairment recognised,
- (d) carrying amount of heritage assets disposed of and the proceeds received

have been reviewed for the heritage assets included on the face of the balance sheet. For 3 categories: art, museum, mansion house and civic regalia collections - no transactions of this nature have occurred.

For heritage properties, these movements can be seen in note 13, included in the balance brought forward for 2012/13.

For those heritage assets not recognised in the balance sheet, it is not possible to produce the five year summary of transactions required as it is deemed that the cost to the Council of obtaining the information is greater than the benefit obtained.

55. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

The Council has made prior period adjustments to its 2012/13 published financial statements in relation to the following:

IAS 19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013, however there is no impact on the Balance Sheet.

The main changes are as follows:

- Expected Return on Assets

This is in relation to the return on Pension Scheme assets such as those held by the North Yorkshire Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

- Asset Disclosures

IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

- Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see Defined Benefit Pension Scheme note 43).

Comprehensive Income and Expenditure Statement (CIES):

	2012/13 Net Exp. £000's	IAS19 Pension Restatement £000's	Restated 2012/13 Net Exp. £000's
Service Costs			
Central Services to the Public	16,669	125	16,794
Cultural Services	10,666	23	10,689
Environmental Services	15,631	36	15,667
Planning Services	4,846	22	4,868
Children's and Education Services	40,221	271	40,492
Highways, Roads and Transport Services	10,968	29	10,997
Local Authority Housing - Other	(7,011)	-	(7,011)
Housing Services (General Fund)	7,129	-	7,129
Adult Social Care	51,985	107	52,092
Corporate and Democratic Core	2,915	6	2,921
Non-Distributed Costs - Other	108	-	108
Exceptional Items	892	-	892
Cost of Services	155,020	619	155,639
Other Operating Expenditure	740	-	740
Financing and Investment Income and Expenditure	17,727	1,575	19,302
Taxation and Non-Specific Grant Income	(155,492)	-	(155,492)
(Surplus)/Deficit on Provision of Services	17,995	2,194	20,189
Surplus/loss arising on the revaluation of property, plant and equipment assets	323	-	323
Surplus/loss arising on the revaluation of available-for-sale financial assets	-	-	-
Actuarial (gains)/losses relating to pensions	33,743	(2,194)	31,549
Other Comprehensive Income and Expenditure	34,066	-	31,872
Total Comprehensive Income and Expenditure	52,061	-	52,061

Movement in Reserves Statement MIRS:

Original 2012-13

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2012	(13,441)	(21,063)	(10,811)	(2,478)	(574)	(991)	(4,596)	(53,954)	(288,700)	(342,654)
Movement in Reserves during 2012/13										
Surplus /(Deficit) on Provision of Services	21,131	-	(3,136)	-	-	-	-	17,995	-	17,995
Other Comprehensive Income and Expenditure movement	-	-	-	-	-	-	-	-	34,066	34,066
Total Comprehensive Expenditure and Income	21,131	-	(3,136)	-	-	-	-	17,995	34,066	52,061
Adjustments between accounting basis & funding basis under regulations	(17,016)	-	(1,675)	-	(2,087)	(545)	(2,756)	(24,079)	24,079	-
Net Increase/Decrease before Transfers to Earmarked Reserves	4,115	-	(4,811)	-	(2,087)	(545)	(2,756)	(6,084)	58,145	52,061
Transfers to/from Earmarked Reserves	(2,594)	2,594	2,892	(2,892)	-	-	-	-	-	-
Increase/Decrease in Year	1,521	2,594	(1,919)	(2,892)	(2,087)	(545)	(2,756)	(6,084)	58,145	52,061
Balance at 31 March 2013 carried forward	(11,920)	(18,469)	(12,730)	(5,370)	(2,661)	(1,536)	(7,352)	(60,038)	(230,555)	(290,593)

Changes to 2012-13 MIRS:

	Note	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Housing Revenue Account £000's	Earmarked HRA Reserves £000's	Major Repairs Reserve £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
Surplus /(Deficit) on Provision of Services - IAS 19 Pension Restatement		2,194	-	-	-	-	-	-	2,194	-	2,194
Other Comprehensive Income and Expenditure movement - IAS 19 Pension Restatement		-	-	-	-	-	-	-	-	(2,194)	(2,194)
Total Comprehensive Expenditure and Income		2,194	-	-	-	-	-	-	2,194	(2,194)	-
Adjustments between accounting basis & funding basis under regulations - IAS 19 Pensions Restatement		(2,194)	-	-	-	-	-	-	(2,194)	2,194	-
Net Increase/Decrease before Transfers to Earmarked Reserves		-	-	-	-	-	-	-	-	-	-
Transfers to/from Earmarked Reserves		-	-	-	-	-	-	-	-	-	-
Increase/Decrease in Year		-	-	-	-	-	-	-	-	-	-

Restated 2012/13 MIRS:

	Note	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Housing Revenue Account £000's	Earmarked HRA Reserves £000's	Major Repairs Reserve £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
Balance at 1 April 2012		(13,441)	(21,063)	(10,811)	(2,478)	(574)	(991)	(4,596)	(53,954)	(288,700)	(342,654)
Movement in Reserves during 2012/13											
Surplus /(Deficit) on Provision of Services		23,325	-	(3,136)	-	-	-	-	20,189	-	20,189
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	-	31,872	31,872
Total Comprehensive Expenditure and Income		23,325	-	(3,136)	-	-	-	-	20,189	34,066	52,061
Adjustments between accounting basis & funding basis under regulations	7	(19,210)	-	(1,675)	-	(2,087)	(545)	(2,756)	(26,273)	26,273	-
Net Increase/Decrease before Transfers to Earmarked Reserves		4,115	-	(4,811)	-	(2,087)	(545)	(2,756)	(6,084)	58,145	52,061
Transfers to/from Earmarked Reserves		(2,594)	2,594	2,892	(2,892)	-	-	-	-	-	-
Increase/Decrease in Year		1,521	2,594	(1,919)	(2,892)	(2,087)	(545)	(2,756)	(6,084)	58,145	52,061
Balance at 31 March 2013 carried forward		(11,920)	(18,469)	(12,730)	(5,370)	(2,661)	(1,536)	(7,352)	(60,038)	(230,555)	(290,593)

Restated Cash flow 2012/13:

	Note	2012/13 £000's	IAS19 Pension Restatement £000's	Restated 2012/13 £000's
Net (Surplus)/Deficit on the provision of Services		17,995	2,194	20,189
Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements	(27)	(52,877)	(2,194)	(55,071)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities	(27)	19,855		19,855
Net Cash Flows from Operating Activities		(15,027)	-	(15,027)
Investing Activities	(28)	24,486	-	24,486
Financing Activities	(29)	2,920		2,920
Net (Increase)/Decrease in Cash and Cash Equivalents		12,379	-	12,379
Cash and Cash Equivalents at the beginning of the reporting period		(21,459)		(21,459)
Cash and Cash Equivalents at the end of the reporting period		(9,080)	-	(9,080)

SUPPLEMENTARY STATEMENTS

HOUSING REVENUE ACCOUNT

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MOVEMENT IN THE HOUSING REVENUE ACCOUNT RESERVE

	Note	2013/14 £000's	2012/13 £000's
Income			
Dwellings Rents	(3)	(31,389)	(29,663)
Non-dwelling rents		(599)	(611)
Charges for Services and Facilities		(894)	(867)
Contributions Towards Expenditure		(387)	(361)
HRA Subsidy receivable		-	-
Transfer from General Fund		-	-
Total Income		(33,269)	(31,502)
Expenditure			
Repairs and maintenance		6,751	6,725
Supervision and management		7,707	7,211
Rents, Rates, Taxes and Other Charges		223	166
Depreciation and Impairment of non-current assets	(7)	17,943	10,244
Debt Management Costs		51	52
Movement in the allowance for bad debts	(4)	159	155
Sums directed by the Secretary of State that are expenditure in accordance with the Code			
Exceptional Items			
Total Expenditure		32,834	24,553
Net Cost of Services included in the Comprehensive Income and Expenditure Statement			
		(435)	(6,949)
<u>Share of Corporate Costs</u>			
HRA share of Corporate and Democratic Core		74	70
HRA share of other amounts included in the Council			
Net Cost of Services but not allocated to specific services		26	21
Net Cost of HRA Services			
		(335)	(6,858)
HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
Payments to the Government Housing Capital Receipts pool		955	829
(Gain) or loss on sale of HRA non-current assets		(1,152)	(1,014)
Interest payable and similar charges		4,572	4,660
Interest and investment income		(136)	(290)
Pensions interest cost and expected return on pension assets	(6)	228	167
Capital grants and contributions receivable		-	(562)
(Surplus)/Deficit on Provision of Services		4,132	(3,068)

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MOVEMENT IN THE HOUSING REVENUE ACCOUNT RESERVE

	2013/14 £000's	£000's	2012/13 £000's	£000's
Balance on the HRA at the end of the previous year		(12,730)		(10,811)
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	4,132		(3,068)	
Adjustments between accounting basis & funding basis under regulations				
HRA share of Corporate Democratic Core		-	(70)	-
Depreciation and impairment charges	(17,943)		(10,244)	
Revaluation charges	62		103	
Capital grants applied in year		-	1,031	-
Non-current assets written off	(1,844)		(829)	-
Capital Expenditure funded by the HRA	2,580		907	-
Income from non-current asset sales	2,996		1,374	-
Transfer from Capital Receipts Reserve	(955)		(829)	
Transfer to Capital Receipts Reserve				
Depreciation costs met by MRR	7,151		6,950	
Retirement benefits	418		377	
Pension payments	(710)		(540)	
Applied grants transferred to CAA			-	
Transfer from Capital Adjustment Account				
Accumulated absences	5	-	25	-
Net Increase/Decrease before Transfers to or from reserves	(4,108)	-	(4,813)	-
Transfers to/(from) reserves	4,725		2,894	
(Increase)/Decrease in Year on the HRA		617		(1,919)
Balance on the HRA at the end of the current year		(12,113)		(12,730)

1. SIGNIFICANCE OF THE STATUTORY HOUSING REVENUE ACCOUNT

There is a deficit of £4.132m (2012/13 surplus of £3.068m) on the Housing Revenue Account Income and Expenditure Account this decreases to a deficit of £617k (2012/13 surplus of £1,919k) 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 £218k (2012/13 £165k) which represents 0.69% (2012/13 0.56%) of the gross rent income including charges for services. Average rents in March 2013 were £72.07 (2012 £66.97) a week. In April an increase of 4.36% (2012 7.4%) was applied increasing the average rent at that time by £3.14 (2012/13 £4.98).

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.

	2013/14 £000's	2012/13 £000's
Rents due from Tenants	(13,125)	(11,602)
Rents remitted by Rent Rebates through the Housing Benefit System	(18,264)	(18,061)
Total Rent Income	(31,389)	(29,663)

The Council was responsible for managing 7,848 (2012/13 7,900) dwellings at 31 March. In addition to this total are 207 (2012/13 207) properties that the Council manages on behalf of a Housing

Association and 80 (2012/13 78) 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	1	542	652	731	1,926
Medium Rise Flats	4	3	831	759	1,597
Houses and Bungalows	19	2,097	1,522	687	4,325
	24	2,642	3,005	2,177	7,848

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

	2013/14			2012/13		
	Houses/ Bungalows	Flats	Total	Houses/ Bungalows	Flats	Total
Operational Stock						
Balance at 1 April	4,359	3,541	7,900	4,353	3,549	7,902
Sales	(34)	(19)	(53)	(16)	(8)	(24)
New Builds/Conversions		1	1	22		22
Awaiting Demolitions			-			-
Dwellings declared surplus			-	-	-	-
Dwellings reprovided with Housing						
Association			-	-	-	-
Re-categorisation						
To General Fund			-	-	-	-
To HRA non-housing stock	-		-	-	-	-
Balance at 31 March	4,325	3,523	7,848	4,359	3,541	7,900

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 2013/14 rent arrears as a proportion of gross rent income have increased from 2.64% of the amount due to 2.86%. The rent arrears figures are as follows:

		2013/14 £000's	2012/13 £000's
Arrears at 31 March	- Current tenants	546	497
	- Former tenants	351	328
Amounts Written Off during the Year		131	177
Increased/(Reduced) Provision during the Year		158	130
Provision for Bad and Doubtful Debts		647	620

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

	2013/14 %	2012/13 %
Dwelling rent arrears as a % of gross rent debit		
- Current tenants	1.74%	1.59
- Former tenants	1.12%	1.05
	2.86%	2.64

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

	2013/14 £000's	2012/13 £000's
Arrears at 31 March	15	24
Amounts Written Off during the Year	8	6
Increased/(Reduced) Provision during the Year	6	5
Provision for Bad and Doubtful Debts	13	15

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:

	2013/14		2012/13	
	£000's	£000's	£000's	£000's
Income and Expenditure Account Entries				
Net Cost of HRA Services				
Current service cost	448		352	
Past service cost				
Curtailement Cost	26		21	
		474		373
Financing and Investment Income and Expenditure				
Interest cost	618		587	
Expected return on assets in the scheme	(390)		(420)	
		228		167
Net Charge to the Income and Expenditure Account		702		540
Statement of Movement on the Housing Revenue Account Balance Entries				
Reversal of net charges made for retirement benefits				
Contribution to/(from) Pensions Reserve		418		377
Actual amount charged to the Housing Revenue Account for Pensions in the year		(702)		(540)

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:

	2013/14	2012/13
	£000's	£000's
Dwellings	8,124	7,966
Other Land and Buildings	274	256
Infrastructure	1	1
	8,399	8,223
Depc'n adj for reversal of revaluation loss - Dwellings	-	2,809
	8,399	11,032
Reversal of Revaluation loss/Impairment	9,544	(788)
	17,943	10,244

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

	2013/14	2012/13	2011/12
	£000's	£000's	£000's
Depreciation on other HRA assets	-	-	(288)
Depreciation on dwellings higher than MRA	(1,249)	(4,082)	(1,843)
Total Transfer from MRR	(1,249)	(4,082)	(2,131)

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:

	2013/14	2012/13	2011/12
	£000's	£000's	£000's
Balance at 1 April	(2,661)	(574)	(667)
Depreciation on HRA dwellings	(8,124)	(7,966)	(5,059)
Depreciation on other HRA assets	(275)	(257)	(288)
Depcn adj for reversal of revaluation loss - Dwellings	-	(2,809)	(1,969)
Transfer to HRA during the financial year	1,249	4,082	2,131
Capital expenditure on houses within the HRA charged to the reserve	6,539	4,863	5,278
Balance at 31 March	(3,272)	(2,661)	(574)

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:

2013/14 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 2013	259,769	7,886	-	17	-	4	-	267,665	-
Category Transfer	-	-	-	-	-	-	-	-	-
Revised 1 April 2013	259,769	7,886	-	17	-	4	-	267,676	-
Additions	8,965	79	-	-	-	-	-	9,044	-
Acc Dep & Imp WO to GCA	-	(257)	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	762	201	-	-	-	-	-	963	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,525)	(19)	-	-	-	-	-	(9,544)	-
Derecognition - Disposals	(1,844)	-	-	-	-	-	-	(1,844)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(80)	-	-	-	-	-	(80)	-
Assets reclassified (to)/from Investment Property	-	42	-	-	-	-	-	42	-
Other movements in Cost or Valuation	-	51	-	-	-	-	-	51	-
At 31 March 2014	258,127	7,903	-	17	-	4	-	266,051	-
Accumulated Depreciation & Impairment									
At 1 April 2013	-	(9)	-	(2)	-	-	-	(11)	-
Category Transfer	-	-	-	-	-	-	-	-	-
Revised 1 April 2013	-	(9)	-	(2)	-	-	-	(11)	-
Depreciation Charge for 2013/14	(8,124)	(274)	-	(1)	-	-	-	(8,399)	-
Acc. Depreciation WO to GCA	-	257	-	-	-	-	-	257	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
At 31 March 2014	(8,124)	(26)	-	(3)	-	-	-	(8,153)	-
Net Book Value									
At 31 March 2014	250,003	7,877	-	14	-	4	-	257,898	-
At 31 March 2013	259,769	7,877	-	15	-	4	-	267,665	-

2012/13 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 2012	263,303	9,251	-	17	-	-	-	272,571	-
Category Transfer	-	(2,372)	-	-	-	2,372	-	-	-
Revised 1 April 2012	263,303	6,879	-	17	-	2,372	-	272,571	-
Additions	6,742	-	-	-	-	-	-	6,742	-
Acc Dep & Imp WO to GCA	(7,966)	(318)	-	-	-	-	-	(8,284)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	497	502	-	-	-	-	-	999	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,978)	58	-	-	(75)	-	-	(1,995)	-
Derecognition - Disposals	(829)	-	-	-	-	-	-	(829)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Property	-	5	-	-	75	-	-	80	-
Other movements in Cost or Valuation	-	760	-	-	-	(2,368)	-	(1,608)	-
At 31 March 2013	259,769	7,886	-	17	-	4	-	267,676	-
Accumulated Depreciation & Impairment									
At 1 April 2012	-	(167)	-	(2)	-	-	-	(169)	-
Category Transfer	-	98	-	-	-	(98)	-	-	-
Revised 1 April 2012	-	(69)	-	(2)	-	(98)	-	(169)	-
Depreciation Charge for 2012/13	(7,966)	(258)	-	-	-	-	-	(8,224)	-
Acc. Depreciation WO to GCA	7,966	318	-	-	-	-	-	8,284	-
Other movements in Depreciation and Impairment	-	-	-	-	-	98	-	98	-
At 31 March 2013	-	(9)	-	(2)	-	-	-	(11)	-
Net Book Value									
At 31 March 2013	259,769	7,877	-	15	-	4	-	267,665	-
At 31 March 2012	263,303	9,084	-	15	-	-	-	272,402	-

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 £250.003m (2012/13 £259.769) on the balance sheet. At vacant possession the same dwellings would have a value of £813.341m (2012/13 £813.688m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £563.338m (2012/13 £552.919m).

10. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The capital expenditure to be financed in 2013/14 is £9.119m (2012/13 £6.792m). The analysis of the expenditure and the sources of financing used are set out in the following table:

	2013/14				2012/13			
	Dwellings	Infra-structure	Equipment	Total	Dwellings	Infra-structure	Equipment	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Total capital expenditure		-		-	6,759	-	33	6,792
Financing								
Borrowing	-	-	-	-	-	-	-	-
Capital Receipts		-	-	-	(460)	-	-	(460)
Major Repairs Reserve	(6,539)	-	-	(6,539)	(4,863)	-	-	(4,863)
Grants Revenue		-	-	-	(562)	-	-	(562)
Contributions	(2,482)	-	(98)	(2,580)	(874)	-	(33)	(907)
	(9,021)	-	(98)	(9,119)	(6,759)	-	(33)	(6,792)

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:

	2013/14			2012/13		
	Council			Council		
	Dwellings £000's	Land £000's	Total £000's	Dwellings £000's	Land £000's	Total £000's
Sales proceeds	(2,992)	-	(2,992)	(1,438)	(399)	(1,837)
less: administrative costs			-			-
Net proceeds	(2,992)	-	(2,992)	(1,438)	(399)	(1,837)
Right to buy discount repaid			-			-
Mortgage principal repaid	(4)	-	(4)	(6)	-	(6)
	(2,996)	-	(2,996)	(1,444)	(399)	(1,843)
of which:						
Usable	(2,041)	-	(2,041)	(615)	(399)	(1,014)
Payable to Housing Pooled Capital Receipts	(955)	-	(955)	(829)	-	(829)
	(2,996)	-	(2,996)	(1,444)	(399)	(1,843)

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:

	2013/14 £000's	2012/13 £000's
Balance 1 April	2,477	3,392
Additions:		
Acquisitions	-	-
Enhancements	-	-
Disposals		
Net gain or loss on Fair Value	-	(25)
Transfers:		
From Held for Sale	-	-
To / From Property, Plant & Equipment	(42)	(890)
Other changes	-	-
Balance 31 March	2,435	2,477

13. ASSETS HELD FOR SALE

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

Description	2013/14 £000's	2012/13 £000's
Balance outstanding at Start of Year	-	346
Assets newly classified as Held for Sale :		
Property, Plant and Equipment	80	-
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	-	(346)
Transfers from Non-Current to Current	-	-
Changes to Plan to Sell	-	-
Balance outstanding at End of Year	80	-

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

	Note	2013/14 Business Rates £000	2013/14 Council Tax £000	2013/14 Total £000	2012/13 Total £000
Income					
Council Tax Receivable	2	-	(88,347)	(88,347)	(83,533)
Transfers from General Fund:					
Council Tax Benefit		-	-	-	(10,090)
Business Rates Receivable	3	(95,879)	-	(95,879)	(92,634)
Total Income		(95,879)	(88,347)	(184,226)	(186,257)
Expenditure					
Apportionment of Prior Year Surplus					
Central Government		-	-	-	-
City of York Council		-	-	-	-
North Yorkshire Police & Crime Commissioner		-	-	-	-
North Yorkshire Fire & Rescue Authority		-	-	-	-
		-	-	-	-
Precepts, Demands and Shares					
Central Government		46,289	-	46,289	92,337
City of York Council		45,363	69,710	115,073	75,678
Parish Councils		-	580	580	616
North Yorkshire Police & Crime Commissioner		-	12,466	12,466	13,791
North Yorkshire Fire & Rescue Authority		926	3,784	4,710	4,187
		93,010	86,541	179,551	186,609
Charges to Collection Fund					
Write Offs		458	134	592	-
Increase/(Decrease) in Bad Debt Provision		(364)	255	(109)	(442)
Increase/(Decrease) in Provision for Appeals		12,183	1	12,184	-
Cost of Collection		296	-	296	296
Transitional Protection		432	-	432	-
		13,005	390	13,395	(146)
Total Expenditure		105,583	86,931	192,514	186,463
(Surplus)/Deficit Arising In Year		9,704	(1,416)	8,288	206
(Surplus)/Deficit Brought Forward		-	(3)	(3)	(209)
(Surplus)/Deficit Carried Forward Forward		9,704	(1,418)	8,286	(3)

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 or uniform business rates).

