Notice of meeting of

Audit & Governance Committee

To:	Councillors Jeffries (Chair), Barnes, Brooks (Vice-Chair), Burton, Cuthbertson, Watson and Steward
Date:	Tuesday, 26 July 2011
Time:	5.30 pm
Venue:	The Guildhall, York

AGENDA

Note:
As agreed at previous meetings, the Chief Internal Auditor and District Auditor (Audit Commission) will be present in the meeting room from 5:00 pm to provide a private briefing for Members, if required.

1. Declarations of Interest

At this point Members are asked to declare any personal or prejudicial interests they may have in the business on this agenda.

2. Exclusion of Press and Public

To consider the exclusion of the press and public from the meeting during consideration of the following:

Annex E to Agenda Item 9 on the grounds that it contains information relating to a labour relations matter arising between the authority and employees. This information is classed as exempt under paragraph 4 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

3. **Minutes** (Pages 3 - 10)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 28 June 2011.

4. **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 **Monday 25 July 2011**.

5. **Forward Plan** (Pages 11 - 18)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to June 2012.

6. **Audit Commission Audit Progress Report 2010-11** (Pages 19 - 34)

This report presents an update on progress in delivering the 2010/11 Audit Plan from the council's external auditor, the Audit Commission, including any requirements from 'those charged with governance' (the Audit & Governance Committee in City of York Council).

7. **Draft Statement of Accounts 2010-11** (Pages 35 - 186)

This report will enable Members to review the pre-audit Statement of Accounts together with the Annual Governance Statement before the audit of the accounts and enable them to raise any points that may need to be addressed.

8. **Draft Annual Governance Statement 2010-11** (Pages 187 - 202)

The purpose of this report is to present the draft Annual Governance Statement (AGS) 2010/11 for approval. The AGS is attached at Annex A to the report and has been agreed by the Leader and the Chief Executive. A signed version will accompany the Statement of Accounts 2010/11.

9. Risk Management Quarter 1 Monitor (Pages 203 - 222)

The purpose of this report is to present to the Audit and Governance Committee the position of the risks associated with the Key Corporate Risks (KCRs) as at the end of June 2011. This report also proposes changes to the way in which risks are reported in the future.

10. Scrutiny of the Treasury Management Annual Report 2010-11 and Review of Prudential Indicators (Pages 223 - 244)

This report, in line with regulations issued under the Local Government Act 2003, outlines the annual treasury report reviewing treasury management activities and treasury indicators for 2010/11.

11. Changes to the Constitution (Pages 245 - 250)

This report seeks the Committee's comments on proposed constitutional changes relating to the Council Procedure Rules, to Financial regulations and to various protocols which are in the Constitution.

12. Urgent Business

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

<u>Democracy Officer:</u>

Name: Laura Bootland
Contact details:

- Telephone – (01904) 552062
- E-mail – laura.bootland@york.gov.uk

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

- Registering to speak
- Business of the meeting

- Any special arrangements
- Copies of reports

Contact details are set out above.

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If you would, you will need to:
- register by contacting the Democracy Officer (whose name and contact details can be found on the agenda for the meeting) **no later than** 5.00 pm on the last working day before the meeting;
- ensure that what you want to say speak relates to an item of business on the agenda or an issue which the committee has power to consider (speak to the Democracy Officer for advice on this);
- find out about the rules for public speaking from the Democracy Officer.

A leaflet on public participation is available on the Council's website or from Democratic Services by telephoning York (01904) 551088

Further information about what's being discussed at this meeting
All the reports which Members will be considering are available for viewing online on the Council's website. Alternatively, copies of individual reports or the full agenda are available from Democratic Services. Contact the Democracy Officer whose name and contact details are given on the agenda for the meeting. **Please note a small charge may be made for full copies of the agenda requested to cover administration costs.**

Access Arrangements
We will make every effort to make the meeting accessible to you. The meeting will usually be held in a wheelchair accessible venue with an induction hearing loop. We can provide the agenda or reports in large print, electronically (computer disk or by email), in Braille or on audio tape. Some formats will take longer than others so please give as much notice as possible (at least 48 hours for Braille or audio tape).

If you have any further access requirements such as parking close-by or a sign language interpreter then please let us know. Contact the Democracy Officer whose name and contact details are given on the order of business for the meeting.

Every effort will also be made to make information available in another language, either by providing translated information or an interpreter providing sufficient advance notice is given. Telephone York (01904) 551550 for this service.

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Holding the Cabinet to Account

The majority of councillors are not appointed to the Cabinet (39 out of 47). Any 3 non-Cabinet councillors can 'call-in' an item of business from a published Cabinet (or Cabinet Member Decision Session) agenda. The Cabinet will still discuss the 'called in' business on the published date and will set out its views for consideration by a specially convened Scrutiny Management Committee (SMC). That SMC meeting will then make its recommendations to the next scheduled Cabinet meeting in the following week, where a final decision on the 'called-in' business will be made.

Scrutiny Committees

The purpose of all scrutiny and ad-hoc scrutiny committees appointed by the Council is to:

- Monitor the performance and effectiveness of services;
- Review existing policies and assist in the development of new ones, as necessary; and
- Monitor best value continuous service improvement plans

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City of York Council — Committee Minutes

MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	28 JUNE 2011
PRESENT	COUNCILLORS JEFFRIES (CHAIR), BARNES, BROOKS (VICE-CHAIR), BURTON, CUTHBERTSON AND WATSON
IN ATTENDANCE	COUNCILLOR GUNNELL
APOLOGIES	COUNCILLOR STEWARD

82. DECLARATIONS OF INTEREST

Members were asked to declare any personal or prejudicial interests they may have in the business on the agenda. No interests were declared.

83. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 19 April 2011 be approved and signed by the Chair as a correct record.

Matters Arising

As requested by Members at the last meeting, the Director of Communities and Neighbourhoods gave an update on the progress that was being made in respect of risk references 1796, 1798 and 1799. In respect of Risk References 1796 and 1798, details were given of the work that was being carried out to ensure that the Council was a fair inclusive and customer-focused organisation. Attention was drawn to the implementation of the Corporate Fairness and Inclusion Strategy, the Corporate Equality Scheme and directorate plans. The policies had been updated to reflect recent changes in legislation.

Members were informed of a mock peer review that had recently taken place to assess whether the Council was on track to attain level “achieving” of the Equality Framework for Local

Government. Feedback suggested that the Council was already at level “achieving” and was on its way to attaining level “excellent”. It was hoped that the Council would achieve excellence in equalities by 2012.

Members asked about the measures that were in place to ensure that vulnerable staff were not bullied, harassed or excluded. Details were given of the Workforce Plan and of policies covering issues such as bullying. A Staff Equality Reference Group was in place. Personal Development Reviews also provided an opportunity to identify any such issues. Details were given of the staff well-being survey that had recently taken place, the results of which would be made available to Members.

Officers stated that it was important that the risk references remained on the register until they were fully embedded throughout the Authority. Members requested that they be kept updated on progress.

84. PUBLIC PARTICIPATION

It was reported that there were no registrations to speak under the council’s Public Participation Scheme.

85. FORWARD PLAN

Members considered a paper that detailed the future plan of reports expected to be presented to the committee during the forthcoming year to April 2012. Members were invited to identify further items they wished to add to the plan.

Discussion took place regarding the committee’s training requirements.

RESOLVED:

(i) That the committee’s Forward Plan for period up to April 2012 be noted.

(ii) That a training session on the Role of the Audit and Governance Committee be held prior to the start of the September meeting.

(iii) That a training session on "2010/11 Statement of Accounts" be held on Tuesday 19 July 2011 at 5.30pm.

REASONS: (i) 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.

(ii) To ensure that the training needs identified by the committee are met.

86. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT.

Members received a report that advised on the process and outcomes of the 2010/11 review of the effectiveness of the council's system of Internal Audit, as part of the review of the overall system of internal control required for the 2010/11 draft Annual Governance Statement.