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, North Yorkshire Fire and Rescue, 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. Specific reductions are made, in accordance with government regulations, for persons on lower incomes (council tax benefits).

The Council Tax base for 2013/14 was 61,785.28 (66,629.81 in 2012/13). This reduction between financial years is as a result of the governments Council Tax localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council.

In 2013/14 the local government finance regime was revised and Council Tax Benefit is no longer received by the council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority.

In order to calculate the charge to be levied the estimated number of properties for each band for the year is converted to a Band D Equivalent figure (e.g. 20 band H properties is equivalent to 40 band D properties - $20 \times 18/9$). A new band, band A reduced, 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 2013/14 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 £479k (2012/13 £457k) to the Council Tax income.

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 £135k (2012/13 £402k) 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 £254k (decrease in 2012/13 of £442k).

Property Band	Property Value		Estimated Chargeable dwellings	Proportion of Band D	Estimated Tax Base	Average Charge In Year
A reduced	up to	£40,000	8.83	5/9	4.90	£788.88
A	up to	£40,000	6,006.12	6/9	4,004.08	£946.66
B	£40,000 to	£52,000	17,240.59	7/9	13,409.35	£1,104.42
C	£52,000 to	£68,000	20,354.96	8/9	18,093.30	£1,262.20
D	£68,000 to	£88,000	10,667.38	9/9	10,667.38	£1,419.98
E	£88,000 to	£120,000	6,335.44	11/9	7,743.31	£1,735.54
F	£120,000 to	£160,000	2,925.57	13/9	4,225.83	£2,051.08
G	£160,000 to	£320,000	1,412.79	15/9	2,354.65	£2,366.64
H	over	£320,000	57.85	18/9	115.69	£2,839.96
TOTAL			65,009.52		60,618.49	
Crown Properties					327.00	
Tax Base for the calculation of Council Tax					60,945.49	

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 2014 was 240,218,340 (2012/13 236,854,187) and the rate for 2013/14 was 47.1p (2012/13 45.8p), with a reduction to 46.2p (2012/13 45.0p) for small businesses. The Council has no control over these values.

In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government which in turn pays each local Council their apportionment of the pool.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which 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 the 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 2013/14 were estimated before the start of the financial year as £46.289m to Central Government. £0.926m to NYFRA and £45.363m to City of York Council. These sums have been paid in 2013/14 and charged to the collection fund in year.

The total income from business rate payers collected in 2013/14 was £95.879m (£92.634m in 2012/13). This sum includes £0.432m 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 £46.721m.

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 2014. 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 total provision charged to the collection fund for 2013/14 has been calculated at £12.183m. This is the first year of the provision.

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 Council (NYPA) and the North Yorkshire Fire and Rescue Council (NYFRA).

	2013/14 Business Rates £'s	2013/14 Council Tax £'s	2013/14 Total £'s	2012/13 Total £'s
Central Government	4,852,062		4,852,062	
City of York Council	4,755,021	(1,149,917)	3,605,104	(2,096)
North Yorkshire Police Authority		(205,823)	(205,823)	(374)
North Yorkshire Fire and Rescue Authority	97,041	(62,481)	34,560	(114)
	9,704,124	(1,418,221)	8,285,903	(2,584)

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.

Actuarial Gains and Losses

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

Agency

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

Amortisation

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

Appropriation of Land or Buildings

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

Asset

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

Assets Under Construction

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

Authorised Limit

The level of external debt that the Council may have. This limit cannot be breached in any circumstances and is set annually by the Council.

Balance Sheet

A statement of the recorded assets, liabilities and other balances of the Council at the end of the accounting period.

CDS

Credit Default Swap

Capital Charge

A charge to service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

Capital Expenditure

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services beyond the year of account or expenditure that adds to, and does not merely maintain, an existing fixed asset.

Capital Expenditure charged to Revenue Account (CERA)

A method of financing capital expenditure in the accounting period rather than over a number of years.

Capital Financing

The method by which money is raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing (CERA), usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Adjustment Account

The balance on this account principally represents amounts set aside from revenue accounts, capital receipts used to finance capital expenditure and the excess of depreciation over the Minimum Revenue Provision.

Capital Programme

The capital schemes the Council intends to carry out over a specified time period.

Capital Receipts

Money received from the sale of fixed assets, or other money received towards capital expenditure. A specified proportion of this may be used to finance new capital expenditure.

Cash Flow Statement

A statement summarising the inflows and outflows of cash, arising from transactions between the Council and third parties, for revenue and capital purposes.

Charging Council

The Council responsible for administering the Collection Fund, including raising bills for and collecting the appropriate council tax and national non-domestic rates (NNDR).

Cipfa Accounting Code of Practice

Guidance issued by CIPFA to ensure Local Authorities comply with IFRS.

Collection Fund

A fund administered by the Charging Authorities into which is paid council tax and NNDR income and outstanding community charge income. Precepts are paid from the fund to Precepting Authorities, including the Charging Council, and the NNDR collected is paid to the Government.

Commutation Option

This is an option available from 6 April 2006 to members of the North Yorkshire Pension Fund to take a larger lump sum on retirement in exchange for a smaller future pension payment.

Community Assets

Assets that the Council intends to hold in perpetuity that have no determinable useful life, or that may have restrictions on their disposal. Examples of such items are parks, historic buildings and the bar walls.

Community Charge

A flat rate charge which was payable by all registered chargepayers within the Council's area. The income from the charge was used to finance a proportion of the Council's expenditure.

Consistency

The concept that the accounting treatment of like items, within an accounting period, and from one period to the next, is the same.

Contingent Asset

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A possible liability that can be the result of either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities that the Council engages in specifically because it is an elected, multi-purpose Council. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. The code of practice, therefore, does not require these costs to be apportioned to services.

Council Tax

A charge on residential property within the Council's area to finance a proportion of the Council's expenditure.

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.

Economic Infrastructure Fund (EIF)

A fund set up to deliver economic benefits for the city.

Emoluments

These are all sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either the employer or the employee are excluded.

Exceptional Items

Material items which derive from events or transactions which fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Expected Rate of Return on Pension Assets

This applies to a funded defined benefit pension scheme and is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include any prior period items merely because they relate to a prior period.

Fixed Asset Register (FAR)

A system that allows the council to measure and record assets in line with International Financial Reporting Standards and the IFRS-based code of practice on local authority accounting in the United Kingdom (the code).

Fees and Charges

Income arising from the provision of services.

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

Financial Instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. They refer to both financial assets and financial liabilities and includes both the straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. The FIAA is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

Financial Year

Period of time to which a Statement of Accounts relates. The financial year of the Council runs from 1 April to 31 March.

Fixed Assets

Tangible and intangible assets that can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

General Fund

The main account of the Council that records the costs of service provision except those shown in the Housing Revenue Account and the Collection Fund.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Payments by central government towards the cost of Local Council services either specifically (e.g. improvement grants) or generally (e.g. revenue support grant).

Gross Carrying Amount

Amount at which fixed assets are included in the notes, prior to the provision for accumulated depreciation.

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.

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.

Landfill Allowance Trading Scheme

Each waste disposal Council in England has been issued with allowances to use landfill sites for waste disposal. These allowances have been issued on the basis of 15 annual compliance periods. If the full allowance is not needed in any year it can be traded. If more than the allowance is needed then either an additional allowance has to be purchased from another organisation or a fine will be levied.

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.

Long-Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities.

Monitoring Officer

Under the provisions of the Local Government and Housing Act 1989 Councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of Council decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Executive). In York the Monitoring Officer is Andrew Docherty, Assistant Director IT & Governance..

National Non-Domestic Rates (NNDR)

An NNDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities.

Net Book Value

Amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non-Operational Assets

These are fixed assets owned by the Council, but not directly occupied, used or consumed in the delivery of Council services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, awaiting sale or redevelopment.

Operational Assets

These are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operational Boundary

This is a measure of the most money the Council would normally borrow at any time during a financial year. It may be exceeded temporarily, but a regular pattern of borrowing above this level should be avoided.

PA92

These are tables of figures used by actuaries for standard mortality reflecting mortality experience in the period 1991-94, with assumptions for future rates of change. The 'mc' to 'medium cohort' which was introduced to reflect the increased life expectancy of a specific age group of retirees.

Past Service Cost

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible finance officer.

Precept

The amount that a Precepting Council requires from a Charging Council to meet its expenditure requirements.

Precepting Council

Local Authorities, including parish councils and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Authorities (District Councils).

Prior Year Adjustments (or Prior Period Adjustments)

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

Provisions

Amounts set aside in the accounts for future liabilities that are likely to be incurred, but which cannot accurately be quantified.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Indicators

The Local Government Act 2003 specifies a number of prudential indicators covering both capital and treasury management activities which Councils must set as part of their budget process. They are designed to show the affordability of the capital programme and that the Council's borrowing is prudent and sustainable.

Public Works Loan Board (PWLB)

A government agency that lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable, sustainable and within the prudential indicators set at full council.

Realisable Value

The value of the asset at existing use, if sold between a willing buyer and a willing seller.

Related Party

Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

Reserves

Amounts set aside in the accounts for the purpose of defraying particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on current prices at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revaluation Reserve

This account contains surpluses and losses arising from the periodic valuation of fixed assets.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible fixed assets.

Revenue Support Grant (RSG)

A general central government grant paid to the Income and Expenditure Account in support of the Charging Council's revenue expenditure.

Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer (S151)

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management, and accounting

practices meet relevant statutory and professional requirements. Furthermore section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves. In York the Section 151 Officer is Ian Floyd, Director of Customer and Business Support Services.

Service Reporting Code of Practice (SeRCOP)

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). It is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Settlement

An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements can include: a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks

Items of raw materials and stores purchased by the Council to use on a continuing basis which have not been used. The value of items not used at the balance sheet date are included as assets of the Council.

Subsidiary

This is an entity over which the reporting Authority is able to exercise control over operating and financial policies and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Support Services

The costs of departments that provide professional and administrative assistance to services.

Tangible Fixed Assets

These are assets with a physical substance that yield benefits to the Council and the services it provides for a period of more than one year.

Temporary Borrowing/Investment

Money borrowed or invested for an initial period of less than one year.

Trading Services

These are activities of the Council where the workers are directly employed to carry out specified tasks. Such organisations were formerly known as Direct Service Organisations (DSO). In York the work is undertaken under the name of Neighbourhood Services.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Trust Funds

Money owned by an individual or organisation that is administered by the Council.

Unapportionable Central Overheads

These are overheads from which no user benefits, therefore they cannot be allocated to a service area.

Useful Life

The period over which the Council will derive benefits from the use of an asset.

Vested Rights

In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

Work in Progress

The value of work done on an uncompleted project that has not been recharged to the appropriate account at the balance sheet date.

Write Out

Removal of an Asset by charging to the CIES, or reversal of accumulated depreciation against a fixed asset on revaluation of that asset.

Appendix A – Draft management representation letter

City of York Council

24 September 2014

Dear Mr Davies

City of York Council - audit for year ended 31 March 2014

This representation letter is provided in connection with your audit of the statement of accounts for City of York Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Customer and Business Support Services that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Laws and regulations

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

Fraud and error

I acknowledge my responsibility as Director of Customer and Business Support Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

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

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

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

Impairment review

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

Future commitments

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

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

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

Going concern

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

Unadjusted misstatements

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

Yours faithfully

Ian Floyd
Director of Customer and Business Support Services

Appendix to letter of representation

Schedule of unadjusted misstatements

Unadjusted misstatements 2013/14

	CIES		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
1 Dr. Investment Property			1,898	
Cr. Revaluation Reserve				1,898
<p>An error was made in reflecting the value of Hospital Fields / Fulford Business Centre in Investment Property at the time of the last revaluation. This has not been corrected. Investment property is understated by £1.898m in this respect, which is not material.</p>				
2 Dr. Assets Held For Sale			2,070	
Cr. Investment Property				2,070
<p>Low Fields Farm is continuing to be included as an Investment property even though no rent is being collected and it should be reclassified as a surplus asset (Asset Held for Sale). Investment Property is overstated by £2.070m in this respect, which is not material.</p>				
3 Dr. Other Operating Expenditure - Losses on Disposal	3,827			
Cr. Revaluation Losses on Non-Current Assets		3,827		
<p>Academy school assets have been removed from the Council's accounts as a downward revaluation rather than as a disposal. This impacts on how this is treated in the Comprehensive Income and Expenditure Statement (CIES). This error is not material.</p>				
4 Dr. Comprehensive Income and expenditure statement - Loss on revaluation	825			
Cr. Asset under Construction		825		
<p>A balance held within assets under construction has not been written out following the revaluation of a school on the completion of a major capital redevelopment. This error is not material.</p>				

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**Changes to Audit and Governance Committee Annual Financial Report
Published – Agenda item 5 (pages 17 – 184)**

Core Financial Statements

- CIES – agenda page 51 (accounts page 19) – Service Costs ‘Local authority housing – other’ Gross expenditure £38,744k (previously £48,522k) and income -£39,116k (previously -£48,894k)

Presentational matter. The net expenditure remains at -£372k as per the published accounts as does the Cost of Services at £151,875k and the Surplus on Provision of Services at -£11,681k.

- MIRS – agenda page 52 (accounts page 20) CIES - Total useable reserves should be £26,273k (previously £26,753k)

This relates to the 12/13 financial year not the current (13/14) financial year

Notes to the Core Financial Statements

- Financial instruments – agenda page 92 (accounts page 60) - Fair value of total financial liabilities as at 31 Mar 2014 £279,677k (previously £279,177k).
- Operating leases – agenda page 124 (accounts page 92) – Future minimum lease payments in relation to operating leases as at 31 Mar 2014 £22,509k (previously £22,539k).
- Collection fund – agenda page 162 (accounts page 130) – Precept expenditure figure £92,578 (£93,010), Total £179,118 (£179,551)

Total expenditure and overall deficit arising in year remains as published at £8,288k

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Audit Completion Report

City of York Council – year ended 31 March 2014

September 2014



Mazars LLP
Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Audit and Governance Committee
City of York Council
West Offices
Station Rise
York
YO1 6GA

16 September 2014

Dear Sirs/Madams

Audit Completion Report – Year ended 31 March 2014

We are delighted to present our Audit Completion Report for the year ended 31 March 2014. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented to the Audit and Governance Committee on 16 April 2014. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

At the time of drafting our report, we have received an objection to the Council's accounts in relation to the receipts arising from penalty charge notices for Lendal Bridge and Coppergate. In addition, we have received a further notice of objection in relation to the Annual Governance Statement which we have determined was not an objection within the meaning of the legislation, and we are on notice that a further objection to the accounts is being prepared for us to consider.

The implications of the objections are set out in our report.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

This document will be presented to the Audit and Governance Committee on 24 September 2014. If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300 or gareth.davies@mazars.co.uk.

Yours faithfully

Gareth Davies
Mazars LLP

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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Non-Executive Directors, Directors or managers are prepared for the sole use of the audited body and we take no responsibility to any Non-Executive Director, Director or Manager in their individual capacity or to any third party.

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

01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2014 to the Audit and Governance Committee of City of York Council and forms the basis for discussion at the Audit and Governance Committee meeting on 24 September 2014.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing City of York Council; and
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

Status and audit opinion

Objections to the accounts

On 12 September 2014 we were notified by a local elector of an objection to the Council's accounts in relation to the receipts arising from penalty charge notices for Lendal Bridge and Coppergate. The local elector asks that we apply to the Courts to seek a declaration that an item of account (ie. the penalty charge income) is contrary to law, and that we make a report in the public interest on this matter. We are currently considering the objection.

The income relating to the penalty charge notices is £1.8m, which is below the level of materiality for our opinion on the financial statements. Because of this, subject to satisfactory completion of our work on the financial statements, we intend to issue an unqualified opinion on the financial statements on 30 September 2014, but we will be unable to certify completion of the audit until the objection has been determined.

In addition to this objection, we received a further notice of objection in relation to the Annual Governance Statement from another local elector. We determined that this was not an objection within the meaning of the legislation, as it did not relate to an item of account. However, we have taken the issues raised by the local elector into account in the work that we have undertaken to review the Council's Annual Governance Statement.

We are on notice that a further objection to the accounts is being prepared for us to consider, but we do not know what the content of this objection will be.

In view of these issues, we will plan to table a letter to update Members at the Audit and Governance Committee meeting on 24 September 2014, and we may need to issue a further letter to update Members on 30 September 2014, which is the statutory deadline for concluding the audit.

Other work on the financial statements

In respect of our other work on the accounts, we have substantially completed our audit of the financial statements for the year ended 31 March 2014.

A number of adjustments have been made to the financial statements by officers as set out in section 4 of this report. None of the adjustments identified during the audit resulted in a change to the Council's underlying financial position.

At the time of preparing this report, there are a number of audit procedures which need to be concluded, and we have not yet received and reviewed the required assurance from the auditors of North Yorkshire Pension Fund (Deloitte LLP) over IAS 19 (pensions) related entries in the financial statements.

We will also provide an update to you in relation to this matter in the follow up letters we mentioned above.

Proposed audit opinion and VFM conclusion

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources except for the arrangements for financial management in adult social care. This is explained further in section 5 of this report.

As noted earlier, we will not be able to certify completion of the audit until the objection has been determined.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 3 October 2014.

In accordance with our normal practices, we require a letter of representation from you, as set out in Appendix A.

Our proposed audit report is set out in Appendix B.

02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Significant risk: management override of controls

Description of the risk

Auditing standards state that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.

How we addressed this risk

We updated our understanding and evaluation of internal control processes and procedures as part of our audit planning, including completion of a fraud risk assessment.

As part of this process we obtained information from the Audit Committee and management on processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.

Our testing included:

- general ledger journal testing;
- consideration and review of material accounting estimates;
- consideration and review of any unusual or significant business transactions; and
- consideration of local factors.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Significant risk: revenue recognition**Description of the risk**

Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of income recognition and in relation to judgements made by management as to when income has been earned. Mazars' policy is that the scope to apply such a rebuttal is limited. As there is an inherent risk of fraud in revenue recognition we consider it to be a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

How we addressed this risk

We evaluated the design and implementation of controls which mitigated this risk. In addition we undertook a range of substantive procedures including:

- testing receipts in March and April 2014 to ensure they were recognised in the correct year;
- testing year end receivables and accruals;
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger; and
- testing journals.

Audit conclusion

Our work has provided the assurance we sought in relation to revenue recognition. There are no matters arising requiring reporting to Members.

Significant risk: expenditure recognition**Description of the risk**

Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of expenditure recognition and in relation to judgements made by management as to when expenditure has been incurred. As there is a risk of fraud in expenditure recognition we regularly consider it to be a significant risk. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

How we addressed this risk

We evaluated the design and implementation of controls which mitigated this risk. In addition we undertook a range of substantive procedures including:

- testing payments in March and April 2014 to ensure they have been recognised in the right year;
- testing year end payables and accruals;
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger; and
- testing journals.

Audit conclusion

Our work has provided the assurance we sought in relation to expenditure recognition. There are no matters arising requiring reporting to Members.

Significant risk: pension entries (IAS 19)**Description of the risk**

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

How we addressed this risk

We discussed with officers any significant changes to the pension estimates prior to the preparation of the financial statements.

In addition to our standard programme of work in this area, we also:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary (Mercers); and
- considered the reasonableness of the actuary's (Mercers') output, referring to an expert's report on all actuaries nationally which was commissioned by the Audit Commission.

As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of North Yorkshire Pension Fund (Deloitte LLP) over IAS 19 (pensions) related entries in the financial statements.

Audit conclusion

We identified a number of additional disclosures that were required for IAS19 pensions, and these have been reflected in the amended financial statements.

As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of North Yorkshire Pension Fund (Deloitte LLP) over IAS 19 (pensions) related entries in the financial statements.

Subject to a satisfactory response from Deloitte LLP, our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.

Key areas of management judgement:

Property, Plant and Equipment – depreciation, revaluations and impairments

Description of the area of judgement

Accounting standards and CIPFA's Code of Practice on Local Authority Accounting require that all property, plant and equipment are depreciated, unless there is a specific exception. There are also requirements to regularly revalue assets carried at fair value on the Council's balance sheet and to carry out impairment reviews.

These involve management judgements over the useful lives and valuations of assets.

How we addressed this area of management judgement

We evaluated the design and implementation of controls in respect of depreciation, revaluations and impairments as part of our walkthrough of the property, plant and equipment system.

In addition, we undertook a range of substantive procedures including:

- substantive testing of depreciation, revaluations and impairments per the disclosure note to the financial statements;
- review and evaluation of the work of the in-house valuer, including the valuer's report; and
- consideration of regional valuation trends.

Audit conclusion

We identified an error in the treatment of the revaluation of Council dwellings, which reduced Property, Plant and Equipment as disclosed in the Balance Sheet by £9.968m, and had consequential impacts on the Housing Revenue Account (HRA) and other statements. The financial statements were amended for this error, and this is set out in section 4 of this report.

With the exception of this, our work has provided the assurance we sought and has not highlighted any other issues to bring to your attention.

Accounting policies and disclosures

We have reviewed City of York Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting.

Significant difficulties during the audit

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

We have identified scope for further improvement in the working papers supporting the financial statements and in the joint arrangements underpinning our shared Audit Protocol and Project Plan. We will work closely with officers to make the required improvements over the next year.

03 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

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

Priority ranking	Description	Number of issues
1 (High)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	NONE
2 (Medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	THREE
3 (Low)	In our view, internal control should be strengthened in these additional areas when practicable.	NONE

Other deficiencies in internal control – Level 2

Bank reconciliation

Description of deficiency

The current bank reconciliation process is extremely complex with a number of significant adjusting items, many of which are historic matching issues within the general ledger.

The Council has made significant progress in reviewing these adjustments during the year. Officers consider that the reconciliation process provides a strong control mechanism for identifying errors and issues as they arise, and that further progress on clearing any outstanding issues will be made in 2014/15.

We recognise the controls that have been put in place in relation to the Council's bank accounts. Our testing identified that the trail between these reconciliations and the actual year end cash position reflected in the statement of accounts could be improved.

Potential effects

The complexity of the processes in place could mask errors.

Recommendation

We recommend that the Council reviews and strengthens the documentation demonstrating how the bank reconciliation process feeds into the year end balance sheet cash position.

Management response

Finance welcome the acknowledgment of the progress made on bank reconciliation and are content that it provides a robust control mechanism. Building on this, the Council will look to further develop the inter relationship between the strong control mechanism and the production of the year end balance sheet cash position.

Property Plant and Equipment - Assets under Construction**Description of deficiency**

Capital expenditure on larger capital schemes is recorded as assets under construction in the fixed asset register, and is only transferred to operational assets once the scheme has been completed.

Our review of assets classified within Assets under Construction has identified a number schemes which have been completed, and should have been reclassified. The impact of these errors was not material.

Potential effects

The classification of property, plant and equipment may not be correctly recorded in the financial statements.

Recommendation

We recommend that a full review of assets classified as Assets under Construction is undertaken during 2014/15 and the results reflected in the 2014/15 financial statements.

Management response

Corporate finance will undertake an exercise with the accountants to ensure that all assets currently classed as 'Asset Under Construction' are reviewed in 2014/15 to ensure their recorded position is reflective of their current status resulting in reduction of AUCs and an increase of Other Land and Buildings and Plant/Vehicle/Equipment all within note 12.

Operating and finance leases**Description of deficiency**

Leasing records were updated in preparation for IFRS implementation. A review of leases was undertaken by officers in 2013/14 to ensure that information remained up to date for existing leases.

Our sample testing has identified a number of instances where the initial lease information has been incorrectly recorded, or where the lease details have changed but the register has not been updated. The impact of these errors was not material. Management has agreed that a further review of leases should be undertaken in 2014/15.

Potential effects

Leases may not be correctly recorded in the financial statements.

Recommendation

We recommend that a review of leases is undertaken and the results reflected in the 2014/15 financial statements.

Management response

Corporate finance will ensure that a further review of leases (to include both service leases and property portfolio) is undertaken during 2014/15 and will take a materiality approach to review high value lease contracts in detail.

Section 106 balances

Members may recall that a number of issues have been raised with us by members of the public, and we reported in our Audit Progress Report in June 2014 that we would review s106 balances as part of our work:

“There have been inconsistencies in recording the application of s106 funds and balances remaining on s106 accounts. This appears to have been a result of errors in record keeping. Officers are updating and correcting records as part of the closure of the accounts. We will consider this further during the audit of the accounts.”

S106 funds are secured from developers in relation to planning proposals, and usually represent a contribution from the developer to the wider public infrastructure. The funds have to be applied in accordance with a specific s106 agreement, which is a formal legal agreement with the developer.

We have carried out further work on s106 balances as part of our audit. This included:

- reviewing the internal controls in place in relation to managing s106 receipts, and reviewing management’s response to addressing the inconsistencies that were identified earlier in the year; and
- testing a sample of s106 balances as at 31 March 2014, as recorded in the Council’s financial statements.

Although some inconsistencies in the application of s106 funds were highlighted following the responses to several Freedom of Information requests, we found that the Council has taken the necessary action to address the errors in its recording arrangements. We found that strengthened procedures have been put in place for recording s106 balances including introducing a system of quarterly management review. We are also satisfied that the inconsistencies highlighted in the Freedom of Information requests resulted from errors in record keeping and there was no evidence of any fraud or impropriety. Our sample testing of s106 balances did not identify any residual issues requiring reporting to Members.

04 Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the trivial level, for adjustment. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust. We accept that this is a reasonable course of action for errors which are not material.

The second table outlines the misstatements that have been adjusted by management during the course of the audit. The third table highlights adjustments made by the Council following events which occurred after the balance sheet date.

None of the adjustments identified during the audit resulted in a change to the Council's underlying financial position.

Unadjusted misstatements 2013/14

	CIES		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
1 Dr. Investment Property			1,898	
Cr. Revaluation Reserve				1,898
An error was made in reflecting the value of Hospital Fields / Fulford Business Centre in Investment Property at the time of the last revaluation. This has not been corrected. Investment property is understated by £1.898m in this respect, which is not material.				
2 Dr. Assets Held For Sale			2,070	
Cr. Investment Property				2,070
Low Fields Farm is continuing to be included as an Investment property even though no rent is being collected and it should be reclassified as a surplus asset (Asset Held for Sale). Investment Property is overstated by £2.070m in this respect, which is not material.				
3 Dr. Other Operating Expenditure - Losses on Disposal	3,827			
Cr. Revaluation Losses on Non-Current Assets		3,827		
Academy school assets have been removed from the Council's accounts as a downward revaluation rather than as a disposal. This impacts on how this is treated in the Comprehensive Income and Expenditure Statement (CIES). This error is not material.				
4 Dr. Comprehensive Income and expenditure statement - Loss on revaluation	825			
Cr. Asset under Construction		825		
A balance held within assets under construction has not been written out following the revaluation of a school on the completion of a major capital redevelopment. This error is not material.				

Adjusted misstatements 2013/14

	CIES		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
1 Revaluation of Council Dwellings				
Dr. Property, Plant & Equipment				
- HRA (Upward Revaluations)			407	
Cr. Property, Plant & Equipment				
- HRA (Impairment & Depreciation)				10,376
Dr. Revaluation Reserve			10,352	
Cr. Capital Adjustment Account				383

Error in reflecting the revaluation of Council dwellings in the accounts. The correction of this led to a net reduction of £9,968k in Property, Plant & Equipment Values in the Balance Sheet with the opposite entries to the Revaluation Reserve and Capital Adjustment Account.

2 Dr. HRA - Impairment & Depreciation	10,376			
Cr. MIRS - Adjustments between accounting basis and funding basis under the regulations		10,376 (MIRS)		

Error 1 above also had an impact on the HRA in terms of increased impairment and depreciation, which in turn was reversed through the Movement In Reserves Statement (MIRS).

3 Dr. Creditors			181	
Cr. Other Short-Term Liabilities				181

Lease payments reclassified from creditors to Other Short-Term Liabilities.

Adjustments made by the Council for events that occurred after the Balance Sheet date

	CIES		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
Dr. Service Costs				
- Highways, Roads and Transport Services	708			
Cr. MIRS - Transfers to / from Earmarked Reserves		708 (MIRS)		
Dr. Earmarked Reserves -			708	
Cr. Provisions due to be settled within 12 months				708

The Council has made this adjustment to reflect events after the balance sheet date. When the accounts were prepared at the end of June 2014, the Council included income of £1.8m arising from penalty charge notices at Lendal Bridge and Coppergate in an earmarked reserve. This was in response to challenges to the validity of these charges. Although the Council disputed these challenges, it took the view that it was prudent to set these sums aside and not spend them in view of the uncertainty.

The Council has subsequently taken the decision that, whilst arguing that the charges in relation to Lendal Bridge were lawful, it will make settlement payments equivalent to the fines charged where members of the public contest the charge made.

Consequently, the Council has now made a provision for a proportion of the Lendal Bridge income (£708k), in recognition that payments are probable. In effect, £708k of the £1.8m is now set aside in a provision and the remainder remains set aside in an earmarked reserve.

Disclosure amendments

The disclosure notes were amended as follows:

- To reflect the impact of the adjusted misstatements throughout the accounts.
- A number of clarifications were made to the Explanatory Foreword, including to the financial position of the HRA.
- A number of minor typographical errors were corrected in the Annual Governance Statement.
- The Cash Flow Statement and its associated notes were corrected and updated.
- A number of clarifications were made to the Accounting Policies.
- The note on Critical Judgements in Applying Accounting Policies (note 3) was expanded and updated.
- The Financial Instruments note (note 16) was updated.

- The Amounts Reported for Resource Allocation Decisions note (note 30) was updated to ensure consistency with other parts of the financial statements.
- Clarifications were made to the Exit Packages disclosed in note 37.
- External audit costs were updated to reflect the latest estimate of costs for 2013/14 (note 38).
- The note on Dedicated Schools Grant (note 39) was updated to reflect the expenditure of funds during 2013/14.
- Some clarifications were added to the Related Parties note (note 41).
- Amendments were made to lease disclosures (note 43).
- Amendments were made to Pension Disclosures, including additional disclosures required by IAS19 (notes 48 and 49).
- The contingent liabilities note was updated in respect of Lendal Bridge (note 50), and the events after the balance sheet date note (note 6) was also updated for the latest information.
- The Collection Fund Statement and notes were updated.
- A number of other minor errors, omissions, clarifications and typographical errors were corrected.

05 Value for money

The scope of our work

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report our conclusion to those charged with governance, having regard to criteria specified by the Audit Commission.

The criteria are to consider whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

We are not required to consider, nor have we, all aspects of the Council's arrangements. We adopt a risk based approach, designed to identify any significant issues that might exist.

We report if significant matters come to our attention which prevent us from concluding that the Council has put in place proper arrangements.

Our conclusion

On the basis of our work, with the exception of the matter reported below, we are satisfied that in all significant respects City of York Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

The exception to this is that there were weaknesses in budgetary control and financial management in Adult Social Care services. There was a lack of understanding and ownership of budgets within the service and performance information was limited. The Council had identified the need for improvement in adult social care and a future savings target of £6m, but during 2013/14 the service did not demonstrate an ability to address the issues that it faced. The Council has since taken action to address the issues identified in 2013/14 and has a clearer understanding of the performance of the service and the scope for future efficiency savings.

It is important to understand the context of our overall conclusion and the Council's response to the issues in relation to adult social care, and this is set out below.

The Council's overall arrangements

Overall, the Council has responded well to the financial pressures it has faced, at a time of unprecedented reductions in public sector spending.

The Council has delivered £9m of savings in 2013/14 and achieved a small underspend overall (£0.3m), even after absorbing overspends in adult social care and other services.

This is on top of significant savings of £41.9m being delivered in the last 3 years:

- 2010/11 savings £10.2m;
- 2011/12 savings £21.0m;
- 2012/13 savings £10.7m.

The Council expects to have to make a total of £23m further savings during 2014/15 and 2015/16. The prospects are for further reductions to follow in future years.

The Council adopts a prudent approach to its finances and has set aside reserves, both for unforeseen circumstances (£7m) and for specific earmarked purposes (£49.4m). These secure the Council's immediate financial resilience.

As more and more savings are required, it has become increasingly difficult to achieve them without impacting directly on services. Last summer, the Council participated in a Local Government Association (LGA) corporate peer challenge review, which recognised the Council's ambition, but also warned of stretched officer capacity and the need to be clear about priorities and also about non-priorities. In the context of the savings that had been delivered to date and those that will have to be delivered going forward, there was a recognition that difficult choices needed to be made about what to stop doing as well as what to continue doing or do differently.

Part of the response to the peer review process has been a recognition of the need for a council-wide approach to change and transformation, and the Council launched its transformation programme, 'Re-wiring Public Services', in February 2014.

The Council has used VFM profiles and other data, to help identify the service areas to focus on that provide the greatest potential for savings and improved outcomes. Based on our analysis of VFM profiles, most services are relatively low cost in terms of spend per head when compared to similar councils in the CIPFA nearest neighbours grouping. However, the Council recognises that further real savings still need to be delivered and it believes that there is still potential to make improvements and make further savings even where spend per head is relatively low to start with.

The action plans arising from the transformation programme are still developing and the Council sees community engagement as a fundamental part of the process.

The measures that are being taken are the right ones to address the future challenges that the Council faces. The task now is to implement these plans, deliver the savings that are needed, and make improvements in service delivery and outcomes for the citizens of York.

Context to our conclusion in relation to adult social care

Like most councils, City of York Council faces budget pressures arising from an increasing demand from an ageing population. In addition, the Better Care Fund and the Care Act provide both a challenge and an opportunity to work with health colleagues and providers, to develop more integrated and innovative service solutions.

The aim is to help people to live more independent and fulfilled lives where they can, enabling people to take more control of their own care whilst dealing with the reality of decreasing resources.

The Council has recognised these challenges. The Chief Executive and Corporate Management Team sought our assistance in assessing the adult social care service's ability to manage the financial pressures. In addition, the service was identified as a key part of the Council's transformation programme to deliver better services with reduced resources.

We recognise that these are difficult challenges to face, and that the Council has a dedicated workforce that is committed to doing the right things for those requiring adult social care services in the City of York.

However, the view we formed was that the service was not responding quickly enough or effectively enough to the challenges it faced. In particular, we found that there was an urgent need to:

- improve financial management and develop a much better understanding and ownership of budgets within adult social care services;
- improve performance information obtained from the care management system, to make it easier to link activity and costs and manage the service more effectively;
- work jointly with health colleagues to address poor performance on delayed discharge from hospital, with the common objective of ensuring that services are flexible and provide the range of preventative interventions that minimise the need for adult social care support; and
- secure efficiencies and increased flexibility by encouraging user choice through wider use of direct payments. Currently, take up of these options is in the lowest quartile compared to other authorities, although we note that there are high levels of satisfaction amongst users with the services they receive.

The Council's response to our conclusion in relation to adult social care

We are pleased to report that the Chief Executive has recognised that insufficient progress had been made and has instituted an accelerated recovery and improvement process, working closely with the Director of Health and Well-Being and others.

An action plan has been developed in response to our findings, which we believe addresses the areas requiring improvement.

New management has been brought in to help with the improvement process. The new managers recognise that there is scope for improved management and working practices in a number of areas. However, they have compared contract prices against benchmarking data for other authorities, and this indicates that the Council has been getting good value for money from the services it has commissioned. An important focus is for the Council to work closely with its health partners, including NHS Vale of York Clinical Commissioning Group (CCG), to ensure that the overall health and social care economy makes best use of its combined resources to meet the needs of the City and its citizens.

We will continue to assess the Council's progress in improving financial management in adult social care as part of future value for money conclusion work.

Summary of our response to significant risks to value for money

In the Audit Strategy Memorandum, and in updates through our Audit Progress Reports to the Audit and Governance Committee, we identified significant risks relevant to the value for money conclusion. We detail below how we have addressed these risks and our conclusions.

Responding to the financial pressures

Description of the risk

The Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings. Without robust budgetary control and delivery of its action plans, the Council's financial resilience and service performance could deteriorate.

How we addressed this risk

We reviewed budget monitoring and reporting, focusing on areas where action plans were in place to make savings and seek to minimise any adverse impact on services. We reviewed VFM profiles and the plans developed to deliver future savings, including those being developed through the Council's transformation programme.

Conclusion

Overall, the Council has responded well to the financial pressures it has faced, at a time of unprecedented reductions in public sector spending. As more and more savings are required, it has become increasingly difficult to achieve them without impacting directly on services. The Council recognised the need for a council-wide approach to change and transformation, and the Council launched its transformation programme, 'Re-wiring Public Services' in February 2014. The measures that are being taken are the right ones to address the future challenges that the Council faces. The task now is to implement these plans, deliver the savings that are needed, and make improvements in service delivery and outcomes for the citizens of York.

VFM risks in relation to Adult Social Care services

Description of the risk

Adult social care is identified as one of the highest priorities within the Council's service transformation programme. During the audit, we have become concerned at the lack of progress in making improvements to budget management and other aspects of adult social care services.

The development of the Better Care Fund provides a major challenge but also a significant opportunity for the Council and the Clinical Commissioning Group (CCG) to work together to increase investment in much needed intermediate and preventative care.

We are concerned that the lack of progress in delivering service improvement, together with the challenges of the Better Care Fund and the new Care Act, mean that the Council is at risk of failing to deliver good value for money in adult social care services and the best outcomes for local people.

How we addressed this risk

We reviewed budget monitoring and reporting in adult social care, focusing on areas where action plans were being developed to make savings and seek to minimise any adverse impact on services. We reviewed the plans developed to deliver future savings, including those being developed through the Council's transformation programme.

Conclusion

There were weaknesses in budgetary control and financial management in adult social care services. There was a lack of understanding and ownership of budgets within the service and performance information was limited. The Council had identified the need for improvement in adult social care and a future savings target of £6m, but during 2013/14 the service did not demonstrate an ability to address the issues that it faced. The Council has since taken action to address the issues identified in 2013/14 and has a clearer understanding of the performance of the service and the scope for future efficiency savings.

New management has been brought in to help with the improvement process. The new managers recognise that there is scope for improved management and working practices in a number of areas. However, they have compared contract prices against benchmarking data for other authorities, and this indicates that the Council has been getting good value for money from the services it has commissioned. An important focus is for the Council to work closely with its health partners, including NHS Vale of York Clinical Commissioning Group (CCG), to ensure that the overall health and social care economy makes best use of its combined resources to meet the needs of the City and its citizens.

Appendix A – Draft management representation letter

City of York Council

24 September 2014

Dear Mr Davies

City of York Council - audit for year ended 31 March 2014

This representation letter is provided in connection with your audit of the statement of accounts for City of York Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Customer and Business Support Services that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Laws and regulations

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

Fraud and error

I acknowledge my responsibility as Director of Customer and Business Support Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

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

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

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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

Impairment review

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

Future commitments

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

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

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

Going concern

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

Unadjusted misstatements

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

Yours faithfully

Ian Floyd
Director of Customer and Business Support Services

Appendix to letter of representation

Schedule of unadjusted misstatements

Unadjusted misstatements 2013/14

	CIES		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
1 Dr. Investment Property			1,898	
Cr. Revaluation Reserve				1,898
An error was made in reflecting the value of Hospital Fields / Fulford Business Centre in Investment Property at the time of the last revaluation. This has not been corrected. Investment property is understated by £1.898m in this respect, which is not material.				
2 Dr. Assets Held For Sale			2,070	
Cr. Investment Property				2,070
Low Fields Farm is continuing to be included as an Investment property even though no rent is being collected and it should be reclassified as a surplus asset (Asset Held for Sale). Investment Property is overstated by £2.070m in this respect, which is not material.				
3 Dr. Other Operating Expenditure - Losses on Disposal	3,827			
Cr. Revaluation Losses on Non-Current Assets		3,827		
Academy school assets have been removed from the Council's accounts as a downward revaluation rather than as a disposal. This impacts on how this is treated in the Comprehensive Income and Expenditure Statement (CIES). This error is not material.				
4 Dr. Comprehensive Income and expenditure statement - Loss on revaluation	825			
Cr. Asset under Construction		825		
A balance held within assets under construction has not been written out following the revaluation of a school on the completion of a major capital redevelopment. This error is not material.				

Appendix B – Draft audit report

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

Opinion on the Council financial statements

We have audited the financial statements of City of York Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of City of York Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director (s151) and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Customer and Business Support Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of York Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

In considering the Council's arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources we identified weaknesses in budgetary control and financial management in Adult Social Care services. There was a lack of understanding and ownership of budgets within the service and performance information was limited. The Council had identified the need for improvement in adult social care and a future savings target of £6m, but during 2013/14 the service did not demonstrate an ability to address the issues that it faced. The Council has since taken action to address the issues identified in 2013/14 and has a clearer understanding of the performance of the service and the scope for future efficiency savings.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects City of York Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local electors. We are satisfied that these matters do not have a material effect on the financial statements.

Gareth Davies

For and on behalf of Mazars LLP

The Rivergreen Centre
Aykley Heads
Durham, DH1 5TS

30 September 2014

Appendix C – Independence

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

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

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 and Business Support Services
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 line

Email gareth.davies@mazars.co.uk

24 September 2014

Dear Mr Floyd

Update to our Audit Completion Report

I am writing to update matters included within our Audit Completion Report provided to you on 16 September 2014.

Assurances from the Pension Fund auditor

We have now received a letter of assurance from Deloitte, the Pension Fund auditor.