Officers went through the report and responded to Members' questions. Attention was drawn to paragraph 24 of the report. This detailed a number of areas for further development, which had been identified as part of last year's self-assessment. One of the proposals was for the Audit and Governance Committee to conduct a review of its own effectiveness. It was agreed that it would be appropriate for this to be actioned once the new members of the committee had become more established in their role.

Consideration was given to Annex A, which detailed areas of possible non-compliance. Officers went through these in more detail.

Members were pleased to note that, based on the results of the review, the council's internal audit arrangements were considered to be operating in accordance with accepted professional best practice and remained effective.

RESOLVED: (i) That the results of the review of the effectiveness of the council's system of internal audit be noted.

(ii) That an item on a review of the Audit and Governance Committee's own effectiveness be included on the Committee's Forward Plan.

REASON: To enable Members to consider the adequacy and effectiveness of the council's control environment.

87. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT.

Members received a report that summarised the outcome of audit and fraud work undertaken in 2010/11 and provided an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.

Details were given of the successful completion of a pilot project to investigate housing related fraud and of the introduction of new fraud risk assessment arrangements to improve the targeting of counter fraud resources.

Members' attention was drawn to the following significant control issues:

- Bank reconciliation
- Use of purchase orders
- Information security

Members were pleased to note that it had been recognised that there would be significant changes in terms of managing partnership arrangements and that appropriate controls and monitoring arrangements would need to be in place.

Members were pleased to note that Veritau had been successful in seeking Investors in People accreditation.

RESOLVED: (i) That the results of the audit and fraud work undertaken in 2010/11 be noted.

(ii) That the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's internal control environment be noted.

(iii) That the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement be noted.

REASONS: (i) To enable Members to consider the implications of audit and counter fraud findings.

(ii) To enable Members to consider the opinion of the Head of Internal Audit.

(iii) To enable the Annual Governance Statement to be prepared.

88. ALTERATIONS TO THE SUBSTITUTES ARRANGEMENTS FOR COMMITTEE MEETINGS.

Members considered a report that asked for their views on constitutional changes in relation to the use of substitutes for committee meetings.

At the Council's Annual Meeting, the Monitoring Officer had been authorised to make the necessary constitutional changes, subject to the views of the Audit and Governance Committee being sought.

Consideration was given to the proposed Constitutional change, as detailed in paragraph 6 of the report. It was agreed that the word "and" should be deleted from proposed paragraph (c) (i) in order to provide greater clarity.

RESOLVED: That the proposed Constitutional amendment, as detailed in paragraph 6 of the report and subject to the deletion of the word "and", be confirmed.

REASON: To enable progress to be made to implement the resolution of Council.

89. MEDIA PROTOCOL

[see also Part B minute]

Members considered a report that proposed a change to the existing Media Protocol to ensure that communication of Council policies and activities was open and transparent and that there was clear accountability for all council decision making. The report had been considered at Cabinet on 21 June 2011 and would be recommended to Council on 30 June 2011 for agreement.

At the request of Members, the Monitoring Officer explained the reasons why the report was being presented to the Audit and Governance Committee for consultation, after having been considered by Cabinet.

Some Members expressed concern that paragraph 7.3 of the protocol stated that press releases would not promote the views of specific political groups, yet the Cabinet was, by its very nature, political. Members also commented on the proposed arrangements in respect of Chairs of Scrutiny Committees. A suggestion was put forward that interviews with the media should be arranged through political groups and not the Communications and Media Team. A request was made that the wording be amended to ensure consistency in whether the first or third person tense was used.

Other Members stated that the protocol improved Members' accountability with the public. The removal of the protocol from the Constitution would also enable it to be responsive to the rapid developments in media and communications.

RESOLVED: (i) That council be recommended to take into account the comments of the Audit and Governance Committee on the Media Protocol, as recorded above.

(ii) That it be recommended to Council that Cabinet's recommendation to remove the Media Protocol from the Constitution be endorsed.

REASONS: (i) To ensure greater transparency and accountability.

(ii) To ensure that future practical amendments can be made to the policy without disproportionate bureaucratic decision-making.

PART B -MATTERS REFERRED TO COUNCIL

90. MEDIA PROTOCOL

[see also Part A minute]

Members considered a report that proposed a change to the existing Media Protocol to ensure that communication of Council policies and activities was open and transparent and that there was clear accountability for all Council decision making. The report had been considered at Cabinet on 21 June 2011.

At the request of Members, the Monitoring Officer explained the reasons why the report was being presented to the Audit and Governance Committee for consultation, after having been considered by Cabinet.

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Other Members stated that the protocol improved Members' accountability with the public. The removal of the protocol from the Constitution would also enable it to be responsive to the rapid developments in media and communications.

RECOMMEND: (i) That Council take into account the comments of the Audit & Governance Committee on the Media Protocol, as recorded above.

(ii) That Council endorse Cabinet's recommendation to remove the Media Protocol from the Constitution.

REASONS:

(i) To ensure greater transparency and accountability.

(ii) To ensure that future practical amendments can be made to the policy without disproportionate bureaucratic decision-making.

Councillor Jeffries, Chair
[The meeting started at 5.00 pm and finished at 6.25 pm].

CITY OF YORK COUNCIL

Audit and Governance Committee 26 July 2011

Report of the Assistant Director of CBSS (Financial Services)

Audit & Governance Committee Forward Plan to June 2012

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to June 2012.

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 June 2012. 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. There is one amendment to the forward plan since the previous version was presented to this Committee in June 2011. This is the addition of the Review of the Effectiveness of Audit & Governance Committee, to the meeting in April 2012. This will ensure that the action from the 2010/11 Review of the Effectiveness of Internal Audit will be completed in time for the next annual review.

Consultation

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

Options

5. Not relevant for the purpose of the report.

Analysis

6. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

8.

(a) **Financial** - There are no implications

(b) **Human Resources (HR)** - There are no implications

(c) **Equalities** - There are no implications

(d) **Legal** - There are no implications

(e) **Crime and Disorder** - There are no implications

(f) **Information Technology (IT)** - There are no implications

(g) **Property** - There are no implications

Risk Management

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

Recommendations

10.

(a) The Committee's Forward Plan for the period up to June 2012, including the amendment discussed at paragraph 3, be noted.

<u>*Reason*</u>
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.

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

Contact Details

Author:	**Chief Officer Responsible for the report:**
Helen Malam Systems Accountant Customer & Business Support Services Telephone: 01904 551738	Keith Best Assistant Director of CBSS (Financial Services) Telephone: 01904 551745
	Report Approved √ **Date** 13/07/2011

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 June 2012

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Annex 1

Audit & Governance Committee Draft Forward Plan to June 2012

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

- **<u>Committee 29 September 2011 (Revised date TBC)</u>**

  Annual Governance Report

  Final Statement of Accounts 2010/11

  Corporate Governance Update

  Risk Management Quarter 2 Monitor

  Follow-up of Internal and External Audit Recommendations

  Internal Audit & Fraud Plan Progress Report

  Audit Commission reports as per agreed Audit & Inspection plan
  Changes to the Constitution (if any)

- **<u>Committee 5 December 2011</u>**

  Annual Audit Letter – Audit Commission (if published)

  Internal Audit & Fraud Plan Progress Report

  Scrutiny of the Treasury Management Monitor 2 Report 2011/12 and Review of Prudential Indicators

  Constitutional Changes following the Localism Bill (TBC)

  Audit Commission national reports summary (if any)
  Audit Commission reports as per agreed Audit & Inspection plan
  Others Changes to the Constitution (if any)

<u>Committee 13 February 2012</u>

Risk Management Quarter 3 Monitor

Scrutiny of the Treasury Management Monitor 3 Report 2011/12 and Review of Prudential Indicators

Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators for 2012/13 to 2016/17

Update of Counter Fraud Policies

Internal Audit Plan Consultation

Audit & Fraud Risk Assessment

Audit Commission reports as per agreed Audit & Inspection plan
Changes to the Constitution (if any)

- **<u>Committee 2 April 2012</u>**

Risk Management Quarter 4 Monitor

Approval of Internal Audit Plan

Internal Audit & Fraud Plan Progress Report

Follow up of Internal and External Audit Recommendations

Review of the Effectiveness of the Audit & Governance Committee

Audit Commission national reports summary (if any)
Audit Commission reports as per agreed Audit & Inspection plan
Changes to the Constitution (if any)

- **<u>Committee June 2012 (Date TBC)</u>**

Review of the Effectiveness of Internal Audit

Annual Report of the Head of Internal Audit

Draft Annual Governance Statement 2011/12

Audit Commission reports as per agreed Audit & Inspection plan
Changes to the Constitution (if any)

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Agenda Item 6

CITY OF YORK COUNCIL

Audit and Governance Committee 26 July 2011

Report of the Director of Customer & Business Support Services

Audit Commission Audit Progress Report 2010/11

Summary

1. This report presents an update on progress in delivering the 2010/11 Audit Plan from the council's external auditor, the Audit Commission, including any requirements from 'those charged with governance' (the Audit & Governance Committee in City of York Council).