Matter outstanding from Audit Completion Report	Conclusion reached
<p>We have not yet received and reviewed the required assurance from the auditors of North Yorkshire Pension Fund (Deloitte LLP) over IAS 19 (pensions) related entries in the financial statements.</p>	<p>We received a letter from Deloitte on 18 September 2014. This provided us with the assurance we sought for our audit. Their work did identify an issue which we need to report to you.</p> <p>Deloitte have highlighted the fact that an overstatement of £6 million was identified between the extrapolated value of assets shown in the IAS 19 reports from the actuary and the actual value of the pension fund assets at 31 March 2014. This was calculated using a total scheme membership of 78,659 members as at 31 March 2014. For City of York Council the share of this difference equates to £962k.</p> <p>In addition, year end testing by Deloitte LLP showed that the actual value of pension fund assets at 31 March 2014 was overstated by £5.3 million. The effect of this would be to increase the overstatement of the Council's share of pension fund assets. The cumulative impact of these overstatements is not material and the Council has decided not to adjust its accounts in relation to these issues.</p>

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Registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.



INVESTOR IN PEOPLE



This impacts on the letter of representation we require from you.

I would be grateful if you could include this or similar wording in the Appendix to your letter of representation which records unadjusted misstatements:

The auditor of North Yorkshire Pension Fund (Deloitte LLP), highlighted an overstatement of £6 million between the extrapolated value of assets shown in the IAS 19 reports from the actuary and the actual value of the pension fund assets at 31 March 2014. This was calculated using a total scheme membership of 78,659 members as at 31 March 2014. For City of York Council the share of this difference equates to £962k.

In addition, Deloitte LLP identified that the actual value of pension fund assets at 31 March 2014 was overstated by £5.3 million. The effect of this would be to increase the overstatement of the Council's share of pension fund assets.

The cumulative impact of these overstatements is not material and the Council has decided not to adjust its accounts in relation to these issues.

Correction to error in the Adjusted Misstatements table

The table on page 12 of our Audit Completion Report included an error in that the accounting entries to the Capital Adjustment Account and the Revaluation Reserve were transposed. This is corrected in the table below.

Adjusted misstatements 2013/14

	CIES		Balance Sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
1 Revaluation of Council Dwellings				
Dr. Property, Plant & Equipment				
- HRA (Upward Revaluations)			407	
Cr. Property, Plant & Equipment				
- HRA (Impairment & Depreciation)				10,376
Dr. Capital Adjustment Account			10,352	
Cr. Revaluation Reserve				383

Error in reflecting the revaluation of Council dwellings in the accounts. The correction of this led to a net reduction of £9,968k in Property, Plant & Equipment Values in the Balance Sheet with the opposite entries to the Revaluation Reserve and Capital Adjustment Account.

Amendment to wording of the Auditor's Report

The wording of our report has changed slightly, on page 25 of our Audit Completion Report. The section with the sub heading 'Certificate' will now read, as follows with the amended words highlighted in yellow:

“The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local electors. We are satisfied that these matters do not have a material effect on the financial statements **or on our VFM conclusion.**”

I would be grateful if this letter could be tabled at the meeting on 24 September 2014, and included in the official record of the Audit and Governance Committee for completeness.

If you wish to discuss these or any other points further then please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink that reads "Gareth Davies". The signature is written in a cursive, slightly slanted style.

Gareth Davies
Partner and Engagement Lead

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Audit and Governance Committee**24 September 2014**

Deputy Chief Executive and Director of Health & Well-being

Update Report on Adult Social Care**Summary**

1. At the last meeting of Audit & Governance Committee on 30th July 2014, Members received an Audit Progress Report from the External Auditors which raised some concerns about Adult Social Care.
2. At that meeting, Members also received a report from Adult Social Care on the progress made against the 10 recommendations designed by the External Auditors to assist the Service to respond more effectively and quickly to the challenges posed by continuing demographic growth and by financial constraints.
3. Members noted the report from Adult Social Care and requested a further update at the next meeting.

Background

4. The 2014-15 (First Quarter) Financial, Performance and Equalities Monitoring Report on Health & Well-being for Health Overview and Scrutiny is attached at Annex 1. This shows a projected overspend for Adult Social Care for 2014-15 of £1.441M for which there are 3 major reasons (direct provision of care packages, changes to the Council's Deprivation of Liberty Safeguard (DOLS) responsibilities and continuing cost pressures relating to the running of the Council's own Elderly Person's Homes. Cabinet agreed on 9th September to release £600K of contingency funds to Adult Social Care in recognition that a significant part of these costs, especially those related to DOLS, could not have been foreseen. This reduces the predicted Adult Social Care overspend for 2014-15 to under £1M at the end of Quarter One, the lowest that it has been for some years.

5. The current Mazars Action Plan, updated as of 15 September 2014, is attached at Annex 2. Members will see that there is some delay to actions at B3, B4 and B5 as well as to P1 and P2 – all of which the Auditors are aware of. The delays at B3, P1 and P2 relate mainly to the availability of finance resources and the delays are not significant or material. The delays at B4 and B5 are caused by the need to reshape and refocus the Better Care Fund Submission in response to new detailed national guidance amount of work needed to undertake a zero based budget approach and to a very fast timescale. However, the work is in hand, dates are set in diaries and the work will be completed by the end of November to fit in with the Council's 2015-16 Budget Planning process. Once again, the Auditors have been kept fully involved and support the need to do this difficult exercise properly and are content it is still well within the timescale for the 2015-16 budget setting process.

Consultation

6. Key members of staff have been involved in the production of this report, including the Chief Executive and Director of Customer & Business Support Services.

Options

7. Members can:
 - Ask for any clarification needed and note the Report
 - Request a further update at the next meeting

Analysis

8. If Members are satisfied that sufficient and appropriate progress is being made against the 10 recommendations made by the Auditors, and are also content that Adult Social Care is working closely with the Auditors, then it would be appropriate to note the report and not to ask for further updates.

Council Plan

9. This Report addresses the Protecting Vulnerable People Priority.

Implications

10. This Action Plan will improve budget management in Adult Social Care.

Risk Management

11. The risk in non delivery of the Action Plan is that Adult Social Care may continue to overspend its budget.

Recommendations

12. Members are asked to consider

- 1) Whether they wish to ask for any points of clarification and,
- 2) Note the report and,
- 3) Consider whether they wish a further update to be brought to subsequent meetings

Reason: To ensure that Members are satisfied with the progress that is being made in addressing the issues raised.

Contact Details

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Chief Officer Responsible for the report:

Paul Edmondson-Jones
Deputy Chief Executive
Director of Health & Well-being
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**Report
Approved**



Date 15-09-2014

Annexes

Annex 1 2014-15 (First Quarter) Financial, Performance and Equalities Monitoring Report on Health and Wellbeing presented to the Health Overview and Scrutiny Committee

Annex 2 Updated Mazars Action Plan



Health Overview & Scrutiny Committee

10 September 2014

Report of the Director of Health & Wellbeing

2014/15 First Quarter Financial, Performance & Equalities Monitoring Report-Health & Wellbeing

Summary

- 1 This report analyses the latest performance for 2014/15 and forecasts the financial outturn position by reference to the service plan and budgets for all of the relevant services falling under the responsibility of the Director of Health & Wellbeing.

Financial Analysis

- 2 The Directorate of Health & Wellbeing comprises the Adult Social Care budgets formerly within the Directorate of Adults, Children & Education, and the Public Health budget amalgamated with some sport and active leisure and DAAT budgets formerly within the Directorate of Communities and Neighbourhoods. A summary of the service plan variations is shown at table 1 below.

**Table 1 – Health & Wellbeing Financial Projections Summary
2014/15 – Quarter 1 - July**

	2014/15 Latest Approved Budget			Projected Outturn Variation	
	Gross Spend £000	Income £000	Net Spend £000	£000	%
Adult Assessment & Safeguarding	39,849	13,827	26,022	+844	+3.2%
Adult Commissioning, Provision & Modernisation	30,938	7,908	23,030	+597	+2.6%
Public Health Services	8,048	459	7,589	+239	+3.1%
Public Health Grant	-	7,305	-7,305	-	-
Total Health & Wellbeing	78,836	29,499	49,337	+1,680	+3.4%

- 3 The largest budget within Health and Wellbeing is for adult social care. As part of the directorate's response to the recent audit of adult social care budget management, a major exercise is currently underway to review this budget on an item-by-item basis in relation to both income and expenditure. At the end of this exercise there will be an unambiguous budget for adults which will clearly identify controllable spend within the directorate and crucially, will differentiate between individual line items that are under-budgeted due to the way in which the budget is distributed at present, and those that are genuinely overspent. On completion of this exercise the adults team will move on to benchmarking against best practice, both the adults budget and the major expenditure categories within that budget.
- 4 At present, the initial estimate of the major variations for 2014/15 includes 3 items that relate to the direct provision of care packages to vulnerable residents. These are Non Residential Care Packages (£649k), Emergency Placements (£92k) and Short Term Breaks (£116k).
- 5 There is also a projected overspend in relation to DOLS (Deprivation of Liberty Safeguards). All councils with adults responsibilities have been impacted by a recent court ruling that is dramatically increasing the number of formal applications that must be processed. This increase could not have been foreseen at the time that the 2014/15 budget was set.
- 6 Within provider services there is a projected overspend of £597k, predominantly in respect of the council's own Elderly Persons Homes. The main reasons for this are in relation to the additional costs of temporary staff through Working with York (WWY), the implementation of the household model of care for dementia at our specialist homes and the continuation of the previous year's overspend on operational running costs and undelivered savings.
- 7 In response to the significant pressures outlined above, the full financial monitoring report to Cabinet on 9 September is recommending an allocation of £600k from the corporate contingency budget in 2014/15.

Performance Analysis

- 8 The following section provides extracts from the York Monitor Quarter 1 Update for 2014/15 that are relevant to the remit of this committee, and assesses performance against key themes, including Council Plan Priorities.

Build Strong Communities

Deliver the Community Learning Strategy and expand opportunities available to residents to promote health and wellbeing, including the development of a pilot programme focusing on living with dementia.

- 9 The Council has worked with the Joseph Rowntree Foundation and Sports Coach UK to deliver its first dementia friendly training package and has delivered this to voluntary clubs in the city.
- 10 The Council is also running a sporting memories programme as part of the dementia friendly campaign and running 14 community and residential care sessions.
- 11 Fortnightly sessions of chair based exercises are being run in 5 sheltered housing schemes.

Protect Vulnerable People

Developing options for integrated health and social care teams.

- 12 A social worker has been seconded from the CYC hospital team to work with the Priory Medical Group of practices attending Multi Disciplinary Team meetings twice a week with a focus on early community intervention and promoting early discharge.

Equalities Update

- 13 CYC's Single Equality Scheme addresses inequalities in York for those who have protected characteristics under the Equality Act 2010. Corporate and Scrutiny Management Committee (CSMC) have overall responsibility for scrutinising the council's approach to equalities. At their meeting in July 2014, to ensure equality issues become embedded into the work of individual scrutiny committees, CSMC requested that each committee receive an update on the issues relevant to their terms of reference as part of their ongoing quarterly finance and performance monitoring reports.
- 14 The health of people in York is generally better than the England average. Life expectancy differs between richest and poorest. Data for 2010-2012 suggests an improved (shortened) life expectancy gap for men in York (8.5 years in 2009-2011 down to 7.2 years) but a worse (increased) life expectancy gap for women in York (5.6 years in 2009-2011 up to 5.9 years). Locally, the gap is reducing for males but increasing for females.

- 15 The main specific causes of death contributing to life expectancy in York in 2009-11 for males were coronary heart disease and chronic obstructive airways disease. For females it was chronic obstructive airways disease and lung cancer. Smoking prevalence in York is lower than the national average. York is already meeting the target for adult smoking prevalence (18.5% or less by the end of 2015). However York is not currently meeting the target for smoking at the time of delivery (11% or less by the end of 2015) but at the current rate of reduction is on course to do so. York aspires to be a 'no smoking city (which means less than 5% prevalence from smoking associated deaths) by 2025.
- 16 Alcohol consumption continues to present a challenge with 29.7% of adults over 18 drinking at "increasing risk levels". The council continues to work with the two universities and student unions to promote better awareness of excessive alcohol consumption, to address issues around behaviour and alcohol misuse.
- 17 In terms of obesity the prevalence of excess weight in adults is estimated to be 58.4%, which is lower than both the English and Regional averages. York has a similar percentage of children at Reception and a low percentage in Year 6 classified as obese or overweight compared to the England average. However local information shows that the rate of obesity almost doubles between a child aged 4-5 years and aged 10-11 years. City-wide and school-specific programmes around healthy eating and physical activity alongside providing information to parents relating to the health of their child so that they consider any action they may want to take is underway.
- 18 To tackle fuel poverty in the city the council is continuing to pursue the best deals we can broker for residents through energy switching deals and the impact of the Energy Obligation Company in York's most deprived communities and hardest to heat homes to reduce fuel costs.
- 19 In York it is thought that there are 2,725 people currently living with dementia and this is expected to rise to 3,209 by 2020. York is an early adopter of a national recognition pilot for dementia friendly communities led by the Alzheimer's Society. Many older people are suffering social isolation. The Joseph Rowntree Foundation has undertaken research into how social isolation can affect physical and mental wellbeing. Based on these findings we are looking at initiatives at a local level to tackle this issue.

- 20 Whilst the percentage of adults with learning disabilities in employment including supported employment (less than Minimum Wage) has increased, the percentage of people with learning disabilities without support in employment has decreased. The percentage of adults known to secondary mental health services in paid employment has also reduced. A number of initiatives are underway including the Routes to Success training programme for young people focusing on those with high support needs.

Council Plan

- 21 This report is directly linked to the Protect Vulnerable People and Build Strong Communities elements of the Council Plan 2011-15.

Implications

- 22 The financial and equalities implications are covered within the main body of the report. There are no significant human resources, legal, information technology, property or crime & disorder implications arising from this report.

Risk Management

- 23 Adult Social Services budgets are under significant pressure. On going work within the directorate may identify some efficiency savings in services that could be used to offset these cost pressures before the end of the financial year. It will also be important to understand the level of investment needed to hit performance targets and meet rising demand for key statutory services. Managing within the approved budget for 2014/15 is therefore going to be extremely difficult and the management team will continue to review expenditure across the directorate.
- 24 Looking ahead for 2015/16 and beyond, due to the increasing demand and increasing complexity of people requiring care and support, the implications of the Care Act, the Better Care Fund and general reductions in central government funding, further transformation will be required to address the challenging budget position.

Recommendations

- 25 As this report is for information only there are no specific recommendations.

Reason: To update the committee on the latest financial and performance position for 2014/15.

Contact Details

Authors:

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Chief Officer Responsible for the report:

Paul Edmondson-Jones
Director of Health & Wellbeing

Report **Date** 2 September 2014
Approved

Sharon Brown
Performance &
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Specialist Implications Officer(s) None

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

For further information please contact the author of the report

Background Papers

First finance and performance monitor for 2014/15, Cabinet 9 September 2014

Annexes

None

REF	WHAT SUCCESS WILL LOOK LIKE	ACTIONS THAT WILL DELIVER THIS RESULT	BY WHEN	BY WHOM	PROGRESS	DATE COMPLETE
B	Budget					
B1	There is a 14/15 budget for adults that is clear and unambiguous	Review the existing budget and identify ambiguities	17 July 2014	Steve Tait with Kirsteen Murray/Guy Van Dichele	Completed	17 July 14
		Develop proposals for changes within current budget (allocation) and implement	31 July 2014	Steve Tait with Kirsteen Murray/Guy Van Dichele	Completed	31 July 14
B2	There is senior accountability for the 14/15 adults budget within the department	2 new interim AD's have been appointed and have assumed budget management responsibility	Completed	Kersten England/Paul Edmondson-Jones	Completed	
B3	There is a clear scheme of delegation for the 14/15 adults budget	Review existing proposals, identifying any gaps and shortfalls	31 July 2014	Steve Tait with Kirsteen Murray/Guy Van Dichele	Completed	31 July 14
		Review staffing structures and responsibilities	31 July	Kirsteen Murray/Guy Van Dichele	Completed	31 July 14
		Complete and have approved a final scheme of delegation for 2014/15	15 Aug 2014	Steve Tait with Kirsteen Murray/Guy	Draft scheme now with Group Managers for comments. This is down to cost centre level.	19 Sept 14

				Van Dichele	Delegation scheme approved by Group Managers will be circulated to all budget managers prior to workshops.	
		Hold workshop for all staff members concerned	29 Aug 2014	Steve Tait with Kirsteen Murray/Guy Van Dichele plus all adults managers	Workshops 29/30 September - tbc	30 Sept 14
		Incorporate budget management into performance objectives	29 Aug 2014	Kirsteen Murray/Guy Van Dichele	Incorporated at Group Manager level. Information not available in time to set objectives below that level within PDR's. Some budget lines are under-funded for 2014/15. Requires a different approach for these budget holders. Timescale dependent on completion of scheme of delegation as above	31 Oct 14

		Issue formal instruction to implement the new system.	29 Aug 2014	Paul Edmondson-Jones	Timescale dependent on actions above.	
B4	A zero-based adults budget is developed for 2015/16 plus an indicative base budget for 2016/17	Hold workshop with relevant staff from adults and from finance to develop updated budget categories for both income and expenditure items	15 Aug 2014	Kirsteen Murray/Guy Van Dichele with Richard Hartle and Steve Tait	Completed.	
		Using benchmarking information from comparator authorities develop a “best-value” budget for adults	22 Aug 2014	Will Boardman	Significant progress on capturing relevant information.	30 Sep 14
		Identify any essential movements of funding to support the CYC budget	29 Aug 2014	Kirsteen Murray/Guy Van Dichele	Outcomes of early work on ZBB significant. Adults is now developing a new budget submission for 2015/16 as part of the annual budget setting process (previously assumed that adults had a 2 year settlement and there would be no formal budget submission.	30 Nov 14
B5	The proposed base budget for adults for 2015/16 is agreed by CLT and	Develop a strongly evidenced paper to support the 15/16 budget submission	12 Sep 2014	Kirsteen Murray/Guy Van Dichele	See above.	30 Nov 14

	Cabinet	Represent the adults budget to Council	Meeting date tbc	Paul Edmondson-Jones	See above.	
B6	Financial balance is achieved in 2014/15 (the budget is not overspent)	Monitoring put in place through monthly finance clinics to quickly identify potential overspends and take corrective actions <i>See also savings programme below</i>	Completed	Richard Hartle/Steve Tait with Kirsteen Murray/Guy Van Dichele	A comprehensive monthly budget monitoring process has been put in place within the directorate.	Ongoing
S	Savings					
S1	There is a 2014/15 savings plan for adults that clearly identifies all savings activities and the in-year savings that each will generate	Review the Transformation Programme. Remove items that are BAU activity, transferring to in-year savings plan Review existing savings plan (target £2.4M) for existing achievement (savings impacts carried forward from last financial year) plus viability/GAP analysis of	31 July 2014 31 July 2014	Richard Hartle with Kirsteen Murray/Guy Van Dichele Richard Hartle with Kirsteen Murray/Guy Van Dichele	New savings opportunities to be identified through 14/15 Lead managers have been identified for all efficiency savings and the delivery plans are being reviewed on a	Ongoing

		in-year savings plan. Identify actions required (corporate and ASC) to bring total plan back to £2.4M			monthly basis. The latest position shows that the gap has been reduced to £0.4m of efficiency savings that are at risk of not being delivered in 2014/15.	
		Review current contracts for potential to make savings <i>during the life of existing contracts</i> . Add potential savings to in-year savings plan	29 Aug 2014	Tracey Carter with Kirsteen Murray/Guy Van Dichele	Meeting held 13 September	Complete
		Review remaining £2.5M pressures and develop a departmental/corporate response	29 Aug 2014	Richard Hartle with Kirsteen Murray/Guy Van Dichele	On-going review is being undertaken through the in-year budget monitoring process (see B6 above). Departmental response to accompany Q2 monitor.	Deadline for completion of Q2 monitor – 10 Oct 14
S2	There is a 2015/16 and 2016/17 savings plan for adults that clearly identifies all savings activities and the savings they will generate; this to include all transformational savings	There is a clear overarching objective for the transformation programme	31 July 2014	Stewart Halliday with Kirsteen Murray/Guy Van Dichele		Complete

		Design a future Target Operating Model for adults that will deliver the service within a base controllable (exc. recharges and capital financing charges) budget for 15/16 of £44.0m (plus any growth funding allocated for 15/16) and in 16/17 for £42.0m (plus any growth funding allocated for 15/16 and 16/17)	17 Oct 2014	Stewart Halliday with Kirsteen Murray/Guy Van Dichele	Cabinet approval to submit November instead of October.	
		Develop an implementation plan for adults transformation that will generate £3.0M of savings	17 Oct 2014	Stewart Halliday with Kirsteen Murray/Guy Van Dichele	See above	
S3	The 2014/15 savings target is delivered in full	Monitoring put in place through monthly finance clinics to quickly identify potential shortfalls and take corrective actions	Completed	Kirsteen Murray/Guy Van Dichele	Monitoring is in place as per S1 above. Update on 14/15 savings targets will be within Q2 monitor.	Complete. Deadline for completion of Q2 monitor – 10 October 14
P	Policies, procedures and processes					
P1	The IT/IM systems in place for the monitoring and management of the adults budget are robust. They satisfy the standards required by the Council and its auditors and meet	Current IT and IM systems have been reviewed and gaps identified. Specifically in relation to linkages between the adults system (Frameworki) and the general ledger, it has been identified which changes are mission-critical	12 Sep 2014	Steve Tait with Kirsteen Murray/Guy Van Dichele	The financial management system has been fully reviewed. For frameworki an initial scoping meeting was held where certain outcomes, such as	30 Sept 14

	the needs of the user group.	(Framework i is due for replacement)			being able to see the immediate impact of commissioning decisions on framework i budgets were discussed. Finance convening a further meeting with ADs and group managers to progress this piece of work.	
		Discussions have taken place with Framework i and a business case prepared/agreed in respect of funding mission-critical systems changes	26 Sep 2014	Steve Tait with Kirsteen Murray/Guy Van Dichele	Subject to confirmation of AD and Group Manager requirements.	17 Oct 14
		All necessary IT/IM changes have been implemented	5 Dec 2014	Steve Tait	All identified financial management system changes have been implemented. For framework i budgets have been added to the system but other changes subject to confirmation of AD & Group manager requirements as above.	
		Training on the updated systems have been held and all relevant staff have attended training	19 Dec 2014	Steve Tait/ Kirsteen Murray/Guy van Dichele	To be organised	

P2	There is a full set of policies and procedures in place in respect of the management of the adults budget.	The current partial manual has been reviewed by CYC Corporate finance and the AD's Adults. Gaps have been identified and responsibilities assigned for completion	15 Aug 2014	Richard Hartle with Kirsteen Murray/Guy Van Dichele	A full draft manual has been prepared by ACE Finance. This is currently being reviewed by corporate finance.	19 Sep 14
		Work on the manual has been completed	19 Sep 2014	Richard Hartle	See above	30 Sep 14
		Training on the content of the manual has been held and all relevant staff have attended training	3 Oct 2014	Richard Hartle	To be organised	31 Oct 14



Audit & Governance Committee**24 September 2014**

Report of the Director of Customer and Business Support Services

Key Corporate Risk Monitor One 2014/15**Summary**

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) an update on the key corporate risks, and to highlight in more detail any emerging risk issues with a view to members considering any further information they would wish to receive on these matters.