2. It also looks at 2011/12 audit fees and other developments including recent national activity.

Background

3. The Audit Commission's 2010/11 Audit Plan was presented to the Audit and Governance Committee in April 2010. The report gives an update on the progress against that plan including:

   - Opinion on the financial statements including compliance with Internal Financial Reporting Standards
   - Grant claim certification
   - VFM conclusion

4. The report also promotes some of the national work undertaken by the Audit Commission reported over the last three months.

Consultation

5. The progress report and particularly those items in paragraph 3 above have been discussed with key council officers.

Options

6. Not relevant for the purpose of the report.

Analysis

7. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

9.

(a) **Financial** – The fees can be contained within the 2010/11 and 2011/12 budget for external audit fees.

(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

10. The report outlines any risks arising from the work of the Audit Commission and the response from council officers in managing those risks.

Recommendations

11. Members are asked to consider the content of the progress report, note its findings and matters arising.

<u>Reason</u>
To ensure the Committee is fully aware of the current activity of the external auditors and any issues that could affect the council's system of internal control

Contact Details

Author:	**Chief Officer Responsible for the report:**
Helen Malam Systems Accountant Tel 01904 551379	Ian Floyd Director of Customer & Business Support Services Telephone: 01904 551100
	Report Approved √ **Date** 13.7.11

Specialist Implications Officers

Wards Affected: Not applicable **All** ☐

For further information please contact the author of the report

Background Papers:

Audit Commission Annual Audit Plan 2010/11

Annexes

Audit Commission Audit Progress Report 2010/11

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Progress report

City of York Council

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

Contents

Introduction

1 This update report reflects progress on our external audit work as at the end of March 2011.

2 The report also tells the Committee about other matters of interest, including:

- 2011/12 fees, and Audit Commission rebates;
- future audit arrangements; and
- work undertaken nationally by the Audit Commission.

Progress on the 2010/11 audit

3 We presented our 2010/11 Opinion Plan to the February meeting of the Audit and Governance Committee. This plan set out our initial assessment of audit risk, and the work that we will undertake in order to meet Code of Audit Practice responsibilities. We confirmed an audit fee of £248,900 as previously agreed, and this remains appropriate.

Financial statements audit

4 Our detailed testing on the Council's financial systems is now complete and we have arranged to commence IFRS restatement work on 18 July 2011. We are also progressing grant claims certification work, particularly on housing and council tax benefit claims, which will help to confirm key balances and transactions in the accounts.

5 We expect to receive unaudited financial statements following certification on 30 June 2011, and all supporting working papers by 1 August 2011. This should give us sufficient time to complete our audit work and meet the statutory opinion deadline of 30 September.

6 The only additional issues arising since our last audit progress report relate to social care payments, where it appears that the operation of some detailed processing controls has changed during the year.

- In previous years, exception reports have been used to identify and review high value or unusual items in the payment run. This is no longer the case. Staff visually scan the list of individual payments on screen, but no reports are produced so there is no evidence of the control taking place.
- Contracts for the provision of care should be signed by all of the parties involved (the customer, the Council, the care provider, and any third party, if applicable), before payment is made. In practice the need to commence care packages can be pressing, and payments will be released before this date if authorisation is given by the budget holder.

7 These procedure changes have been reported for information, but have had no significant impact on our audit work or testing strategies as we are satisfied that adequate compensating controls exist elsewhere in the system.

Value for money conclusion

8 Our assessment is based on two criteria, specified by the Audit Commission, related to your arrangements for:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising your resources within tighter budgets and improving productivity and efficiency.

9 Our assessment has progressed according to plan. The only outstanding work is to review the Council's year end financial statements, annual governance review, and performance report.

10 We will include the main findings from our Value for Money work in the Annual Governance Report presented at September's Committee meeting.

Audit Advisory Services

11 We have recently established a national Advisory Services team. The purpose of the team is to provide clients with more responsive and flexible non-audit support in areas where our staff have particular expertise.

12 Stephen Gregg, our regional lead on Advisory Services, has recently met with the Director of Customer and Business Support Services to discuss the team's remit, staff profiles and product offers in more detail. Some potential for work on asset management has been identified and is being pursued but we would also welcome any suggestions from elected members.

Looking ahead

2011/12 audit fee

13 We have now completed our initial risk assessment and audit planning work for 2011/12, and agreed a fee of £224,000 with the Director of Customer and Business Support Services. This is the scale fee set by the Audit Commission and represents a 10 per cent reduction on the previous year.

14 The fee excludes work required by government departments on certifying grant claims. We estimate that less work will be required on 2011/12 claims. The actual charge will be based on the claims certified; at this stage we estimate a charge of approximately £49,280.

Audit Commission rebates

15 When confirming the work programme and scales of fees for 2011/12 in February 2011, the Commission agreed, subject to affordability, to make additional rebates in 2011/12.

16 The Commission has now decided to give all principal audited bodies a rebate of 8 per cent on their audit fee for 2011/12. The rebate will be paid directly to audited bodies in October.

Future audit arrangements

17 The Department for Communities and Local Government (DCLG) announced in August 2010 plans to abolish the Audit Commission and put in place new arrangements for auditing England's local public bodies. DCLG has consulted on its proposals for the new audit regime and plans to publish a draft Bill for further scrutiny and comment later in the year. The new regime will see the end of the Commission's responsibilities for overseeing and commissioning local audit and its other statutory functions, including those relating to studies into financial management and value for money.

18 The Commission is working with DCLG to develop an approach to transferring its existing in-house Audit Practice into the private sector. DCLG's provisional view is that its preferred route is to ask the Commission to invite bids for all existing Audit Practice audit appointments from 2012/13 onwards from private sector firms. If ministers confirm this outsourcing route, the staff of the Commission's in-house Audit Practice intend to submit a bid for the work on offer, probably as a joint venture, which could form the basis of a new employee-owned, or mutual, organisation. The aim will be to provide a distinctive and competitive choice for local public bodies.

19 We have discussed developments with chief officers and have reaffirmed the Commission's, and our own, commitment to delivering a high quality and effective audit service right through to whatever date the transfer to new arrangements takes place. We will continue to keep you up to date on developments.

Other developments and national publications

20 This section of the report promotes some of the national work undertaken by the Audit Commission over the last three months. It highlights various areas of interest, some of which may prompt further consideration by officers and/or members. Where relevant, specific references to the position at the Council are included. The full reports can be found on the Commission's website at:
http://www.audit-commission.gov.uk/localgov/Pages/default.aspx

21 Examples of notable practice in local government and other sectors, identified from local work by auditors as well as national studies, are also available on the website.

Final Countdown: IFRS in local government

22 In March 2011 the Commission published the final briefing paper in its Countdown to IFRS series, reporting on findings from a January 2011 auditor survey on implementation of IFRS in local government. It makes comparisons with an overall assessment taken in November 2009 and July 2010.

23 The overall message is that even those authorities with issues to resolve still have time to implement IFRS successfully, if they take appropriate action. However, they need to act now, as problems that arise later in the final accounts period may lead to added costs for the authority or material errors in draft accounts.

24 The report suggests that authorities should:

- complete any key outstanding IFRS implementation tasks, such as restatement work, without further delay;
- integrate any remaining tasks into their accounts closedown timetable;
- leave enough time to prepare the increased number of IFRS disclosures and to resolve any remaining financial reporting issues;
- ensure their accounts closedown timetable is realistic, building in enough time and staff resource to deal with issues that will inevitably arise during the closedown period;
- keep their auditors informed on their progress in resolving IFRS financial reporting issues and seek to agree time in advance to review work as they enter the closedown period;
- continue to discuss progress of IFRS implementation with their audit committees; and
- take steps now to ensure that IFRS knowledge and skills are captured and embedded, to enable good financial reporting in future years.

Better value for money in schools

25 At the end of March the Commission published a set of briefings to help schools use all their staff – whether teachers, teaching assistants, or administration and finance staff – as efficiently as possible. The briefings build on the national report Valuable Lessons, published in 2009

26 England's maintained schools spent £35 billion in 2009/10. School staff account for over three-quarters of this total and form one of the country's largest public sector workforces. Each school in the country has its own circumstances, its own constraints and priorities, but now every school faces the same challenge of tightening budgets.

27 The briefings explain the cost implications of different ways of managing a school's workforce, and aim to help school heads, governing bodies and councils to control costs without compromising educational attainment. They look at four areas where schools have scope to improve efficiency:

- the deployment of classroom staff, including class sizes and allocation of teachers and teaching assistants;
- the breadth and focus of schools' curriculum offer;
- approaches to covering for staff absence, including supply teachers; and
- the size, cost and composition of the wider (non-teaching) school workforce.

Services for young people: self-assessment pack

28 This free self-assessment pack, published in April 2011, is a collaboration between the Audit Commission and the Confederation of Heads of Young People's Services (CHYPS). It aims to help make sure money spent on services for young people is well used and has the right impact.

29 Already piloted in six areas, it has been credited with:

- helping statutory and voluntary providers to begin longer-term reviews of provision, staffing and costs;
- increasing self-awareness among managers and staff about council youth services;
- stimulating discussion between partner organisations on improvement and how to achieve better value for money;
- identifying some 'quick wins' – for example, doing more to celebrate young people's achievements; and
- generally raising the profile of youth services.

30 The pack is organised into five modules which take users through a structured assessment of their services, drawing on their own and comparative data about spending and outcomes. It then helps them prepare an action plan to provide the best value for money services for young people, specifically tailored to their area and its resources.

Road maintenance

31 Between them, council highways authorities are responsible for 98 per cent of the country's roads, spending a total of £2.3 billion in 2009/10. In the last national Place Survey, roads were a higher priority with residents than crime or affordable housing.

32 Road traffic is expected to increase by more than 30 per cent in the next 15 years, but highways budgets are facing significant cuts. Councils must therefore strike a difficult balance between:

- dealing on a responsive basis with "worst first" and surface issues such as patchworks and potholes;
- undertaking planned maintenance work which will prolong a road's useful life; and
- minimising disruption for road users.

33 However, a new Commission report shows how councils can get more for their money. Cost-saving collaborations with neighbours, techniques to show when road maintenance and investment will be most effective, new ways of keeping residents informed, and weighing short-term repairs against long-term resilience are all recommendations from Going the Distance: Achieving better value for money in road maintenance.

Improving value for money in adult social care

34 Social care services have seen an increase in demand because of an ageing population and because people with learning disabilities are living longer. Councils have reacted positively to these pressures by changing the way they operate, by giving more people personal budgets and spending more on prevention.

35 But the pressures on budgets are growing and, over time, more and more people will need help. Councils will need to look more widely to deliver greater savings and make a real difference to peoples' lives in the longer term.

36 This Audit Commission briefing identifies nine areas in which councils can make changes and deliver efficiency savings. They are procurement; staffing; back office; assessment and care management; prevention; personalisation; changing the balance of care; partnership and charging. Most councils have addressed a combination of these factors, but no one council has made changes to all nine.

37 This publication is the first in a series of briefings looking at value for money in social care, and highlights examples of councils who have made substantial savings in these areas.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

Design and production by the Audit Commission Publishing Team.

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Audit & Governance **28 July 2011**

Report of the Director of Customer and Business Support Services.

Statement of Accounts 2010/11

Summary

1. The draft pre-audit Statement of Accounts for 2010/11 were signed by the Chief Finance Officer (CFO) – Director of Customer & Business Support Services – on 30 June 2011. This is in accordance with the revised Accounts and Audit Regulations 2011.

2. In accordance with CIPFA it is good practice that authorities report the draft pre-audit Statement of Accounts to Members after they have been signed by the CFO. This will allow Members to review the draft pre-audit Statement of Accounts together with the Annual Governance Statement (AGS) before the audit of the Accounts and raise any points that may need to be addressed.

Background

3. The report sets out the background for the requirement of Members to review the draft pre-audit Statement of Accounts. The draft pre-audit Statement of Accounts is attached at Annex B.

4. To assist Members and readers in the understanding of the draft pre-audit Statement of Accounts a brief explanation and information on the constituent parts of the Statement of Accounts (in the order in which they are produced) are attached at Annex A. This, supplemented by the presentation given to Audit & Governance on Tuesday 19 July 2011, will enhance Members' understanding and facilitate robust scrutiny prior to review and then final approval of the Statement of Accounts in September 2011.

5. Following the authorisation of the Chief Finance officer on 30 June 2011 and the review of Members of Audit & Governance Committee on 28 July 2011 of the draft pre-audit Statement of Accounts, the accounts will be made available for public inspection on 1 August 2011 for 20 working days, with Monday 5 September August 2011 being the date on or after which local government electors for the area to which the accounts relate may exercise their rights to question the auditor

about the accounts. The Audit Commission expects to issue a report and opinion by the end of September 2011.

6. The pre-audit Statement of Accounts 2010/11 has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK. The pre-audit Statement of Accounts is produced in line with International Financial Reporting Standards (IFRS) which are accounting standards used across the world making Local Authorities‘ Accounts more comparable with the private sector and worldwide.

7. This year 2010/11 is the first year which the accounts have been produced under IFRS. Completing the transition to IFRS from UK Generally Accepted Accounting Practice (GAAP) has involved increased challenges in the preparation of the Statement of Accounts compared to previous years. The seven reports to Audit & Governance Committee over the last 18 months have updated the significant changes.

8. The conversion from UK GAAP to IFRS has meant that the 2009/10 Statement of Accounts were restated under IFRS – all four of the core statements which are the Comprehensive Income & Expenditure Statement, Movement in Reserve Statement, Balance Sheet and Cash flow Statement. In order to obtain an opening balance position for 2009/10 the balance sheet for 2008/09 has also been restated.

9. An overview of the main changes which have occurred in the transition are included in the table 1 below. This shows the technical nature of the requirements and the complex accounting treatment involved.

Main Changes	**Significant IFRS changes**
Financial Statements	New statements and amended layouts. More flexibility - detail can be in the statements or the notes; terminology can be amended; and the order of the statements can be changed to suit the authority.
Salaries and Pensions	Untaken holiday pay and similar items e.g. flexi are accrued for at year end and a charge made in the accounts. In the past no charge occurred.
Government Grants and Contributions	Capital grants and contributions are now recognised as income when they are received, rather than being deferred and matched to expenditure. If grants hold a condition as described by the supplier of the grant then the grant is treated as a creditor / liability.