Background

2. The risk management process at York ensures that all key and emerging risks are reported regularly to A&G on at least a quarterly basis. The purpose of this paper is to provide assurance that the council identifies understands and effectively manages its key risks.

Corporate Risk Review

3. Zurich Municipal Risk Management Services have been supporting the council in undertaking a corporate risk review as reported in the Quarter 4 (2013/14) report. The risks identified through these sessions are set out in the corporate risk register at Annex A. There is still further work to be undertaken in developing a full set of controls and actions for each of these risks.
4. There is still further work to be carried out in identifying fully all the risks facing the council. This includes looking at partnership, programme and project risks over the coming 12 months.

Critical level Risks

5. There are currently no critical level risks however it is worth noting that the risk associated with the care act 'failing to deliver the requirements of the Care Act' has recently had its rating reduced from Critical to high following the recent Department of Health stocktake. This shows the progress made recently in implementing the controls and actions required to deliver this change successfully. The Care Act is one of the largest changes in legislation that authorities have had to face providing more emphasis than ever before on prevention – shifting from a system which manages crises to one which focuses on people's strengths and capabilities and supports them to live independently for as long as possible.

Embedding risk into the organisation

6. To continue to embed risk within the organisation we need to improve the level of knowledge around what risk management is and what benefits it can bring to the individual as well as the organisation. With this in mind, we will shortly be arranging training for internal colleagues and members. Zurich have agreed to facilitate the initial sessions which are intended to be more interactive engaging participants in understanding and owning their risks.
7. In association with this work, we are also meeting with Heads of Service to look at operational risk and how that might be captured within the corporate risk register. This provides them with a formal route to escalate risks to DMT through an escalation process should this be required. It is good practice that in order to ensure risk is effectively embedded throughout the organisation, risk information should be available to, and utilised by services in their day to day operations.

Directorate Risk Reports

8. There are no Directorate Risk reports for inclusion in this risk monitor as all directorate risks have been refreshed. They will recommence in Risk Monitor 2.

Options

9. Not applicable.

Council Plan 2011 - 2015

10. The effective consideration and management of risk within all of the council's business processes helps support achieving 'a confident collaborative organisation' and aids the successful delivery of the five priorities.

11. Implications

- (a) **Financial** - There are no implications
- (b) **Human Resources (HR)** - There are no implications
- (c) **Equalities** - There are no implications
- (d) **Legal** - There are no implications
- (e) **Crime and Disorder** - There are no implications
- (f) **Information Technology (IT)** - There are no implications
- (g) **Property** - There are no implications

Risk Management

12. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

Recommendations

13. Members are asked to:
- (a) Consider and comment on the issues set out in this paper and the risk register at Annex A.

Reason

To provide assurance that the authority is effectively understanding and managing its key risks.

Contact Details

Author:

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Manager
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Chief Officer Responsible for the report:

Ian Floyd
Director Customer and Business
Support Services

Report ✓ **Date** 16.09.2014
Approved

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable **All** ✓

For further information please contact the author of the report

Annexes

Annex A – High and critical risks linked to Key Corporate Risks

Adult Services**Failure to deliver the transformation programme effectively.**

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2003

High

19

Cause *Ineffective programme management*
Failure to engage with the community on the changes required

Consequence *Adverse impact on service delivery*
Fail to meet the needs of vulnerable people
Unable to lower cost base
Opportunities missed
Criticism of the Council

Insufficient budget to meet increased service demand

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2002

Not Yet Entered 0

Cause • *Increasing Customer Base (Aging population)*
• *Rising care costs*
• *Further budget cuts likely.*
• *Transformation programmes do not deliver required savings.*

Consequence • *Major distraction for delivering transformation.*
• *Significant adverse impact on Council's budget.*
• *Possibility of managers being suspended.*
• *Potential adverse impact on service delivery.*
• *Administration fails to be re-elected.*

Failure to deliver the requirements of the Care Act.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2004

Not Yet Entered 0

Cause • *Insufficient resources*
• *Budget constraints*
• *Lack of mid-long term planning*

Consequence • *Unable to meet new statutory responsibilities*
• *Potential legal implications*
• *Financial implications*
• *Potential criticism from central government*

Failure to deliver integrated workforce strategy.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2005

Not Yet Entered 0

Cause *Lack of skills and capacity*
Recruitment and retention difficulties: council seen as less attractive option than private sector
Lack of succession planning

Consequence *Impact on ability to meet the needs of vulnerable people*
Impact on ability to deliver on safeguarding duties
Unable to deliver on objectives
Morale declines

Risk of judicial review or legal challenge in adult social care

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2006

Not Yet Entered 0

Cause A legal challenge occurs and there is a lack of capacity to contest
 The public, potential contractors etc. are more likely to pursue a legal challenge
 Service processes (social care etc) are complex to understand and adjudicate
 Increasing number of FOI requests to councils
 Legal social care experts in the market place who are looking for test cases

Consequence Resources diverted
 Potential for adverse decision
 Financial implications
 Reputational impact
 Starts a trend for more legal challenges

Failure to effectively monitor and manage partnerships.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2007

Not Yet Entered 0

Cause Partnerships not adequately managed
 Lack of risk assessment and understanding of risk ownership within arrangements
 Ineffective communication
 Not recognising early warning signals

Consequence Key partnerships fail to deliver / break down
 Ability to deliver transformation priorities undermined
 Adverse impact on service delivery
 Funding implications
 Reputational impact

Insufficient number or quality of care providers available.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2008

Not Yet Entered 0

Cause Fewer providers in the marketplace means fewer options
 Value for money may take precedence over service quality
 CQC over-administrative
 Council processes may be off-putting for potential providers

Consequence Vulnerable people don't get the right services / end up in the wrong part of the system
 Potential incident occurs
 Criticism of the Council
 Tensions in relationships between Council and providers
 Lack of resilience (business continuity issue) if key provider fails.

Failure to deliver the EPH Modernisation Programme on time and within budget

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2009

Not Yet Entered 0

Cause Resource pressures
 Tight deadlines

Consequence Adverse impact on service delivery / services fail to improve
 Vulnerable people at risk
 Financial implications
 Reputational impact

Failure to deliver the Health and Wellbeing Strategy outcomes

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2010

Not Yet Entered 0

Cause

- Outcomes may be difficult to evidence due to longevity
- Lack of usable intelligence and information
- Lack of resources: numbers and/or specialist skills
- Increasingly difficult to recruit
- PH budget may be used for other council services
- Political/management change may alter focus and priorities

Consequence

- Resources wasted
- Potential adverse impact on services
- Key objectives not delivered
- Criticism of the Council
- Health and wellbeing of the community adversely affected

Failure to effectively engage stakeholders in the decision making process.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2011

Not Yet Entered 0

Cause

- Lack of long term planning
- Insufficient resources
- Ineffective communications with stakeholders
- Resistance to changes

Consequence

- Lack of buy-in / understanding from stakeholders
- Resources diverted dealing with challenges
- Reputational impact

Inability to find suitable accommodation for patients leaving hospital.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2012

Not Yet Entered 0

Cause

- Insufficient funding
- Conflicting priorities with other programmes

Consequence

- Impact on service users
- Financial implications
- Criticism of the Council from central government
- Reputational impact
- Pressure on hospital beds

The council is not able to effectively evidence key decisions.

Risk Owner: Jon Stonehouse

Risk Ref: 2013

Not Yet Entered 0

Cause

- The public, potential contractors etc. are more likely to pursue a legal challenge
- Service processes (social care etc) are complex to understand and adjudicate
- Increasing number of FOI requests to councils
- Legal social care experts in the market place who are looking for test cases

Consequence

- Litigation costs
- Serious case review
- Resource-intensive
- Reputational impact
- Adverse effect on morale
- Council placed under scrutiny

Transformation Programme & efficiencies may result in a failure to deliver a balanced budget.

Risk Owner: Jon Stonehouse

Risk Ref: 2014

Not Yet Entered 0

Cause

- 14-15 budget currently showing a deficit
- Transformation Programme may not deliver required savings
- A high profile incident e.g. safeguarding incident would impact the budget further

Consequence

- Required savings will not be made
- Impact on resources and service delivery if further cuts have to be made

Failure to recognise and respond to demographic changes and community needs

Risk Owner: Jon Stonehouse

Risk Ref: 2015

Not Yet Entered 0

Cause

- Baby boom coming through
- Inward migration
- Development and regeneration makes York more desirable and accessible

Consequence

- Increased service demand e.g. SEN, social care
- Impact on budget and resources
- Statutory school places have to be found

Insufficient resources (numbers or key skills) to support critical services.

Risk Owner: Jon Stonehouse

Risk Ref: 2016

Not Yet Entered 0

Cause

- Impact of budget cuts on resource (ongoing and not likely to improve)
- Council becomes less attractive place to work due to competing terms and conditions in private sector

Consequence

- Increased key person dependency and vulnerability

Breach of data protection leading to fine or investigation.

Risk Owner: Jon Stonehouse

Risk Ref: 2017

Not Yet Entered 0

Cause

- Human error
- Malicious or deliberate act or hacking
- Increased commissioning and partnering
- Lack of formal agreed data sharing agreements
- Increased remote working, shared folders, emails etc.
- Information is not deleted or disposed of appropriately

Consequence

- Breach of Data Protection Act and other non-compliance
- ICO fine
- Impact on end user (data subject)
- Reputational impact
- Adverse media coverage

Failure to respond adequately to legislative changes in the education sector.

Risk Owner: Jon Stonehouse

Risk Ref: 2018

Not Yet Entered 0

Cause

- Increased conversion from schools to academies
- Funding changes

Consequence

- Statutory education and contingency requirements and arrangements become less clear
- Financial impact affects the level of other service support available
- Loss of close partnerships and relationships with schools

Failure to robustly procure and manage contracts.

Risk Owner: Jon Stonehouse

Risk Ref: 2019

Not Yet Entered 0

Cause

- Lack of internal contract management experience and skills (historically not been required in local authority)
- More complex outsourcing and partnership arrangements
- Lack of robust supply chain understanding and risk management i.e. who owns the risks

Consequence

- The council is held responsible even where there is an SLA or contract in place
- Financial consequences
- Reputational damage
- Contract may fail
- Impact on service delivery

Failure by the council to prevent a breach of safeguarding

Risk Owner: Jon Stonehouse

Risk Ref: 2020

Not Yet Entered 0

Cause

- Non-adherence to policies and procedures
- Not instigating lessons-learned

Consequence

- Harm (or fatality) to vulnerable person
- Reputational impact
- Potential litigation/compensation

Lack of capacity to deliver services

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2039

Not Yet Entered 0

Cause

- Fixed short term funding
- Fixed term contracts and interims
- Increased sickness and absence (short and long term)
- Training budgets have been reduced
- Opportunities arising with Public Health England and the CCG
- Corporate resource capacity is being reduced generally
- Unable to spend allocated budget in certain areas e.g. Health Protection
- Carrying vacancies that are unlikely to be filled

Consequence

- Inability to succession plan effectively
- Leaner teams and processes
- Increased key person dependency and potential vulnerability in unplanned absence
- Additional workloads lead to more sickness and absence
- Impact on morale
- Staff may be attracted to more competitive offerings
- Loss of specialism and knowledge e.g. admin support moving to Hub
- Budget allocations may be cut if not fully utilised
- Challenge of managing change and expectations

Unable to fulfil the mandatory requirement to provide advice to Clinical Commissioning Groups (CCGs) etc.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2040

Not Yet Entered 0

Cause

- Lack of clarity around the role and resource to fulfil it
- Skilled staff are currently absent
- The allocated budget was not spent last year
- High level strategy has not been set

Consequence

- Lack of horizon scanning and anticipation of incidents
- Intelligence is not being provided to the CCG
- Increased risk of infection spread
- Potential for increased costs

Controls

Pilot scheme on obesity being undertaken

Owner

Lesley White

Links between Health & Wellbeing and other council departments may not be as effective as possible

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2041

Not Yet Entered 0

Cause

- Local authority is not fully aware of the services and outcomes of the PH function
- Departments not aware of what each other is doing – poor communication and joined up effort.
- PH is not yet recognised as a directorate in its own right

Consequence

- Duplication of efforts across departments
- Potential gaps in service delivery
- Difficult to evidence PH outcomes
- Funds may not be allocated to PH outcomes
- PH has less influence over decisions such as finance allocation, resources etc.

The Health & Wellbeing team may not have access to necessary data and information.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2042

Not Yet Entered 0

Cause

- 'Admin' staff are being centralised corporately, including current PH data analysts.
- Unable to access information that was previously available to the NHS
- Department specific training budget lost - now centralised and relevant training no longer available

Consequence

- Loss of knowledge and specialist support
- Unable to identify needs and develop localised response to trends and problems
- Long term impact on Health and Wellbeing outcomes
- Governance issues around information going in and out of central Hub
- Resource intensive to process

Current ring-fenced budget and future allocation of funds uncertain.

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2043

Not Yet Entered 0

Cause

- PH budget is now a local authority fund
- When the PCT disbanded funding was split (75% North Yorks 25% City of York) based on population and is not reflective of the service demand e.g. York home to 2 universities so increased demand on sexual health services
- Local authority facing further budget cuts and savings

Consequence

- Funds may be allocated to other departments for "Public Health" outcomes and increased pressure to do so
- Demand-led services such as sexual health face overspend
- PH budget will be impacted by the wider local authority challenges
- Increased costs and/or transference of new services are not funded or included within the baseline for future budgets. For example the costs associated with prescriptions for NRT etc.

Commissioning processes and contract management may not be robust enough

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2044

Not Yet Entered 0

Cause

- Providers are more able to make legal challenge
- Most major contracts will expire at the same time
- Temporary extensions and waivers being put into place
- Contracts not being individually performance monitored (e.g. GPs Healthchecks)
- Providers may be less willing to engage with local authority
- Market place not been fully tested

Consequence

- Potential for legal challenge (not yet happened)
- Potential for breach of contract e.g. School Nurses
- Resource-intensive to review and performance manage contracts especially as learning 'on the job'
- Compliance and/or service delivery may be compromised

Controls

Consultation events held with providers and potential providers
Assistance from Procurement Department

Owner

Paul Edmondson-Jones
Paul Edmondson-Jones

Clinical governance and assurance risks arising from lack of formalised /legal arrangements

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2045

Not Yet Entered 0

- Cause
- Potentially unable to deliver services such as emergency contraception
 - Currently working with an expired document
 - Lack of skillset/resource in the current team to manage the situation

- Consequence
- Increased unwanted pregnancies, demand for terminations etc.
 - Potential clinical governance issues
 - Lack of assurance about services provided
 - Unknown legal risks
 - Potential cost of using CSU (c. £25k)

Failure to deliver the Health and Wellbeing Strategy outcomes

Risk Owner: Paul Edmondson-Jones

Risk Ref: 2066

Not Yet Entered 0

- Cause
- Outcomes may be difficult to evidence due to longevity
 - Lack of usable intelligence and information
 - Lack of resources: numbers and/or specialist skills
 - Increasingly difficult to recruit
 - PH budget may be used for other council services
 - Political/management change may alter focus and priorities

- Consequence
- Resources wasted
 - Potential adverse impact on services
 - Key objectives not delivered
 - Criticism of the Council
 - Health and wellbeing of the community adversely affected

Opposition to the Local Plan

Risk Owner: Sarah Tanburn

Risk Ref: 2046

Not Yet Entered 0

Cause • *Complaints and questions raised re congestion etc.*
• *Limited resource capacity*

Consequence • *Increased scrutiny*
• *Reputational damage*
• *Resources required to deal with FOIs, complaints and other queries*
• *Processes and decision making slowed down – paralysis effect*
• *Lack of Member confidence*
• *Distrust between council and public and officer-member*
• *Democracy and progress affected*
• *Disclosure issues, insurance etc.*

Controls

Proactive communications, publications, engagement etc.
Information Governance Board

Owner

Sarah Tanburn
Sarah Tanburn

Disclosure of Information

Risk Owner: Sarah Tanburn

Risk Ref: 2047

Not Yet Entered 0

Cause • *Information Commissioner forces transparency and publication*

Consequence • *Commercially sensitive information could be released*
• *Alarmism*
• *Increased public complaints, opposition to programmes etc.*
• *Insurance impacts – increased claims etc.*

Controls

A project based publication scheme could be initiated with risk assessments of each stage to identify stakeholder interest etc

Owner

Sarah Tanburn

Failure to Achieve the Local Plan

Risk Owner: Sarah Tanburn

Risk Ref: 2048

Not Yet Entered 0

- Cause**
- Information Commissioner forces transparency and publication
 - York historically lacking mid-wage pay scales
 - High percentage part-time employment
 - High percentage temporary and/or seasonal employment, e.g. students, tourism
 - Dependency on a few large employees e.g. Aviva, Nestle
 - Health and wellbeing outcomes are difficult to evidence
 - Council does not own a lot of land so dependant on third parties for development.
 - High cost of housing/living

- Consequence**
- Inequalities are not addressed, potential to become a mono culture
 - Growth not achieved
 - Reputational damage
 - Loss of confidence
 - Officer/Member relationship damaged
 - York could become a dormitory city with a low-wage centre - high earners live elsewhere and commute so not spending in city
 - Potential for fall in net jobs growth

Controls

Effective engagement with, and use of, strategic partners
 Innovative approach to growth and investment
 Appetite to achieve outcomes
 Investment in supporting technologies and infrastructure

Owner

Sarah Tanburn
 Sarah Tanburn
 Sarah Tanburn
 Sarah Tanburn

Risk to Life and Limb

Risk Owner: Sarah Tanburn

Risk Ref: 2049

Not Yet Entered 0

- Cause**
- Limited resource to undertake inspections etc.
 - Errors e.g. infrastructure design
 - Shrinking budget
 - Balance between investment and acceptable risk could change
 - Legislative changes e.g. air quality affect requirements and regime

- Consequence**
- Council at risk of corporate manslaughter, litigation, fines etc.
 - Public health impacts e.g. air quality, congestion.
 - Implications for planning – restrictions etc.

Controls

Culture of health and safety inspections and reporting

Owner

Sarah Tanburn

Finance: Income Generation

Risk Owner: Sarah Tanburn

Risk Ref: 2050

Not Yet Entered 0

- Cause**
- Pressure to find new income streams
 - Budget reductions
 - Unwillingness to stop delivering services where necessary
 - “Gropupthink” mentality could prevent swift decision making
 - Challenge of continuing to deliver statutory services
 - Opposing priorities e.g. increased parking versus an attractive city centre

- Consequence**
- Reputational damage
 - Potential for job losses
 - Increased need for innovation and engagement with partners and stakeholders

Finance: Capital Spend

Risk Owner: Sarah Tanburn

Risk Ref: 2051

Not Yet Entered 0

Cause • *Reliance on partners e.g. University of York, to deliver*
 • *Need to get Member influence*

Consequence • *Reputational damage*
 • *Loss of current and future investments*
 • *Growth not realised*

Failure to operate within the corporate policy framework e.g. deliver on Environmental Impact Assessments (EIAs)

Risk Owner: Sarah Tanburn

Risk Ref: 2052

Not Yet Entered 0

Cause • *Challenge of delivering the required statutory duties versus available resource (due diligence vs capacity)*
 • *Relatively new management team in the Directorate*
 • *Boundaries need to be communicated and understood*

Consequence • *EIAs etc. could be compromised*
 • *Consistency and cultural understanding may not be fully developed*

Controls

Good communications
 Appropriate bureaucracy established

Owner

Sarah Tanburn
 Sarah Tanburn

There may not be enough capacity and capability to deliver services robustly

Risk Owner: Sarah Tanburn

Risk Ref: 2053

Not Yet Entered 0

Cause • *Increased focus on delivery and outcomes could overlook the effect on the infrastructure*
 • *Increased expectations and workloads*
 • *Terms and conditions may not be attractive in next 18-24 months*
 • *The Transformation Agenda could cause misunderstanding/resentment*

Consequence • *Impact on morale, stress etc.*
 • *Staff leave for other opportunities*
 • *Harder to recruit especially to skilled or specialist roles*

Controls

Organisational Development Group implemented

Owner

Sarah Tanburn

Breach of data protection leading to fine or investigation.