Property, Plant and Equipment (Fixed Assets)	More emphasis on component accounting than under UK GAAP. Definitions of assets have changed, so assets have been re-categorised to new classifications. Accounting treatment has changed for revaluation of Investment properties and the costs of impairments are charged to the revaluation reserve. Revaluation losses from previous years are reversed against current revaluation gains.
PFI (Private Finance Initiative)	There is one Schools PFI scheme where the asset which is controlled by the authority at the end of the contract is now brought on to the balance sheet at inception in 2005/06 rather than at the end of the contract life.
Leases	90% ‘test’ to separate finance and operating leases removed. Property leases classified and accounted for as separate leases of land and buildings. Need to assess whether other arrangements contain the substance of a lease
Financial Instruments	None – IFRS is identical to UK GAAP. The changes to Financial Instruments have already been included in previous SOA under the correct IFRS regulation

Table 1: Overview of Main Changes from UK GAAP to IFRS

10. A significant amount of work has been undertaken in 2010/11 to ensure that
    - the changes to the accounts described above under IFRS and
    - the recommendations and improvements identified by the Audit Commission in their 2009/10 Final Accounts Memorandum Audit & Governance Report

    have been implemented as part of the 2010/11 Close of Accounts process.

Consultation

12. All services areas of the Authority have contributed to the pre-audit Statement of Accounts and working papers.

Options

13. That the Audit & Governance Committee reviews the pre-audit Statement of Accounts in accordance with CIPFA best practice for the financial year ended 31 March 2011 and also approves the final Statement of Accounts 2010/11 after the audit, prior to 30 September 2011 in accordance with the statutory requirement.

Corporate Priorities

14. The Statement of Accounts provides a technical financial summary of the activities of the council and assists in providing the Council with a viable financial position in which to base it future budget projections. It is a statutory requirement that the Statement of Accounts are approved by the Audit & Governance Committee after the audit by 30 September 2011.

Implications

15. The implications are

- Financial - The Statement of Accounts show that for 2010/11 there is a provisional under spend of £369k (less carry forward requests approved by the Cabinet on 19th July). This position arises primarily as a result of continued stringent cost control methods exercised during the year which ensure the Councils financial standing has been maintained. The full details of the outturn position were reported in the Financial Outturn 2010/11 report presented to Cabinet on 19th July 2011. The level of General Reserves is some £7.3m, compared to a recommended minimum level of reserves of £5.9m. However, of this £7.3m, £1.027m has already been committed in 2011/12 budget leaving a revised total of £6.3m. Clearly there are significant financial challenges facing all public sector organisations and the need to maintain reserves will be essential throughout this period.

- Human Resources - there are no human resource implications to this report
- Equalities - there are no equality implications to this report
- Legal - there are no legal implications to this report
- Crime and Disorder - there are no crime and disorder implications to this report
- Information Technology - there are no information technology implications to this report
- Property - there are no property implications to this report
- Other - there are no other implications to this report

Risk Management

16. Areas of risk identified throughout the Close of Accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met. The risks identified in 2010/11 were
    - Technical ability and capability of personnel following the financial restructure
    - Impact of the changes to the regulations under which the accounts were produced due to the conversion of the accounting regulations for all Local Authorities from UK Generally Accepted Accounting practice (GAAP) to International Financial Reporting Standards (IFRS).

Conclusion

17. The production and publication of the Statement of Accounts is a statutory requirement that provides Members and interested parties with the chance to see the full financial position of the Council.

18. Bringing the Statement of Accounts to Audit & Governance provides an opportunity for Member led debate and compliance with defined best practice. It is an important part of Member involvement in corporate governance that a full scrutiny is undertaken of the Council's Accounts.

19. It is intended that following a receipt of an unqualified opinion on the accounts from the District Auditor, that the finalised Statement of Accounts 2010/11 will be published and distributed to all Members and Chief Officers electronically. The District Auditor is required to give his opinion as part of the Annual Governance Report to be considered by Audit and Governance Committee no later than the 30th September 2011.

Recommendations

20. That the Audit & Governance Committee notes
    (a) the draft pre-audit Statement of Accounts for the financial year ended 31 March 2011
    (b) the annual governance statement

21. Reason: It is a statutory requirement that a committee of the Council or Full Council approves the Statement of Accounts for 2010/11 by 30 September 2011 and that prior to the final audit it is good practice for Members to review the pre-audit Statement of Accounts.

Contact Details

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	Report approved √ Date 13/07/11

Specialist Implications Officer(s) None

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

For further information please contact the author of this report

Background Working Papers

Statement of Accounts 2010/11
Supporting Working papers held by Finance Departments across the Council.
Code of Practice on Local Authority Accounting 2010/11
Code of Practice on Local Authority Accounting 2010/11b Guidance Notes

Annex A

A brief explanation on the constituent parts of the Statement of Accounts

Foreword

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

District Auditors' Report

2. This is the auditor's certificate on the accuracy or otherwise of the authority's accounts and is issued at the end of the audit process. York has never had a qualification to its audit certificate. This will be inserted into the Statement of Accounts for approval by Members of Audit & Governance Committee at the end of September every year.

Statement of Responsibilities

3. This is a simple statement that sets out the different legal responsibilities of the Council and the 'Section 151 Officer' / Chief Finance Officer (Director of Customer & Business Support services). It is where the certificate has to be signed by the Director of Resources to authorise the draft pre-audit Statement of Accounts on 30 June each year, that the accounts represent fairly the position of the Council.

Statement of Accounting Policies

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

Comprehensive Income and Expenditure Statement

5. The Income and Expenditure Statement shows the net cost of all the functions for which the Council is responsible. It compares the cost of service provision with the income raised by fees and charges, from specific Central Government grants and from the Collection Fund.

The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure, where income and expenditure are measured using essentially the same accounting conventions that a large (but unlisted) company would use in preparing its audited annual financial statements.

6. This statement also attempts to analyse changes in the council's asset base due to:
   - Surplus or deficits on income and expenditure
   - The revaluation of the council's fixed assets
   - Changes in pension liabilities due to actuarial revaluation

   In many instances these revaluations impact primarily on the council's balance sheet.

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

Housing Revenue Account Income and Expenditure

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

Statement of Movement on the Housing Revenue Account Balance

11. 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

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

Annual Governance Statement

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

14. The Accounts and Audit Regulations 2003 introduced the requirement for each local authority to conduct a review of the effectiveness of its system of internal control and to publish a Statement on Internal Control (SIC) as part of the Annual Statement of Accounts. The Council first published a SIC in 2003/04. The SIC formed an important part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of its corporate governance arrangements, particularly those in respect of risk management and internal control. Publication of the SIC enabled the Council to formally report on governance related issues identified during the relevant accounting period. The SIC demonstrated openness and accountability to the public and other stakeholders, and provided a framework for improving the adequacy and effectiveness of corporate governance arrangements.

15. The Department for Communities and Local Government issued guidance in 2006 (Circular 03/2006) which gave the existing CIPFA/SOLACE Corporate Governance Framework document 'proper practice' status. CIPFA/SOLACE, in 2007, published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework*' sets out the core principles of governance which authorities are required to adopt.

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CITY OF YORK COUNCIL

Draft Statement Of Accounts

2010/11

THE GUILDHALL

YORK

The Guildhall is an integral part of York's history. It is built on the site of an earlier guildhall or "common hall" and is referred to in a charter of Henry III of 1256. However, the exact site of this building is unknown.

The present Guildhall dates from the mid-fifteenth century and an agreement with the Guild of St. Christopher in 1445 stipulates that the building costs were to be divided equally. The guild was granted the rest of the site reserving a right of entry from Coney Street across the yard to the Guildhall. (The City Council took over the whole site in 1549 following the Dissolution of King Henry VIII.)

CONTENTS

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 Authority's final accounts for the year ending 31 March 2011 with notes to give further details of the key figures. A summary of the purpose of each statement and an overview of the Authority's financial position is shown in this section.

Statement of Responsibilities

This statement explains the differing responsibilities of the Authority and the Director of Customer and Business Support Services in relation to the proper administration of the Authority's financial affairs.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; 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 Authority, 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 Authority'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 Authority 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 Authority.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve where amounts would only become available to provide services in the assets are sold), 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 Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

Statement of 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. Authorities 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 Reserves

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 Authority in relation to the collection from taxpayers and distribution to the Authority, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority, parish councils and the 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 AUTHORITY'S ACCOUNTS

The Authority 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 Authority 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 - long-term borrowing, external finance, capital receipts from the sale of Council assets and from revenue.