Risk Owner: Ian Floyd

Risk Ref: 2021

Not Yet Entered 0

Cause

- Sensitive information is revealed
- Unauthorised access to systems
- Human error
- Malicious or deliberate breach
- Ineffective information sharing agreements

Consequence

- Public safety at risk
- Service delivery impacted
- Financial implications
- Further incidents occur
- Criticism of the Council
- Reputational impact
- Impact on data subject (person/end user)

A disruptive incident causes unacceptable levels of service disruption

Risk Owner: Ian Floyd

Risk Ref: 2022

Not Yet Entered 0

Cause

- Insufficient/ineffective business continuity plans (not up to date, not comprehensive, not communicated etc.)

Consequence

- Failure to deliver critical services
- Potential health and safety risk to staff / service users
- Misinformation / confusion occurs
- Takes longer to recover from incident
- Legal implications
- Financial implications
- Staff morale declines
- Reputational impact

Failure to deliver financial sustainability

Risk Owner: Ian Floyd

Risk Ref: 2028

Not Yet Entered 0

Cause

- Cuts in government grant
- Transformation savings not delivered
- Maintaining income (local taxes)
- External trading
- Demographic demand (Aging Population)

Consequence

Welfare benefit changes

Risk Owner: Ian Floyd

Risk Ref: 2029

Not Yet Entered 0

Cause

- Care Bill
- CTS
- Spare bedroom subsidy
- Universal Credit

Consequence

York Central

Risk Owner: Ian Floyd

Risk Ref: 2030

Not Yet Entered 0

Cause

Consequence

Staff well-being/workforce strategy/managing change

Risk Owner: Ian Floyd

Risk Ref: 2031

Not Yet Entered 0

Cause • *Delivering the workforce strategy*
 • *H&S Risk*
 • *Staff retention*
 • *Staff skills set*

Consequence**Ability to deliver effective governance/member & officer relations/failure to comply with EU procurement legislation**

Risk Owner: Ian Floyd

Risk Ref: 2032

Not Yet Entered 0

CauseConsequence**Health & safety incident/managing and maintaining assets**

Risk Owner: Ian Floyd

Risk Ref: 2033

Not Yet Entered 0

CauseConsequence**Delivery of key statutory duties e.g. elections/completing accounts on time**

Risk Owner: Ian Floyd

Risk Ref: 2034

Not Yet Entered 0

CauseConsequence**Fraud**

Risk Owner: Ian Floyd

Risk Ref: 2035

Not Yet Entered 0

CauseConsequence**Failure to deliver the Capital Programme**

Risk Owner: Ian Floyd

Risk Ref: 2036

Not Yet Entered 0

Cause • *York Central*
 • *EPH's*

Consequence**Impact on support services of externalisation - becoming a commissioning organisation**

Risk Owner: Ian Floyd

Risk Ref: 2037

Not Yet Entered 0

CauseConsequence**Supporting and managing change - effective project and programme management**

Risk Owner: Ian Floyd

Risk Ref: 2038

Not Yet Entered 0

CauseConsequence

Transformation Programme & grant reductions may lead to a failure to balance budget.

Risk Owner: Sally Burns

Risk Ref: 2054

Not Yet Entered 0

Cause

- Reduction in government grants
- Financial environment is changing and likely to continue changing
- Not all areas have sound plans at the moment
- Changes to frontline services incur more public/Member scrutiny

Consequence

- Difficult to forward plan until targets and grants are known
- Necessary to find new ways of working and service delivery models, which brings about new risk areas
- Restructures and staff reductions
- Increased pressure on staff
- Increased scrutiny, official and non-official
- Unable to provide existing services in current way – unpopular decisions to be made

Controls

Plan in place for 2014-15

Owner

Sally Burns

Failure to implement new Delivery Models & work with Partnerships etc.

Risk Owner: Sally Burns

Risk Ref: 2055

Not Yet Entered 0

Cause

- Reliance on partners to deliver savings, services etc. (e.g. Museums Trust)
- Procurement of new arrangements e.g. Culture, City Centre and Tourism with focus on revenue and affordability

Consequence

- There may be limited numbers of suitable or willing providers
- Service quality may be compromised against value for money, or only having one bidder
- Risk environment changes
- Reputational damage

Controls

Good relationship management in place
City of York able to influence partners positively
Need to monitor future contract management as more changes occur

Owner

Sally Burns
Sally Burns
Sally Burns

Political risk

Risk Owner: Sally Burns

Risk Ref: 2056

Not Yet Entered 0

Cause

- Unavoidable elections in May
- Further budgets cuts likely after April 2015
- Reluctance to make politically unpopular decisions

Consequence

- Difficult to develop clear financial and business plans
- Increased potential for officer/member tensions
- Decisions not made swiftly leading to slower progress
- Reputational damage

Controls

Proactive approach in briefing Members about their choices in readiness for post-election
Officer proposals developed

Owner

Sally Burns
Sally Burns

Staff Wellbeing

Risk Owner: Sally Burns

Risk Ref: 2057

Not Yet Entered 0

Cause • Staff wanting to continue to deliver the same, or more services, with fewer resources
 • New service delivery models, changed ways of working
 • Increased bureaucracy and process
 • Higher number of FOI requests

Consequence • Increased workloads
 • Stress, anxiety and lower morale
 • Potential for higher staff turnover
 • More external and Member scrutiny

Community Engagement

Risk Owner: Sally Burns

Risk Ref: 2058

Not Yet Entered 0

Cause • The Community Engagement Plan does not properly reach the community by “telling the story” and relating to the people
 • The whole Council is not fully behind the Plan
 • Equalities Framework is not robustly implemented

Consequence • Alienation and disengagement of community – “take residents with us” rather than leave behind
 • Progress is impeded
 • Budget and savings not delivered
 • Reputational damage

Controls

Need for a very proactive resource to engage management across council

Owner

Sally Burns

Failure to deliver Safe Communities

Risk Owner: Sally Burns

Risk Ref: 2059

Not Yet Entered 0

Cause • Changes in how funding is received
 • Political differences in priority etc.
 • Community Safety and Police & Crime Commissioner plan being reviewed

Consequence • Reputational damage
 • Relationships with strategic partners damaged
 • Impact on community wellbeing
 • Increased crime, anti-social behaviour etc.

Controls

New anti-social behaviour team with the Police
 Need to invest in ongoing relationships with strategic partners

Owner

Sally Burns
 Sally Burns

Health and Wellbeing Outcomes

Risk Owner: Sally Burns

Risk Ref: 2060

Not Yet Entered 0

Cause • Some linkages have been lost with the Public Health team
 • Other priorities mean less focus on H&WB outcomes

Consequence • Health and Wellbeing outcomes are not delivered
 • Impact on community
 • Reputational damage

Controls

Need to revisit Health and Wellbeing outcomes, and how they are delivered

Owner

Sally Burns

Legislative and Regulatory Changes

Risk Owner: Sally Burns

Risk Ref: 2061

Not Yet Entered 0

Cause • Frequent and/or short notice changes to e.g. Housing Policy, Public Protection etc

Consequence • Keeping up with changes is resource intensive
• Potential for litigation, fines, non-compliance, injury etc.

Controls

Good controls in place

Owner

Sally Burns

Risk to Life and Limb

Risk Owner: Sally Burns

Risk Ref: 2062

Not Yet Entered 0

Cause • Falling tree branch
• Incident at event
• Incident in park or open space
• Etc.

Consequence • Injury or fatality
• Litigation, fine, corporate manslaughter etc.
• Reputational damage

Controls

Good controls in place and strong Health and Safety culture
Accident monitoring systems etc

Owner

Sally Burns
Sally Burns

Others**Failure to deliver the transformation programme and associated savings.**

Risk Owner: Stewart Halliday

Risk Ref: 2063

Not Yet Entered 0

Cause • Ineffective programme management.
• Failure to engage with the community on the changes required.
• Supporting and managing change effectively
• Effective programme and project management

Consequence • Adverse impact on service delivery.
• Fail to meet the needs of vulnerable people.
• Unable to lower cost base.
• Opportunities missed.
• Criticism of the council.

Failure to effectively monitor and manage partnerships

Risk Owner: Stewart Halliday

Risk Ref: 2064

Not Yet Entered 0

Cause Partnerships are not adequately managed. lack of risk assessment and understanding of risk ownership within arrangements. Ineffective communication. Not recognising early warning signals.

Consequence Key partnerships fail to deliver or break down. Ability to deliver transformation priorities undermined. Adverse impact on service delivery. Funding implications. Reputational impact.

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**Audit and Governance Committee**

24 September 2014

Report of the Head of Internal Audit

Internal Audit Follow Up Report**Summary**

- 1 This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work.

Background

- 2 Where weaknesses in systems are found by internal audit, the auditors discuss and agree a set of actions to address the problem with the responsible manager. The agreed actions include target dates for issues to be dealt with. The auditors then carry out follow up work to check that the issue has been resolved once these target dates are reached. The follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee.
- 3 A summary of the findings from follow up work is presented to this committee twice a year. The current report covers agreed actions with target dates up to 31 August 2014.

Consultation

- 4 Details of the findings of follow up work are discussed with the relevant service managers and chief officers.

Follow up of internal audit agreed actions

- 5 A total of 105 actions have been followed up since the last report to this committee in April 2014. A summary of the priority of these actions is included in figure 1, below.

Figure 1: actions followed up as part of the current review

Priority of actions*	Number of actions followed up
1	4
2	32
3	69
Total	105

* The priorities run from 1 (high risk issue) to 3 (lower risk)

- 6 Figure 2 below provides an analysis of the actions which have been followed up, by directorate.

Figure 2: actions followed up by directorate

Priority of actions	Number of actions followed up by directorate					
	OCE	CES	CANS	CSES	H&W	CBSS
1 (High)	0	0	0	0	0	4
2 (Medium)	4	1	2	7	1	17
3 (Low)	1	5	6	30	9	18
Total	5	6	8	37	10	39

- 7 Of the 105 agreed actions 83 (79%) had been satisfactorily implemented and 2 (2%) were no longer needed¹.
- 8 In a further 20 cases (19%) the action had not been implemented by the target date, but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (eg due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the

¹ For example because of other changes to procedures or because the service has ended or changed significantly.

escalation procedure. Figure 3 below shows the priority of these actions.

Figure 3: priorities of actions with revised implementation dates

Priority of actions	Number of actions with a revised implementation date
1 (High)	1
2 (Medium)	6
3 (Low)	13
Total	20

Conclusions

- 9 The follow up testing undertaken confirms that in general good progress has been made by council departments to rectify weaknesses in control identified through internal audit work. This is an ongoing process and progress in implementing agreed actions will continue to be monitored and reported as required through the escalation procedure. There are no specific issues that need to be brought to the attention of the Audit and Governance Committee at this time.

Options

- 10 Not relevant for the purpose of the report.

Analysis

- 11 Not relevant for the purpose of the report.

Corporate Priorities

- 12 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

- 13 There are no implications to this report in relation to:

- **Finance**

- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management

- 14 The council will fail to properly comply with Public Sector Internal Audit Standards (PSIAS) if it does not establish procedures to follow up on audit recommendations and report progress to the appropriate officers and members.

Recommendations

- 15 Members of the Audit and Governance Committee are asked to:
- a) consider the progress made in implementing internal audit agreed actions as reported above (paragraphs 5 – 9)

Reason

To enable Members to fulfil their role in providing independent assurance on the council's control environment.

Contact Details

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**Report
Approved**



Date 11/09/2014

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers:

None

Annexes

None

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**Audit and Governance Committee**

24 September 2014

Report of the Head of Internal Audit

Audit & Counter Fraud Monitoring Report**Summary**

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2014/15 and on current counter fraud activity.

Background

- 2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports detailing the outcomes of internal audit work are presented to this committee.

Internal Audit

- 3 To date, internal audit has delivered 28% of the 2014/15 audit plan based on the number of reports issued. It is anticipated that the 93% target for the year will be exceeded by the end of April 2015 (the cut off point for 2014/15 audits).
- 4 Details of the audits completed and reports issued since the last progress report to this committee in June 2014 are given in annex 1.

Counter Fraud

- 5 Counter fraud work has been undertaken in accordance with the approved plan. Annex 2 provides a summary of the work completed in the period.

Breaches of Financial Regulations

- 6 A number of breaches of the council's financial regulations have been identified during the course of recent audit work. Details of these breaches are summarised in annex 3. None of the breaches represent a significant risk to the council.

Consultation

- 7 Not relevant for the purpose of the report.

Options

- 8 Not relevant for the purpose of the report.

Analysis

- 9 Not relevant for the purpose of the report.

Council Plan

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

Implications

- 11 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 12 The council will be non-compliant with the PSIAS if the results of audit work are not periodically reported to an appropriate

committee. The failure to provide ongoing assurance to those responsible for the council's framework of governance, risk management and control may diminish the council's overall effectiveness.

Recommendation

13 Members are asked to:

- a) note the progress made in delivering the 2014/15 internal audit work programme, and the results of recent counter fraud activity.

Reason

To enable members to consider the implications of audit and fraud findings.

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Chief Officer Responsible for the report:

Ian Floyd
Director of CBSS
Telephone: 01904 551100

**Report
Approved**



Date 11/09/14

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- 2014/15 Internal Audit, Counter Fraud, and Information Governance Plan
- Copies of all final Internal Audit reports included in Annex 1 are available on the council's website as background papers to this report.

Annexes

Annex 1 – 2014/15 Audits completed and reports issued

Annex 2 – Counter Fraud activity

Annex 3 – Identified breaches of Financial Regulations

AUDITS COMPLETED AND REPORTS ISSUED

The following categories of opinion are used for audit reports.

Opinion	Level of Assurance
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

<u>Priority</u>	<u>Long Definition</u>	<u>Short Definition – for use in Audit Reports</u>
1 (High)	<p>Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.</p> <p>Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.</p>	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</p>
2	<p>Action considered necessary to improve or implement system controls so as to ensure an</p>	<p>A significant system weakness, whose impact or frequency presents risks to the system</p>

Priority

Long Definition

Short Definition – for use in Audit Reports

effective control environment exists to minimise exposure to significant risks such as financial or other loss.

objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

Draft Reports Issued

Twenty internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee. The draft reports are categorised as follows:

Opinion	Number
High Assurance	4
Substantial Assurance	8
Moderate Assurance	6
Limited Assurance	2
No Assurance	0
Not given	0

Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in June 2014. In all cases the recommendations made have been accepted by management, and will be followed up by internal audit.

Audit	Date of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Canon Lee Secondary School	07/4/14	Substantial Assurance	3	0	A schools audit. The control environment was generally effective. A small number of areas requiring improvement were however identified.

Audit	Date of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
Wheldrake Primary School	11/6/14	High Assurance	4	0	A schools audit. The control environment was generally effective.
Payments for Foster Care	20/6/14	Substantial Assurance	2	0	The audit focused on the implementation and operation of the new accredited foster carer scheme. Controls were found to be working well in respect to the scheme itself. However, consideration needed to be given to the potential replacement of the IT system used to generate payments to foster carers and the need for a policy in relation to incidental payments.
Apprenticeships	25/6/14	Moderate Assurance	6	0	The apprenticeship programme has successfully increased the number of apprentices working within the council since its implementation, and has helped to equip young people with relevant skills and experience. Some areas for improvement were however noted particularly in respect to the overall management of the programme. These areas include the distribution of policy and guidance to managers, the production of management information and changes to exit

Audit	Date of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					procedures.
Free Early Education Funding	30/6/14	Substantial Assurance	2	0	Controls were found to be working well. The issues identified during the audit related to a number of individual Early Years settings failing to follow the correct policies or procedures. The areas for improvement included making sure parental declaration forms for two year olds were always completed and ensuring that settings registered as data controllers with the Information Commissioner.
New Earswick Primary School	07/7/14	Substantial Assurance	7	0	A schools audit. The control environment was generally effective. A number of areas requiring improvement were however identified.
Attendance Management	09/7/14	Limited Assurance	4	1	A number of inconsistencies were noted across the council. The most significant issue is that not all sickness absence is being recorded on iTrent and therefore the level of reported sickness absence is potentially understated. Other issues include a lack of supporting documentation for absences and insufficient

Audit	Date of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					action being taken by managers when trigger points are reached. In addition, there are currently delays in the scanning and indexing of documentation submitted to the HR Business Centre. As a result, employee records on Documentum are not sufficiently up to date.
Payroll	16/7/14	Substantial Assurance	2	0	Controls were found to be operating well. However, there was a backlog in the scanning and indexing of payroll documentation. As a result, various documents dating back a number of months were not easily accessible during the audit.
All Saints RC Secondary School	17/7/14	Substantial Assurance	9	0	A schools audit. The control environment was generally effective. A number of areas requiring improvement were identified.
Business Continuity	22/7/14	Substantial Assurance	3	0	Good progress is being made to refresh the council's approach to business continuity and in updating the individual plans to reflect the move to West Offices and other recent changes. Most service level plans have now been updated and reviewed. There are also plans

Audit	Date of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					<p>in place to continue this process and produce directorate and corporate level plans.</p> <p>A few service areas still need to complete their plans and consideration also needs to be given to telephone service requirements and the availability of hard copy business continuity plans.</p>
Ordering and Creditor Payments	28/7/14	Substantial Assurance	4	0	<p>The overall control environment was found to be effective. In particular, it was noted that since the implementation of the 'No Purchase Order No Payment' policy, significant progress has been made to improve levels of compliance.</p> <p>However, problems remain with the volume of invoices that require manual intervention. Further work is therefore required to address the different causes.</p>
Main Accounting	04/8/14	Substantial Assurance	4	0	<p>Overall, it was found that most areas within the main accounting system were well controlled.</p>

Audit	Date of Final Report	Opinion	Number of Agreed Actions		Work done / significant weaknesses / issues identified
			Total	Priority 1	
					However, audit testing revealed some continuing issues in respect of the bank reconciliation, including the number of historic adjustments being carried forward. There were also some issues identified relating to other control account reconciliation processes.
Cashiers and Income Management	08/8/14	Substantial Assurance	4	0	The overall control framework was found to be effective. A number of specific issues were raised in relation to individual departments and sites where cash is handled. These included the storage of cash, provision of receipts and reconciliation of income.

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COUNTER FRAUD ACTIVITY 2014/15

The table below shows the savings calculated as a result of investigative work. The indicators include the full range of counter fraud work undertaken.

	2014/15 (as at 31/08/14)	2014/15 (Target: Full Yr)	2013/14 (Actual: Full Yr)
To identify actual fraud savings of £100k (quantifiable savings) eg CTS	£59,831	£100,000	£97,947
To identify notional fraud savings of £600k (estimated savings) eg housing tenancy fraud	£216,700	£600,000	£810,000

Caseload figures for the period are:

	As at 1/4/14	As at 31/08/14
Awaiting allocation	40	48
Under investigation	184	175

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>The National Fraud Initiative's Council Tax exercise has now been completed. 1,500 matches were identified through the exercise and these resulted in 116 single person discounts being removed. This achieved a saving of £50,000.</p> <p>Preparations are currently underway to provide data from a number of council departments for the forthcoming 2014/15 NFI exercise. Data will be extracted and sent during the first week of October.</p> <p>A proactive data matching exercise looking at errors between the Council Tax and Benefit systems has been completed. The exercise identified 66 cases where single person discounts (SPD) should be removed, 23 where SPD should be queried with the customer as well as 31 cases where the SPD should be reclassified to a different type of exemption. The exercise identified up to £27,000 of council tax discounts that could be removed.</p> <p>Housing Benefit Matching Service (HBMS) referrals continue to be investigated - the counter fraud team has received 267 HBMS referrals this year. HBMS referrals have resulted in 1 benefit fraud prosecution and 2 sanctions to date in 2014/15.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p>

Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li data-bbox="472 336 2042 504">• Housing fraud – working in conjunction with housing officers, 7 properties have been recovered since April. In addition, 9 properties were prevented from being let where the prospective tenants had provided fraudulent information in their housing applications. There are 48 current investigations in this area. <li data-bbox="472 555 2042 639">• Internal fraud - the team received 7 referrals for internal frauds and completed 8 investigations in the 5 month period to 31 August 2014. <li data-bbox="472 691 2042 810">• Council Tax fraud – 19 cases of suspected Council Tax fraud have been referred in the period to 31 August. Veritau is also working with the Council Tax department to identify and pursue cases of non-domestic rate fraud against the council. <li data-bbox="472 861 2042 981">• Benefit fraud - 4 people have been prosecuted for benefit fraud offences and a further 7 have received formal sanctions (cautions and administrative penalties). Benefits have been corrected in a further 7 cases. <li data-bbox="472 1032 2042 1117">• Council Tax Support Scheme fraud – Veritau has identified overpayments of £23,000 from the CTS scheme since April. <li data-bbox="472 1168 2042 1252">• York Financial Assistance Scheme fraud – 2 referrals have been received since April. Veritau is working with the service to assess levels of fraud within the scheme. <li data-bbox="472 1303 2042 1331">• Adult Social Care fraud – The fraud team have received 10 referrals regarding suspected

Activity	Work completed or in progress
	<p>adult social care fraud since April. There are currently 15 ongoing investigations in this area. Veritau has assisted with the recovery of almost £15,000 relating to one case in this area.</p> <ul style="list-style-type: none"> • Parking fraud – 12 cases of suspected parking fraud have been referred to the team since April. 5 people have received warnings for the misuse of disabled badges and 1 person has been formally cautioned.

Annex 3

**SUMMARY OF BREACHES OF FINANCIAL REGULATIONS
IDENTIFIED DURING INTERNAL AUDIT WORK COMPLETED
IN THE PERIOD**

Description of Breach	Instances
Receipts not issued for cash transactions	1
Purchase orders completed after invoice is raised	1
Failure to obtain 3 quotes when incurring expenditure over £5k	1

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**Audit and Governance Committee**

24 September 2014

Report of the Monitoring Officer

Updating the Constitution – Progress report**Summary**

- 1 This report confirms progress in respect of reviewing the Constitution. The review is on track to be completed during the current Municipal year.

Progress report

- 2 The revised Constitution is intended to have a different style from the existing version. It is hoped that it will be easier to read and easier to follow for those who do not have an intimate knowledge of its detail. The summary and explanation section which Members have already approved provides a user friendly overview of the Constitution. The detail is naturally more complex but the intention is that the style adopted will be more user friendly.
- 3 In particular it is intended to reduce, in so far as it is practical to do so, the cross referencing between different sections of the Constitution which is currently required. For example the revised Council procedure rules presented with another report on the agenda for this meeting include provisions relating to the role of Full Council which are currently contained in the Part 2 of the Constitution whereas the rules for the meeting are in Part 4.
- 4 The annex to this report sets out the contents of the current constitution and identifies progress with regards to review. A substantial amount of revision has already been completed. The outstanding tasks are:
 - Completing a review of the contract procedure rules – these have been entirely rewritten and relevant officers

who use these rules on a regular basis are now making comments and suggestions

- Reviewing the scrutiny procedure rules – a special Audit and Governance Committee has been arranged for the 2nd of October to which the Chair of the Corporate and Scrutiny Management Committee has been invited. It is anticipated that any proposals for change to the current scrutiny arrangements will be made at that meeting
- Updating the access to information procedure provisions – a report in respect of this matter will be brought to the next ordinary Audit and Governance Committee meeting.
- Reordering the contents of the Constitution and making stylistic improvements. This is the final task. Much of the content needs no change and can be lifted from the current Constitution. Some sections will need minor revision as disparate parts of the Constitution are brought together and the opportunity is taken to make the document less difficult to read.

Council Plan

- 5 The Constitution is an essential element of the council's corporate governance framework. As such it has an important role in maintaining the Council as an effective organisation.

Implications

- 6 Section 37 of the Local Government Act 2000 sets out an obligation to prepare and keep up to date the Council's constitution. There are no implications to this report in relation to:
 - **Finance**
 - **Human Resources (HR)**
 - **Equalities**
 - **Crime and Disorder**
 - **Information Technology (IT)**
 - **Property**

Consultation

- 7 The Audit and Governance Committee is being consulted on the contents of this report.

Recommendations

- 8 Members are asked to note this report.

Reason

To monitor progress on the refresh of the Constitution

Contact Details

Author and Chief Officer responsible for the report:

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Report Approved

Date 15 September 2014

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

None

Annexes

Annex A - Progress report and task list

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Content	Status	A&G approval (actual or anticipated)	Council approval (actual or anticipated)
Summary and Explanation	Completed	12 th February 2014	27 th March 2014
Articles of the Constitution			
The content of this section will be incorporated into relevant sections of the Constitution	Underway – the Articles relating to Full Council are covered by a report on this agenda	As relevant sections come forward	As relevant sections come forward
Responsibility for functions			
Full Council	Covered by report on this agenda	24 th September 2014	9 th October 2014
Cabinet , Committees and Officers	No major changes of substance anticipated from existing provisions.	11 th Feb 2015	26 th March 2015
Rules of Procedure			
Council Procedure Rules	On agenda	24 th September 2014	9 th October 2014
Rules for Cabinet and Committee	On agenda	24 th September 2014	9 th October 2014
General matters (legal and financial)	No major changes anticipated	11 th Feb 2015	26 th March 2015
Appointment and Dismissal of staff	No major changes anticipated to these rules which are based on mandatory standing orders	11 th Feb 2015	26 th March 2015
Approval of budget and policy	No major changes anticipated	11 th Feb 2015	26 th March 2015

framework			
Scrutiny Review Procedure Rules	To be discussed at A&G on 2 nd October 2014	TBC	TBC
Financial Regulations	Completed	25 th June 2014	17 th July 2014
Contract Procedure Rules	Substantial redraft completed. Consultation in progress.	10 th December 2014	11 th December 2014
Codes and Protocols			
Members' Code of Conduct	Complete - Reviewed by Joint Standards Committee, February 2013	N/A	N/A
Officers' Code of conduct	No changes anticipated	N/A	N/A
Protocol on Member/Officer relations	Complete reviewed by Joint Standards Committee, April 2013	N/A	N/A
Access to Information Protocol	Outstanding	10 th December 2014	11 th December 2014
Planning Code of Practice	Complete - Reviewed by Joint Standards Committee, September 2013	N/A	10 th October 2013
Code of Corporate Governance	No changes anticipated	N/A	N/A
Member scheme of allowances			
The scheme was last reviewed in October 2012. The indexation provisions in the scheme must be reviewed by 2016	No action required	N/A	11 th October 2012

**Audit and Governance Committee**

24 September 2014

Report of the Monitoring Officer

Updating the Constitution – New Council Procedure Rules**Summary**

- 1 This report asks Members to make recommendations to Council in respect of revised procedure rules for Full Council.

Background

- 2 As part of the review of the Constitution the sections dealing with Full Council have been comprehensively reviewed. A draft of the revised rules appears at Annex A to this report. These changes have been the subject of considerable consultation within the Council for some time now. As a result of that consultation some changes have already been made such as the introduction of filming, webcasting and recording of meetings. Other issues which were raised included:
 - A view that motions were not given sufficient priority and that time should be found within the agenda to allow for them to be debated
 - A wish to reinvigorate the system of asking questions of Members
 - Suggestions that the current process for dealing with petitions could be improved upon
- 3 The new draft rules seek to address these issues. The main changes of substance are described in the following paragraphs. In addition to these changes many provisions have been rewritten in an effort to reduce complexity.
- 4 The new Constitution will have a different style from the existing one. One aim will be to reduce to a minimum the amount of cross referencing which is required to understand aspects of the Council's operation. Consistent with this aim

the opening section of the new rules sets out the functions of Full Council. Currently similar provisions appear in separate Articles.

- 5 The rules also define the meaning of the “policy framework” which is the list of plans requiring full Council approval. The draft omits the Children and Young People’s plan which is now a YorOK board plan. It is also suggested that the Food Law Enforcement Service plan can sensibly be omitted from the list requiring Full Council approval.
- 6 The new provisions set out the role of the Lord Mayor and reference his or her term of office (which continues, though with limited voting rights, after he or she has ceased to be a Councillor).
- 7 In relation to the annual meeting two changes are proposed. It is suggested that the meeting will agree the allocation of motions for the forthcoming year. This will allow the business to be managed by continuing to limit to four the number to be presented at each meeting but ensuring that Councillors who are not members of the largest groups have a fair opportunity to submit motions. A specific provision has also been introduced which allows other business to be added to the normal agenda. This happens from time to time when some uncontroversial business needs to be transacted. A similar provision is also included in the standard order of business for ordinary meetings.
- 8 Further changes are proposed to the order of business for ordinary meetings as well as to the way business is handled and to certain time limits. The Leader will present his or her written report, as now, with Group Leaders having the same opportunity to respond. It will no longer be necessary to give advance notice of questions on the Leader’s report and the time for questions has been extended to 15 minutes. Members will be permitted to make a comment on the report as well as asking a question. The rules make it clear that the original speaker may raise one supplementary matter with up to two other Councillors raising one further each.
- 9 A similar change has been made in respect of Cabinet Member’s reports although the time for questions remains at 10 minutes. The new rules also make it clear that Cabinet

Members (other than the Leader) do not speak to their report. They simply move it.

- 10 A question time session for the Leader and Cabinet Members has been introduced. This 15 minute session will allow questions to be asked (but not comments to be made) without notice and replaces the existing provision for written questions.
- 11 The new rules do not contain a provision for questioning committee chairs or members of outside bodies.
- 12 Motions will need to be submitted a little earlier – eight rather than five clear days before the meeting. Amendments will also need to be submitted earlier - on the third working day before the meeting rather than the day before.
- 13 Motions will be debated at an earlier point in the meeting than hitherto. They will follow immediately after the Leader's report. The time for speeches has been reduced. Movers of motions have 5 and not 10 minutes for their speech and other speakers have 3 rather than 5 minutes.
- 14 Changes are proposed to the petitions process. Members will still be able to present a petition at Council but will not speak to it. Petitions with more than 1000 signatures will no longer automatically be debated at Council. The new process will involve all petitions being considered by a Committee. More detailed proposals are contained in a separate report on this agenda.
- 15 The new rules make specific reference to the electronic voting system.
- 16 A provision has been introduced specifying how an election will be conducted where more than two people are nominated for a position to be filled and there is no clear majority.
- 17 The opportunity for members of the public to speak at Full Council has not been changed by the new rules. However, specific provisions have been introduced in relation to acceptable behaviour.
- 18 The rules now contain a reference to filming at Council meetings in accordance with the agreed protocol and so long as no disturbance is caused.

Application to Committees and Cabinet and other Groups referred to in the Constitution

- 19 The nature of the Full Council meeting requires it to have more formal rules of debate. However, the following rules should apply to other bodies:
- 14.7 Public participation rights – requirements placed on speakers
 - 36 Exclusion of Public
 - 37 Misconduct by members
 - 38 Disturbance by public
 - 39 Filming and use of social media

Council Plan

- 20 The Constitution is an essential element of the council's corporate governance framework. As such it has an important role in maintaining the Council as an effective organisation. The Council Plan is one of the documents which fall within the policy framework and has to be adopted by Full Council in accordance with the rules now being proposed.

Implications

- 21 There are no implications to this report in relation to:
- **Finance**
 - **Human Resources (HR)**
 - **Equalities**
 - **Legal**
 - **Crime and Disorder**
 - **Information Technology (IT)**
 - **Property**

Consultation

22 All political groups were asked for their views on changes which ought to be made to the way the Council meeting operates. Specific changes which were proposed have also been the subject of consultation and drafts of the Rules now being proposed have also been shared.

Recommendations

23 Members are asked to:

Recommend that Council:

- a) adopts the rules set out in the annex to this report in place of the existing constitutional provisions
- b) agrees that the rules set out in paragraph 19 above should apply to Committees, Cabinet and other groups referred to in the Constitution

Reason

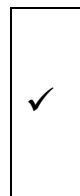
To ensure that the Council meeting operates effectively

Contact Details

Author and Chief Officer responsible for the report:

Andy Docherty
Assistant Director
Telephone: 01904
551004

Report Approved



Date

8 September
2014

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

None

Annexes

Annex A - Draft Rules

SECTION 4

1.0 FULL COUNCIL

1.1 Introduction

The Full Council is a formal meeting of all Councillors. The Full Council is required by law to take certain important decisions including setting the Council's budget and Council Tax and approving a number of key plans and strategies, which together form the Policy Framework. These plans are listed in paragraph 2.1 below. Full Council is responsible for all of the functions which are not the responsibility of the Cabinet. It will carry out some functions itself, but others will be delegated to Committees or named Officers. Further details of the functions which Council has delegated are set out in section three of the Constitution.

2.0 The Policy Framework

2.1 The Policy Framework means the following plans and strategies:

- Sustainable Community Strategy
- Crime and Disorder Reduction Strategy
- Development Plan documents
- Local Transport Plan
- Licensing Authority Policy Statement in relation to Gambling
- Licensing Act 2003 Policy Statement
- The Council's Corporate Plan or its equivalent

3.0 Functions of the Full Council

3.1 Only the Full Council will exercise the following functions:

- a) adopting and changing the Constitution;
- b) approving or adopting the Policy Framework, budget and treasury management strategy;
- c) approving the Council's Statement of Accounts;
- d) approving the pay policy statement;
- e) authorising any application to the Secretary of State under section 32 or section 43 of the Housing Act 1985 where the Secretary of State's consent is required to any Housing Land Transfer;

- f) making decisions on matters which are the responsibility of the Cabinet where the decision maker is minded to make it in a manner which would be contrary to the Policy Framework or contrary to/ or not wholly in accordance with the budgetary framework – unless urgency procedures set out part four of the Constitution apply;
- g) appointing and removing the Leader;
- h) deciding the terms of reference for Committees and making appointments to them - unless the appointments have been delegated by the Council;
- i) changing the name of the area or conferring the title of freedom of the City;
- j) making or confirming the appointment of the Head of Paid Services;
- k) making, amending and revoking bylaws and promoting or opposing the making of local legislation or Personal Bills;
- l) taking decisions in respect of functions which are not the responsibility of Cabinet and which have not been delegated by the Council to Committees, sub Committees or officers. Further detail relating to the allocation of functions appears in section three of this Constitution;
- m) appointing representatives to outside bodies - unless the appointment has been delegated by the Council;
- n) adopting the Council's Code of Conduct for Members;
- o) any other matters which by law must be reserved to the Council.

4.0 Chairing the Council

- 4.1 The Lord Mayor will preside at meetings of the full Council. In the absence of the Lord Mayor the Deputy Lord Mayor will preside. In the absence of both, then the Council will elect a Member to preside for that meeting. Any powers or duties of the Lord Mayor, as Chair, in relation to the conduct of a meeting may be exercised by the person presiding at the meeting.
- 4.2 The Lord Mayor will cease to be Lord Mayor if he or she resigns, is dismissed by a vote of Full Council, ceases to be a Member of the Council, or is unable to act as a Member of the Council. He or she

will continue to act as Lord Mayor (whether or not remaining a Councillor) after an election until his or her successor has been appointed. If the Lord Mayor is no longer a Councillor he or she may not vote other than to exercise a casting vote.

4.3 The Lord Mayor shall:

- a) uphold and promote the purpose of the Constitution, and interpret the Constitution when necessary;
- b) preside over meetings of the Council so that its business can be carried out fairly and efficiently and with regard to the rights of Councillors and the interests of the local community;
- c) ensure that the Council meeting is a forum for the debate of matters of concern to the local community and the place at which Members who are not on the Cabinet are able to hold the Cabinet and Committee Chairs to account;
- d) promote public involvement in the Council's activities.

5.0 Council Meetings

5.1 There are three types of Council meeting:

- a) the annual meeting;
- b) ordinary meetings;
- c) extraordinary meetings.

6.0 Rules of Procedure and Debate

6.1 The following Council Procedure Rules will apply to meetings of the Full Council.

7. Annual Meeting of the Council.

7.1 The date and time of the Annual Meeting will be determined by the Chief Executive following consultation with the Lord Mayor Elect and the Leader of the Cabinet and Political Group Leaders.

7.2 In a year when there is an ordinary election of councillors, the Annual Meeting will take place within 21 days of the retirement of the outgoing councillors. In any other year, the annual meeting will normally take place in May.

- 7.3 At the Annual Meeting of the Council, the order of business shall be as follows:
- a) declarations of interest;
 - b) to elect the Lord Mayor for the ensuing municipal year;
 - c) to appoint a Deputy Lord Mayor for the ensuing municipal year;
 - d) to appoint a Sheriff for the ensuing municipal year;
 - e) at the first Annual Meeting following local elections to appoint a Member as the Cabinet Leader;
 - f) to approve the size and membership of the Council Committees in accordance with the political balance rules;
 - g) to approve any new terms of reference for those committees;
 - h) to appoint Chairs and Vice-Chairs (where appropriate) of the Council's Committees for the ensuing municipal year;
 - i) to approve appointments of Council representatives on outside bodies for the ensuing municipal year except where this is the function of the Cabinet or is delegated to another person or body under the Council's Constitution;
 - j) to agree a schedule for the allocation of motions for Ordinary Meetings during the forthcoming Municipal year;
 - k) to consider any other business set out in the notice convening the meeting;
 - l) to consider any business brought before the Council by the Lord Mayor on grounds of urgency in accordance with Section 100B(4)(b) and paragraph 4 (5) of schedule 12 of the Local Government Act 1972.

8.0 Ordinary Meetings

- 8.1 The Council will hold Ordinary meetings for the transaction of general business. The arrangements for these meetings shall be determined by the Chief Executive in consultation with the Leaders of Political Groups.
- 8.2 All ordinary meetings of the Council will be held at 6.30 pm and will take place at the Guildhall, unless otherwise determined by the Council.

- 8.3 The order of business at every ordinary meeting of the Council shall be:
- a) to choose a person to preside if the Lord Mayor or Deputy Lord Mayor is absent;
 - b) declarations of interest;
 - c) to approve as a correct record and sign the minutes of the last meeting or meetings of the Council;
 - d) Lord Mayor's Business;
 - e) Public Participation under Rule 14;
 - f) To receive without discussion petitions which Members wish to present to Council
 - g) to receive and consider a written report from the Leader on the work of the Cabinet, to ask him or her questions thereon
 - h) To debate such recommendations requiring Council approval as may have been made by the Cabinet;
 - i) to consider motions under Rule 22;
 - j) to ask questions of the Leader or Cabinet members in respect of any matter for which they have responsibility
 - k) To receive and consider a written report from Cabinet Members in an agreed rotation as set out in Standing Order 18 and to question such Members thereon
 - l) to receive and consider a written report from the Chair of Corporate and Scrutiny Management Committee including such recommendations for approval as may have been made by that Committee under Rule 21;
 - m) to receive and consider and report on recommendations of other Scrutiny bodies;
 - n) to receive and consider recommendations of Committees (other than Scrutiny Bodies) under Rule 21.1.
 - m) to make any changes in the membership of the Cabinet, Committees and outside bodies, together with changes to relevant Chairs and Vice Chairs;
 - o) to dispose of any business standing adjourned from any previous meeting of the Council;
 - q) to consider any other business set out in the notice convening the meeting;

- r) to consider any business, brought before the Council by the Lord Mayor on the grounds of urgency in accordance with Section 100B(4)(b) of the Local Government Act 1972.

The order of business may be varied at the Lord Mayor's discretion, or by resolution passed on a motion duly moved, seconded and decided without discussion.

9.0 Budget Council

9.1 The order of business at Budget Council shall be:

- a) to consider any business raised by the Lord Mayor;
- b) to hear any public participants in relation to business associated with setting the Council's budget for the coming financial year;
- c) to receive any petitions presented by Members in relation to business associated with setting the Council's budget for the coming financial year;
- d) to consider and determine the Cabinet's recommendations on setting the following budgets for the coming financial year;
 - i) revenue budget (including fees and charges and Housing Revenue Account estimates);
 - ii) capital programme;
- e) to agree a Council Tax resolution for the coming year based on the above agreed budget; and
- f) to consider and determine the Cabinet's recommendations in relation to the Treasury Management Statement and Prudential Indicators, as necessary;
- g) to consider any other business set out in the notice convening the meeting;
- h) to consider any business, brought before the Council by the Lord Mayor on the grounds of urgency in accordance with Section 100B(4)(b) of the Local Government Act 1972.

10.0 Extraordinary Meetings

10.1 Schedule 12 of the Local Government Act 1972 allows extraordinary meetings of the Council to be called by the Lord Mayor. In addition any five Members of the Council may sign and

present to the Lord Mayor a requisition calling for an extraordinary meeting. If the Lord Mayor refuses to call a meeting or does not call for one within seven days of being presented with the requisition, then any five Members of the Council may call an extraordinary meeting of the Council.

10.2 Extraordinary meetings of the Council will only deal with the business for which the meeting has been called.

11.0 Duration of Meetings

11.1 All ordinary meetings (including Budget Council) will finish three and a half hours after the start time of the meeting, unless extended by agreement of the Council.

11.2 A motion to extend the meeting which has been duly proposed and seconded, before the allocated time has elapsed shall be put to the vote without debate.

11.3 All outstanding items of business will be deemed to have been proposed and seconded and will be voted on without debate prior to the expiry of the meeting time.

12.0 Notice of and Summons to Meetings

12.1 The Chief Executive will give notice to the public of the time and place of any meeting in accordance with the Access to Information Procedure Rules in Part four. At least five clear days before a meeting, the Chief Executive will send a summons signed by him/her to every Member of the Council. The summons will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such reports as are available.