EXPLANATORY FOREWORD

3. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT AND MOVEMENT IN RESERVES STATEMENT

Despite continuing pressures on public sector expenditure, the Authority has been able to maintain its good financial health. Growth of £14.7m was approved in the 2010/11 budget process, although this was accompanied by savings of £10.3m.

The Authority's General Fund budget for its own net expenditure was set at £117.3m. To this sum the parish precepts added a further £0.5m.

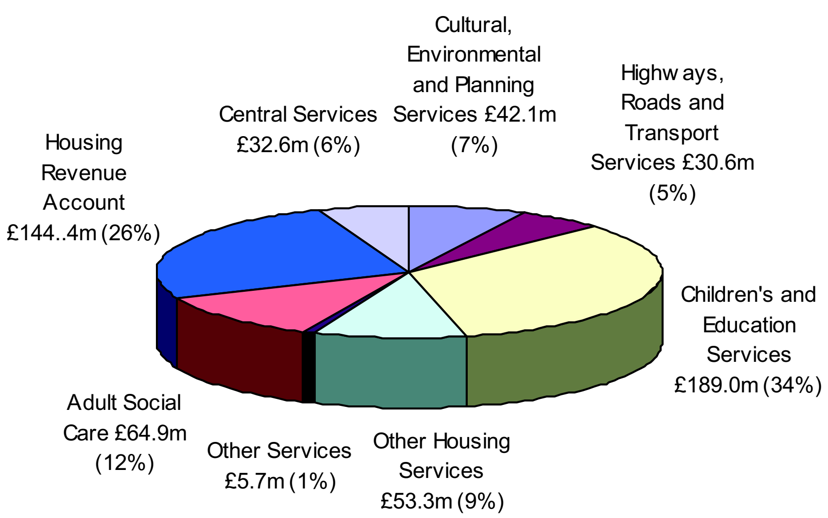
The out-turn position is net expenditure, including parish precepts, of £117.4m, an underspend of £0.4m. Included within the net underspend, however, are several service areas where items of expenditure that will have ongoing budgetary pressures into 2011/12. These have been identified and reported to Members and will be continually monitored during 2011/12.

The overspending budgets were compensated for by reduced expenditure/additional income in other areas, a proportion of which was known about when the budget for 2011/12 was set and is reflected in that budget. Of the remainder, Members have already agreed that £0.2m can be spent in 2011/12 to complete projects that could not be finalised in 2010/11.

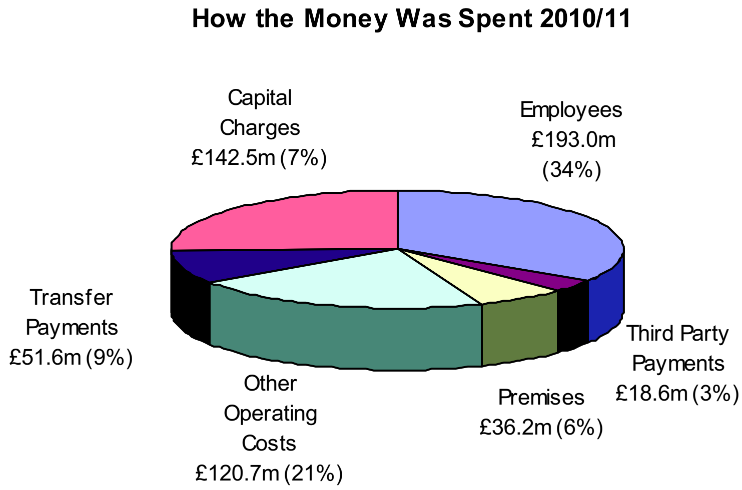
Despite a number of cost pressures, the Authority through effective budget monitoring have been able to take action to reduce expenditure, with a view to ensuring its overall spending is in line with the approved budget.

The Authority's gross expenditure on services, as shown on the Income and Expenditure Account, was £562.6m and the following two diagrams show this firstly on a service by service basis and then by category of expenditure:

Gross Expenditure on Services 2010/11

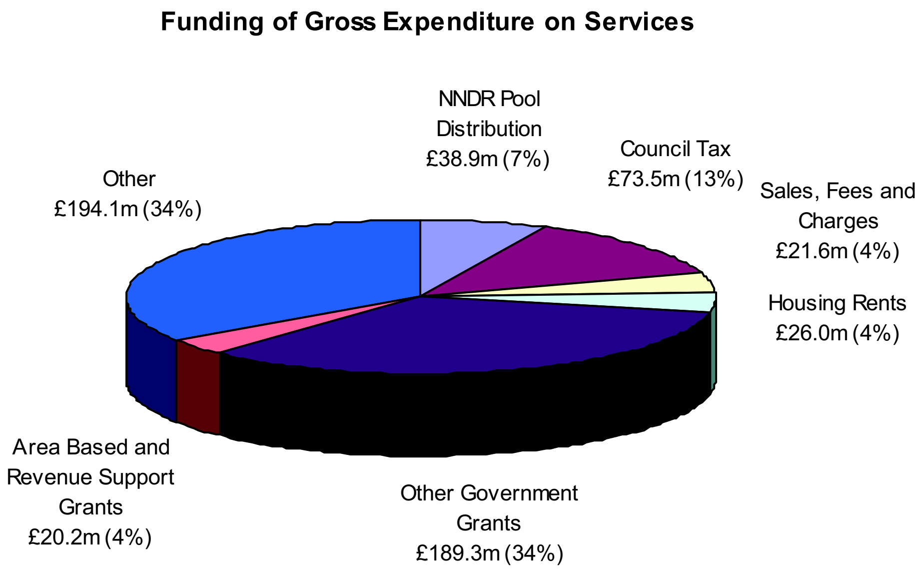


Included within other services is expenditure on court services, corporate and democratic core, non-distributed costs and exceptional items.



In the above analysis employees costs include the full cost of employing all staff including teachers; third party payments include levies from Internal Drainage Boards; and transfer payments relate principally to benefit payments and rent rebates.

The funding of this expenditure is shown in the following diagram:



The diagram above shows General Fund income of £563.7m, £1.1m more than was needed to fund expenditure. The surplus is transferred to general fund balances, which now total £14.6m. However, of this total £7.3m relates to the amount held by governors under schemes to finance schools and so is not available for any other purposes. The sum available to support other services is therefore £7.3m.

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 Authority.

From 1 April 2001 the Authority 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 Authority to plan its housing strategy. This system ensures consistency with central government resource accounting structures and also promotes comparability between Authorities.

When the 2010/11 revenue estimates were approved, rents were increased by £1.14 per week or 1.83%, in accordance with the government's guideline increase. The HRA is in a 'negative subsidy' position, whereby the HRA pays over its assumed surplus to the Department for Communities and Local Government (DCLG). The payment for 2010/11 was estimated to be £6.145m compared to an actual at the year-end of £6.175m.

This variation together with those to other original budgets have resulted in a surplus on the HRA of £10.398m at the year-end, which is an increase of £1.647m from that originally budgeted for. The most significant variations have resulted from:

		£000's
(i)	Reduction in repairs and maintenance costs	58
(ii)	Reduced costs from departmental and support services, mainly due to staffing	274
(iii)	Reduced cost of providing temporary accommodation	132
(iv)	Reduced cost of providing sheltered accomodation	112
(v)	Increased HRA subsidy payment	(30)
(vi)	Reduced capital charges	1,063
(vii)	Increase in miscellaneous receipts	62
(viii)	Other minor variations	(24)
		1,647

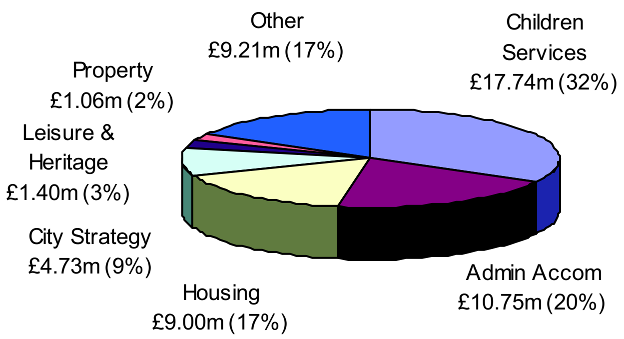
5. COLLECTION FUND

At 31 March 2011 the surplus on the Collection Fund is £1.348m although £0.263m of this is owed to the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority. While preparing for the 2011/12 budget it was estimated that the Authority's share of an estimated surplus would be £1.000m and the 2011/12 council tax charge reflects the use of this sum to reduce the bills for residents. The year-end surplus has arisen due to increased recovery action taken during the last three months of the year. 97.9% of the total sum collectable for 2010/11 Council Tax bills was received in the year. Similarly the recovery on National Non-Domestic Rates, which the Authority bill and collect on behalf of the government, was 98.3% of the 2010/11 bills.

6. CAPITAL EXPENDITURE

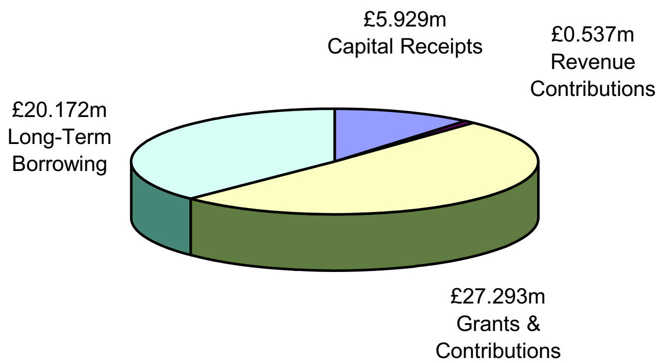
The original gross expenditure budget was £73.299m (2009/10 £64.3m), however, due to re-programming some of the work, the final budget was £64.296m (2009/10 £63.0m). Total expenditure on capital schemes in 2010/11 was £53.932m gross (2009/10 £58.5m). Of the underspend on capital schemes during 2010/11 £9.126m will increase spend on the projects during 2011/12 (2010/11 £0.4m). An analysis of where the money was spent in 2010/11 is shown diagrammatically below:

Capital Expenditure 2010/11



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

Capital Financing 2010/11



The Authority maintains a wide-ranging capital programme containing initiatives such as:

- The delivery of the Local Transport Plan (£3.483m)
- The modernisation and repairs to Council properties (£6.412m)
- Primary School Strategic Programme (Clifton with Rawcliffe and Our Lady Queen of Martyrs Primary Schools (£5.750m)
- New Deal for Schools modernisation and devolved capital works on a variety of schools (£2.798m)
- The resurfacing and refurbishment of the Authority's roads (£5.441m)
- Cycling City (£1.055m)

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 free to borrow as much as they like provided that it is prudent, affordable, sustainable and within the Prudential Indicators approved by the Authority 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 Authority 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 2010, full Authority approved indicators for both the authorised limit and the operational boundary. During the year an amendment was agreed to the level of the operational boundary. Both authorisations are set out below:

	Opening Limits £000's	Amended Limits £000's
Authorised Limit	192,000	192,000
Operational Boundary	172,000	172,000
Long Term Debt	116,065	133,065

Although the Authority 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 2010/11 the Authority's long-term borrowing was as follows:

2009/10 £000's		2010/11 £000's
102,499	Opening Borrowing at 1 April	116,650
(434)	Reversal of Interest Owed & Adj Carry Value 2009/10	(585)
18,000	Borrowing to fund capital schemes	24,000
1,676	Interest Owed on Long Term Debt at 31st March	1,841
(1,091)	Adjusted Carry Value of Loans due Debt Restructure	(1,058)
(4,000)	Loans maturing in the year	(7,000)
116,650	Closing Borrowing at 31 March	133,848
186,000	Authorised Limit for year	192,000
145,000	Operational Boundary for year	172,000

PWLB debt of £7.0m was repaid in line with the original maturity dates of the loans in May 2010 (£4m and February 2011 (£3m). The Authority drew down £14m of PWLB debt throughout 2010 at rates between 2.95% and 4.01%, and £10m of market debt at rates between 0.7% and 3.6%. No debt restructures took place during the year. Due to changes in the way in which the 2007 SORP required the Authority's long term debt position to be presented, each year the interest owed and the adjusted carrying value relating to the previous financial year must be reversed from the opening borrowing figure (as shown by the -£0.585m) with the new figures shown in full in the respective lines. In total at 31 March 2011 the Authority's debt was £133.848m (2009/10 £116.650m). Consequently, the Authority did not exceed either the authorised limit of £192m or the operational boundary of £172m. The average rate of interest on all long-term loans at 1 April 2010 was 4.37% and at 31 March 2011 was 4.223%.

8. CHANGES IN ACCOUNTING POLICIES

The Main change in accounting policies is the move to an IFRS-based code from a UK GAAP-based SORP. This has resulted in a number of significant changes in accounting practice. The key accounting changes include:

- Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.
- The main financial statements have changed, and there are additional requirements regarding segment reporting.
- There is a greater emphasis on component accounting, and a greater emphasis on derecognising parts of an asset that are replaced.
- Property leases are classified and accounted for as separate leases of land and buildings. Local authorities will also need to assess whether other arrangements contain the substance of a lease.
- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve.
- Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.
- The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification.
- All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay.
- The definition of associates is based on the ability to control rather than actual control, and may lead to a change in the group boundary.

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

The Fixed Asset Register in 2010/11has seen significant movement of £88.3m during the year. This is mainly as a result of the revaluation loss on the Housing Revenue Account Stock due to a change in the revaluation technique.
Depreciation was £17.1m, upward revaluation of £28m and Capital expenditure contributing to the asset value of £43.8m.

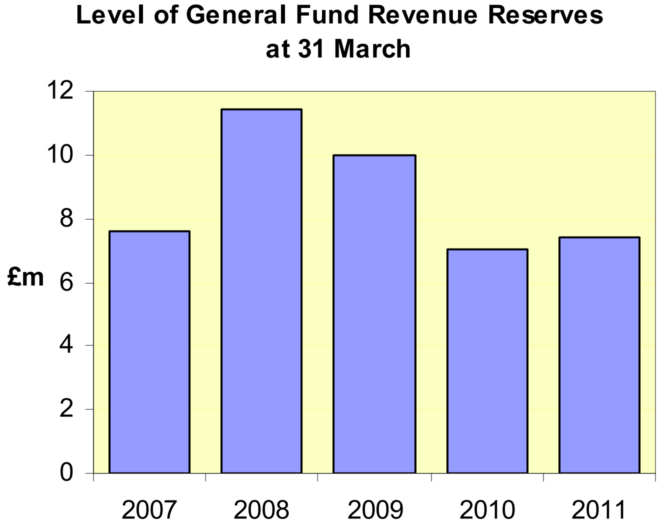
The increase in long-term loans outstanding is the result of pro active treasury management ensuring that the debt is drawn down at the most financially advantageous point when viewed over the medium term. Expectations are for the cost of long term borrowing to increase sharply and as a result a proportion of the Authority's debt has been taken to smooth the impact of the future borrowing rate rises.

There is also an reduction in the Authority's share of the North Yorkshire Pension Fund's deficit of £43.045m from £189.978m to £148.073m. This increase has been calculated by the Fund's actuaries based on assumptions about events and circumstances in the future. It is matched by an increase in the level of the pensions reserve. The inclusion of both the liability and the reserve on the balance sheet are a statutory requirement.