13.0 Quorum

13.1 The quorum for a meeting of the Council is one quarter of the whole number of Members of the Council.

13.2 If at any time during the meeting of the Council, the Lord Mayor declares there is not a quorum present, the meeting stands adjourned. The consideration of any business not transacted will be adjourned to a time fixed by the Lord Mayor at the time the meeting is adjourned, or if the Lord Mayor does not fix a time, to the next ordinary meeting of the Council.

14.0 Public Participation

- 14.1 Any member of the public shall be entitled to address the Council for up to 3 minutes or to ask any Member of the Council a question.
- 14.2 In order to exercise this right prior notice must be given to the Chief Executive before 5:00 pm on the working day before the meeting.
- 14.3 At an ordinary meeting any address or question from a member of the public may be on any matter directly relevant to the business of Council or the City.
- 14.4 In the case of Budget Council, any public participants must address business on the agenda in so far as it may relate to the setting of the budget for the coming financial year.
- 14.5 In the case of an extraordinary meeting public participants must only address the business on the agenda.
- 14.6 In the light of the special nature of the annual meeting the public participation rights given by this Rule will not apply.
- 14.7 In exercising his or her public participation rights a member of the public must not:
- Say anything which is defamatory or discriminatory
 - Criticise or make any personal attack on an officer
 - Disclose confidential or exempt information including personal information about an individual without that person's consent
- 14.8 Any questions to Council shall be put and answered without discussion, either by a direct answer or, on questions which could not reasonably be dealt with at the meeting, by a written answer.
- 14.9 No other discussion will take place on any matter raised by a member of the public when addressing the Council. When the speaker has finished, the Lord Mayor will announce how the issues raised by the participant will be dealt with. The options most usually being:
- i. to note the comments made;

- ii. to refer the issues to the Cabinet or another appropriate Committee for consideration; or
- iii. to take into account the comments made as part of any debate on related decisions to be made later on the agenda.

14.10 The time spent on this item shall not, except at the discretion of the Lord Mayor, exceed 30 minutes.

15. Petitions presented by Members

15.1 A Member may submit a petition for inclusion on the Council agenda by giving notice of the petition to the Head of Civic and Democratic Services not later than midday on the eighth working day before the day of Council meeting at which it is to be considered.

15.2 Petitions will be formally received without discussion and will stand referred to the Corporate and Scrutiny Management Committee and the appropriate decision maker.

16.0 Report of the Leader

16.1 The Leader will present a written report on the work of the Cabinet. In the absence of the Leader, the Deputy Leader will present the report. In the absence of both the Leader and Deputy Leader, a Cabinet Member will present the report. The presentation of the Leader's report will not exceed 5 minutes.

16.2 Leaders of Opposition groups on the Council will have up to 5 minutes each to respond to issues raised in the Leader's report. The Leader will have 5 minutes to respond thereafter.

17.0 Questions and comments on the Leader's report

17.1 A Member of the Council may ask the Leader any question or make a comment directly arising from an item of the Leader's report, when that item is being received or is under consideration by the Council.

17.2 The original speaker may ask one supplementary question or make one supplementary comment. A maximum of two other Members of the Council may each ask one further supplementary question or make one supplementary comment. All

supplementary questions or comments must arise from the response of the Leader.

17.3 The Leader may respond directly to any question asked or comment made or may agree to submit a written answer to be circulated to all Members of the Council within five working days.

17.4 A maximum of 15 minutes will be permitted for questions and comments on the Leader's report

18.0 Report of Cabinet Member

18.1 At each Council meeting a Cabinet Member will submit a written report. The Cabinet Member will formally move their report but will not deliver a speech in support of it.

19.0 Questions and comments on the Cabinet Member's report

19.1 A Member of the Council may ask the Cabinet Member any question or make a comment directly arising from an item of the Cabinet Member's report, when that item is being received or is under consideration by the Council.

19.2 The original speaker may ask one supplementary question or make one supplementary comment. A maximum of two other Members of the Council may each ask one further supplementary question or make one supplementary comment. All supplementary questions or comments must arise from the response of the Cabinet Member.

19.3 The Cabinet Member may respond directly to any question asked or comment made or may agree to submit a written answer to be circulated to all Members of the Council within five working days.

19.4 A maximum of 10 minutes will be permitted for questions and comments on the Cabinet Member's report

20.0 General Questions to Leader and Cabinet Members

20.1 A Member of the Council may during the time allowed for this agenda item ask the Leader or a Cabinet Member any question on any matter within their portfolio responsibility.

20.2 The original speaker may ask one supplementary question. A maximum of two other Members of the Council may each ask one

further supplementary question. All supplementary questions must arise from the response of the Leader or Cabinet Member.

- 20.3 The Leader or Cabinet Member may respond directly to any question asked or comment made or may agree to submit a written answer to be circulated to all Members of the Council within five working days
- 20.4 A maximum of 15 minutes will be permitted for questions under this Rule

21.0 Committees of Council

21.1 The Chair of a Committee will present any recommendations of that Committee requiring confirmation to Council, and move that they be received and approved. In the absence of the Chair another Member of the Committee may move the recommendation.

- (a) When the recommendations of a Committee requiring confirmation have been presented to Council and duly moved and seconded, they will be open to debate;
- (b) Any Member may without notice move references back of any item requiring confirmation by Council.

21.2 The Chair of the Committee has the final right of reply to any amendment or motion moved under this Rule.

22 Motions on Notice

22.1 Notice of every motion to be considered by Council, must be given in writing to the Head of Civic and Democratic Services not later than midday on the eighth working day before the day of Council meeting at which it is to be considered. This Rule does not apply to motions which may be moved without notice under Rule 23 or to recommendations brought before the Council by the Cabinet or a Committee

22.2 No Council meeting will receive more than four Motions on notice at any one meeting

22.3 Motions may only be submitted in accordance with the schedule for allocation of motions approved at Annual Council

22.4 Motions will be considered in the order determined by the Lord Mayor based on an appropriate order for the effective conduct of business

23.0 Motions without Notice

23.1 All motions and amendments not requiring prior notice must, if the Lord Mayor so requests, be put in writing and handed to the Lord Mayor, before they are discussed or put to the meeting.

23.2 The following motions may be moved without notice:

- a) to appoint a Lord Mayor of the meeting at which the motion is moved;
- b) in relation to the accuracy of the minutes;
- c) to change the order of business in the agenda;
- d) to refer something to an appropriate body or individual;
- e) to appoint a committee or Member arising from an item on the summons for the meeting;
- f) to receive reports or adopt recommendations of the Cabinet, committees or Officers and any resolutions following from them;
- g) that leave be given to withdraw a motion;
- h) to proceed to the next business;
- i) to adjourn a meeting;
- j) to suspend a particular Council Procedure Rule;
- k) to exclude the public and press in accordance with the Access to Information Procedure Rules;
- l) to not hear further a Member named under Rule 37Error! Reference source not found. or to exclude them from the meeting;
- m) to give the consent of the Council where its consent is required by this Constitution.
- n) to extend the meeting. Such a motion must be moved and seconded before the Lord Mayor announces that the guillotine has fallen.
- o) To extend any other time limit set out in these Rules

24.0 Notice of amendments

24.1 Written notice of every amendment, must be delivered to the Head of Civic and Democratic Services not later than midday on the third working day before the day of Council meeting at which it is to be considered

24.2 An amendment must be relevant to the motion and must:

- a) propose leaving out words, or
- b) propose leaving out words and inserting or adding others, or
- c) propose inserting or adding words.

24.3 The effect of an amendment must not be to negate the effect of the motion before Council

25.0 Rules of Debate

General

25.1 The decision of the Lord Mayor is final on all matters of order or personal explanation.

25.2 When speaking, a Member is to stand and address the Lord Mayor as Lord Mayor.

25.3 When the Lord Mayor speaks or rises to speak during a debate, any Member then speaking or seeking to speak is to sit down.

25.4 If two or more Members indicate that they wish to speak, the Lord Mayor will call one and the other(s) will wait until called by the Lord Mayor. When a Member is speaking, the others are to remain sitting unless rising to make a point of order or a personal explanation.

25.5 Members may speak once only on the matter under discussion except for the following reasons:

- a) to speak once on an amendment moved by another Member;
- b) to move a new amendment if the motion has been amended since he or she last spoke;

- c) to speak on the main issue, if the Member first spoke on an amendment moved by another Member (whether or not it was carried);
- d) as the mover of a motion (but not of an amendment), to exercise the right to reply at the end of the debate on the motion before it is put to the vote;
- e) as the seconder of a motion or amendment, having reserved (when seconding the motion or amendment) the right to speak until later in the debate;
- f) to make a point of order (any point of order must refer to the relevant Standing Order or statutory provision) or personal explanation

26.0 Altering and withdrawing motions

26.1 With the consent of the Council, indicated without discussion, a Member may alter a motion or amendment of which s/he has given notice.

26.2 A motion or amendment may be withdrawn by the mover with the consent of the seconder and of the Council (indicated without discussion). No Member may speak after the mover has asked permission for its withdrawal, unless permission to withdraw the motion or amendment is refused.

27.0 Order of debate

27.1 No speeches may be made after the mover has moved a proposal and explained the purpose of it until the motion has been seconded.

27.2 When seconding a motion or amendment, a Member may reserve their speech until later in the debate.

27.3 When a motion is under debate no other motion may be moved except :

- a) to amend the motion;
- b) to proceed to the next business;
- c) that the question now be put;
- d) that a Member be no longer heard;
- e) that a Member leave the meeting;

- f) to exclude the public and press from the meeting under the terms of the Local Government Act 1972;
- g) to extend the time of the meeting or the time for the agenda item .

27.4 No Member may move more than one amendment to any motion or substantive question before the Council unless the further amendment comprises new material which is not related to the subject of the previous amendment.

27.5 Only one amendment may be moved and discussed at a time unless the Lord Mayor rules otherwise and no further amendment is to be moved until the Council has reached a decision on the amendment under discussion.

27.6 When the Council has reached a decision on a motion or amendment, the Lord Mayor will refuse to put at the same meeting any subsequent motion or amendment which, if carried, would substantially contradict, override or repeat the former one.

27.7 If an amendment is lost, other amendments may be moved on the original motion.

27.8 If an amendment is carried, the amended motion replaces the original motion on which any further amendments are moved.

28.0 Right of reply

28.1 The mover of a motion has a right of reply at the end of the debate on the motion immediately before it is put to the vote. If an amendment has been moved, the mover of the original motion also has a right of reply at the close of the debate on the amendment but may not otherwise speak on the amendment. The mover of the amendment has no right of reply to the debate on his/her amendment.

29.0 Closure motions

29.1 A Member who has not spoken on the substantive issue may move without comment at the end of another Member's speech one of the following:

- a) "That the Council proceed to the next business"
- b) "That the question be now put" or "Move to the vote"

c) "That the Council now adjourn"

If the motion is seconded, the Lord Mayor may do one of the following:

- i. on a motion to proceed to the next business, unless in the Lord Mayor's opinion the matter has not been sufficiently discussed, he or she may give the mover of the original motion a right of reply and then put to the vote the motion to proceed to the next business;
- ii. on a motion that the question be now put, unless in the Lord Mayor's opinion the matter has not been sufficiently discussed, he or she may put to the vote the motion that the question be now put and, if it is carried, then give the mover of the original motion or, if an amendment is under debate, then the mover of that amendment, the right of reply before putting that motion or amendment to the vote;
- iii. on a motion to adjourn the meeting, the Lord Mayor may put the adjournment motion to the vote without giving the mover of the original motion his/her right of reply on that occasion.

30.0 Points of Order

30.1 A member who believes that there is some irregularity in the constitution or conduct of the meeting may rise on a point of order. Such irregularities may include:

- a) discussion of a question not before the Council
- b) the use of improper language
- c) interjection of remarks while a Member is speaking.
- d) that a quorum is not present
- e) breach of any other Procedure Rule or law

30.2 When a Member rises on a point of order he or she must state at the outset the rule or law which he or she considers to have been breached. The Member raising the point of order must then sit down immediately while the Lord Mayor gives a ruling.

30.3 A Member against whom a point of order is being raised must sit down until the Lord Mayor has ruled on the matter.

30.4 If the Lord Mayor rules that the language used by a Member is improper, it is the duty of the Member to withdraw it.

31.0 Personal Explanation

31.1 A Member may make a personal explanation at any time. A personal explanation may only relate to some material part of an earlier speech by the member which appears to have been misunderstood or is being misquoted in the present debate. The ruling of the Lord Mayor on the admissibility of a personal explanation will be final.

32.0 Content and Time Limits

32.1 Speeches must be directed to the question under discussion or to a personal explanation or point of order

32.2 When moving a motion a Member may speak for a maximum of five minutes.

32.3 No other speeches (including the moving of amendments and the right to reply) may take more than three minutes without the consent of the Council, which will be determined by a vote on a motion without discussion.

(Note:) These time limits shall not apply to the Leader of the Council and the Leaders of other Groups on the Council when they are proposing a motion or an amendment during the meeting which sets the Council's annual budget.

33.0 Voting

33.1 All matters will be determined by use of the electronic voting system unless at least three Members of the Council demand that the names be recorded. In that event, the Chief Executive will ensure that the names and votes of the Members present are recorded and included in the Minutes of the meeting.

33.2 If the Lord Mayor indicates that the electronic voting system is not operating then votes may be taken by a show of hands

33.3 If there are equal numbers of votes for and against, the Lord Mayor will have a second or casting vote. There will be no restriction on how the Lord Mayor chooses to exercise a casting vote.

33.4 Any Member is entitled to have his/her own vote recorded in the Minutes whether or not a full recorded vote is taken.

33.5 Details of all motions and amendments that are lost will be duly recorded in the published minutes of the meeting.

34.0 Voting on Appointments

34.1 If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

35.0 Minutes

35.1 The Lord Mayor will sign the minutes of the proceedings at the next suitable ordinary meeting of the Council. The Lord Mayor will move that the minutes of the previous meeting be signed as a correct record. The only part of the minutes that can be discussed is their accuracy.

36.0 Exclusion of Public

36.1 Members of the public and press may only be excluded either in accordance with the Access to Information Procedure Rules in Part four of this Constitution or Rule 38 (Disturbance by Public)

36.2 If any question arises at any meeting of the Council relating to the appointment, dismissal, promotion, conduct, remuneration or conditions of service of any member of the Council's staff no discussion shall take place until the meeting has considered whether or not to exclude the public and press in accordance with the Access to Information Procedure Rules.

37.0 Misconduct by Members

37.1 If any Member at a meeting of the Council disregards the authority of the Lord Mayor or is guilty of obstructive or offensive conduct the meeting may, on a motion being duly moved, seconded and carried, resolve that the Member should not be heard and should leave the meeting. Such a motion need not be in writing and is put without discussion. If the motion is carried, the Member must leave the meeting immediately

38.0 Disturbance by Public

- 38.1 If a member of the public interrupts the proceedings of any Council meeting, they will be warned by the Lord Mayor. If the disruption continues, the Lord Mayor may order them to leave the meeting. In the event of general disturbance in any part of the Council Chamber, the Lord Mayor may order that part to be cleared.
- 38.2 In the event of general disturbance which in the opinion of the Lord Mayor makes the orderly conduct of business impossible, the Lord Mayor may adjourn the meeting for as long as necessary.

39.0 Filming and Use of Social Media During Meetings

- 39.1 Filming and use of social media is permitted during meetings in accordance with a protocol approved by the Council so long as there is no disturbance to the conduct of the meeting.

40.0 Suspension and Amendment of Council Procedure Rules

- 40.1 All of these Council Rules of Procedure except Rule 33.3 (the right for an individual Member to have his or her vote recorded) may be suspended by motion on notice. Such a motion may only be moved without notice if at least one half of the whole number of Members of the Council is present. Suspension can only be for the duration of the meeting.

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**Audit and Governance Committee**

24 September 2014

Report of the Monitoring Officer

Arrangements for petitions**Summary**

- 1 This report proposes new arrangements for handling petitions submitted to the Council.

Background

- 2 The City Council regularly receives petitions from members of the public. Some are submitted directly by a lead petitioner and others are presented at Full Council by Members. Petitions may be submitted in a traditional paper format but since 2011 the Council has also offered a facility to submit and sign petitions online.
- 3 Currently, if a petition is signed by more than 1000 people then, with a few exceptions, the Council guarantees that a debate will be held at a meeting of the Full Council. During consultation in respect of updating the Council procedure rules the question has been raised as to whether this is the best arrangement for dealing with petitions. In particular the following issues have been raised:
 - Full Council rarely has the legal powers to make a decision to take action requested by a petitioner. As a result the debate can feel as though it has been left without a satisfactory conclusion or clear idea as to whether or how the matter will be progressed.
 - While debates are informed by officer reports there is only limited opportunity for the petitioners to engage in the debate.

- The number of signatories does not always correspond to the significance of the issue across the Council or in a particular locality.
- There is limited Member involvement or knowledge of the petitions being submitted which have fewer than 1000 signatures.

Proposal

- 4 It is proposed that petitions will be reported to a committee of the Council and that, at least initially, this should be the Corporate and Scrutiny Management Committee. The Committee would be notified of petitions carrying more than ten signatures. In line with existing criteria there would be some exceptions:
 - Petitions which relate to an individual planning or licensing application. These petitions would be referred to the relevant decision making body to be considered along with the application.
 - Petitions which relate to matters where there is a legal right to seek a review or appeal
 - Petitions which seek to criticise the performance or conduct of an identifiable individual or individuals – where appropriate the lead petitioner will be directed to the most appropriate route for raising such concerns with the Council.
 - Petitions which the Council’s Monitoring Officer, acting in consultation with the Chief Executive, considers to be vexatious, abusive or otherwise inappropriate
- 5 It is not suggested that a response to the petition should be placed on hold pending consideration by the Scrutiny Committee. It would be a matter for the decision maker to judge whether that might be appropriate in a particular case.
- 6 In most cases it is suggested that the petition would be presented in a summary form to the Committee with details of the action which has been taken or is to be taken in response to it. Either the Chair, in advance of the meeting, or the

Committee itself would though be able to request a fuller report in particular cases and might be expected to do so when a petition has received substantial support.

- 7 The Committee would, of course, have no powers to direct that the action called for by the petitions should be taken but steps that might be taken include:
 - Simply noting the receipt of the petition and the proposed action.
 - Requesting a more detailed report on the matter.
 - Asking the relevant decision maker or the appropriate Cabinet member to attend the Committee to answer questions in relation to it.
 - Undertaking a detailed scrutiny review, gathering evidence and making recommendations to the decision maker.
 - Putting the matter forward to be considered as a potential topic for a future scrutiny review.
 - Referring the matter to Full Council where its significance requires a debate in that forum.
- 8 The normal public participation rules would apply at meetings of the Corporate and Scrutiny Management Committee allowing members of the public to speak for up to three minutes in relation to a petition on the agenda. The Committee would though have great flexibility to ensure enhanced public involvement. Options might include inviting the petitioner to deliver a presentation, submit other evidence or identify witnesses that the Committee could ask to attend.
- 9 The Committee is therefore being asked to recommend Council amend the terms of reference for the Corporate and Scrutiny management committee to allow them to consider and make recommendations in relation to petitions. If Council approves this proposal then the current petitions scheme will be updated to reflect the changes as described in this report.

Council Plan

- 10 The way the Council responds to petitions demonstrates that it is a confident and collaborative organisation which is in touch with its communities. These core capabilities assist the Council in achieving its priorities.

Implications

- 11 There are no specific implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Consultation

- 12 Political groups have been consulted on whether and how the Council's current petitions processes can be improved.

Recommendations

- 13 Members are asked to recommend that Council amends the terms of reference for the Corporate and Scrutiny Management Committee by adding:
- “7. To receive details of petitions received by the Council in line with the Council's published arrangements and responses or proposed responses to those petitions. To consider using its powers as a scrutiny committee to support the Council in responding appropriately to issues raised by such petitions and, in doing so, to promote public engagement”

Reason

To ensure that the Council responds appropriately to petitions.

Contact Details

**Author and Chief
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the report:**

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551004

**Report
Approved**

Date

9 September
2014

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

None

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Glossary of Abbreviations

AD	Assistant Director
AGS	Annual Governance Statement
ASC	Adult Social Care
AUC	Assets Under Construction
CANS	Communities and Neighbourhood Services
CBSS	Customer and Business Support Services
CCG	Clinical Commissioning Group
CES	City and Environmental Services
CFO	Chief Finance Officer
CIA	Chief Internal Auditor
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CTS	Council Tax Support
CYC	City of York Council
DMT	Directorate Management Team
DOLS	Deprivation of Liberty Safeguard
FOI	Freedom of Information
HBMS	Housing Benefit Matching Service
HRA	Housing Revenue Account
ICO	Information Commissioner's Office
IM	Information Management
ISA	International Standard on Auditing
IT	Information Technology
KCR	Key Corporate Risk
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGA	Local Government Association
NFI	National Fraud Initiative
OCE	Office of the Chief Executive
PCT	Primary Care Trust
PH	Public Health
PSIAS	Public Sector Internal Audit Standards
SOLACE	Society of Local Authority Chief Executives and Senior Managers
SPD	Single Person Discount
VFM	Value for Money

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