10.REVIEW OF THE AUTHORITY'S FINANCIAL POSITION

At the beginning of the 2010/11 financial year the revenue reserves stood at £38.6m, excluding the pensions reserve. The equivalent revenue resources at 31 March 2011 stand at £45.2m, including £7.3m for schools' accumulated reserves, £10.3m for the HRA and other earmarked reserves for insurance, major repairs and capital receipts. In compliance with the Education Reform Act 1988, individual school balances (ISB) will be carried forward into 2011/12. Of the remaining £7.4m of revenue reserves, it is currently planned to use £1.027m in 2011/12, leaving a balance of £6.3m.

The reserves are split into earmarked reserves, examples being the reserve to support capital and the insurance fund, and general fund reserves. Careful monitoring of the general fund reserve is undertaken to ensure that it is maintained at a minimum prudent level to cover any unforeseen circumstances given the size of the Authority'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.



The benchmark recommended by the Comprehensive Performance Assessment (CPA) for local authorities was that there should be a minimum level of reserves equivalent to 5% of the net non-schools revenue budget. However, the Director of Customer and Business Support Services has also undertaken a risk assessment to calculate an alternative minimum level to hold, and this was incorporated into the Authority's budget reports. For 2010/11 this gives a recommended level of £5.8m.

As mentioned above, the actual level of reserves that can be taken into account for comparison to these levels amount to £7.3m at 31 March 2011. Of this £1.027m has already been committed in the 2011/12 budget, leaving a revised total of £6.3m. The Authority is committed to some large projects which, although provided for, will create significant financial demands on the Authority and therefore it is considered that £6.3m remains a prudent amount to retain as general fund reserves.

11.FUTURE DEVELOPMENTS

The Authority'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 council's financial position and an assessment of the main financial risks facing the council. This framework has enabled the Authority to deliver significant performance improvements in many areas, whilst maintaining effective control and use of its limited financial resources. The Authority is however facing significant risks and pressures over the medium term and the these are identified in the following key financial challenges:

Reductions in Funding from Central Government

The Government has stated it's intention to significantly reduce public sector spending commitments, the main details of which are being dealt with through the 3 year spending review which was announced in the Autumn. The spending review and subsequent Localism Bill announced a raft of policy changes for Local Government, both in terms of the way services will be provided and how they will be funded. These changes will be consolidated into what is now known as the Local Government Resource Review, a wide ranging assessment of the financing of local authorities across the UK, the results of which will be reported back to the Secretary of State for Communities and Local Government sometime in 2011, and with a view to the changes taking effect from 2013/14. The Authority needs to continue to be able respond to the challenge of reduced funding whilst seeking to maintain priority services.

Economic Downturn

This includes:

- pressures resulting from the impact on the performance of the Authority's investments, an area which has traditionally provided strong support to the revenue budget
- higher demands for Council Services as the economic situation directly impacts on Citizens and business in the district
- the impact on income as a result of spending on fee generating services reducing, together with associated difficulties of income recovery.

Waste Management

This will be an area of significant cost pressure over the coming years as the Authority 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 Authority need to effectively manage as part of the financial planning process.

Pension Fund Deficit

The impact of the global financial problems on the investment returns of the Pension Fund has lead to increases in employers' contributions following the most recent triennial valuation of the Pension Fund. Any further increases in contribution rates will impact adversely on the Authority's revenue budget.

Capital Programme

As a result of declining levels of capital receipts resulting from the economic downturn, the Authority will be looking to increase revenue contributions and thereby provide necessary capacity into the Capital Programme.

Efficiency Programme

The Authority's Medium Term Financial Plan sets out the scale of efficiency/other 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 Authority will need to consider both efficiency and overall levels of service provision

AUDITOR'S REPORT

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STATEMENT OF RESPONSIBILITIES

1. THE AUTHORITY'S RESPONSIBILITIES

The authority 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 authority 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 authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority 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 judgments 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 2011 and its income and expenditure for the year ended 31 March 2011.

Signed . Dated 30 June 2011
I.M. Floyd B. Sc. (Hons), CPFA
Director of Customer and Business Support Services

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10 Gross Exp. £000's	2009/10 Income £000's	2009/10 Net Exp. £000's		Note	2010/11 Gross Exp. £000's	2010/11 Income £000's	2010/11 Net Exp. £000's
			Service Costs				
30,831	(24,392)	6,439	Central Services to the Public		33,470	(21,475)	11,995
52,929	(15,509)	37,420	Cultural, Environmental and Planning Services		42,085	(14,464)	27,621
192,482	(164,408)	28,074	Children's and Education Services		189,029	(152,648)	36,381
22,848	(16,451)	6,397	Highways, Roads and Transport Services		30,560	(12,842)	17,718
29,521	(35,200)	(5,679)	Local Authority Housing (HRA)		143,755	(29,305)	114,450
52,843	(49,469)	3,374	Other Housing Services		53,276	(45,882)	7,394
62,269	(17,164)	44,105	Adult Social Care		64,897	(20,280)	44,617
304		304	Court Services		301	-	301
4,202	(14)	4,188	Corporate and Democratic Core		4,281	(25)	4,256
868	(21)	847	Non-Distributed Costs		985	(28,060)	(27,075)
466	(1,265)	(799)	Exceptional Items		163	(850)	(687)
449,563	(323,893)	124,670	**Cost of Services**		562,802	(325,831)	236,971
2,409	(2,215)	194	Other Operating Expenditure	(9)	8,768	(7,469)	1,299
17,060	(1,479)	15,581	Financing and Investment Income and Expenditure	(10)	15,039	(1,342)	13,697
-	(124,978)	(124,978)	Taxation and Non-Specific Grant Income	(11)	-	(149,662)	(149,662)
469,032	(452,565)	15,467	**(Surplus)/Deficit on Provision of Services**		586,609	(484,304)	102,305
		(17,797)	Surplus/loss arising on the revaluation of property, plant and equipment assets				(17,376)
		-	Surplus/loss arising on the revaluation of available-for-sale financial assets				-
		32,964	Actuarial (gains)/losses relating to pensions	(24)			(23,402)
		15,167	**Other Comprehensive Income and Expenditure**				(40,778)
		30,634	**Total Comprehensive Income and Expenditure**				61,527

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance £000's	Earmarked GF Reserves £000's	Housing Revenue Account £000's	Earmarked HRA Reserves £000's	Capital Receipts Reserve £000's	**Total Usable Reserves £000's**	**Unusable Reserves £000's**	**Total Authority Reserves £000's**
Balance at 31 March 2009		**(15,663)**	**(18,495)**	**(7,514)**	**(1,475)**	**-**	**(43,147)**	**(484,666)**	**(527,813)**
Movement in Reserves during 2009/10									
Surplus /(Deficit) on Provision of Services		19,405	-	(3,938)	-	-	15,467	-	15,467
Other Comprehensive Income and Expenditure movement		-		-	-	-	-	15,167	15,167
Total Comprehensive Expenditure and Income		19,405	-	(3,938)	-	-	15,467	15,167	30,634
Adjustments between accounting basis & funding basis under regulations	7	(16,489)		2,263	-	(154)	(14,380)	14,380	-
Net Increase/Decrease before Transfers to Earmarked Reserves		2,916	-	(1,675)	-	(154)	1,087	29,547	30,634
Transfers to/from Earmarked Reserves	8	(978)	978	308	(308)	-	-	-	-
Increase/Decrease in Year		1,938	978	(1,367)	(308)	(154)	1,087	29,547	30,634
Balance at 31 March 2010 carried forward		**(13,725)**	**(17,517)**	**(8,881)**	**(1,783)**	**(154)**	**(42,060)**	**(455,119)**	**(497,179)**
Balance at 31 March 2010		**(13,725)**	**(17,517)**	**(8,881)**	**(1,783)**	**(154)**	**(42,060)**	**(455,119)**	**(497,179)**
Movement in Reserves during 2010/11									
Surplus /(Deficit) on Provision of Services		(13,209)	-	115,515	-	-	102,306	-	102,306
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	(40,778)	(40,778)
Total Comprehensive Expenditure and Income		(13,209)	-	115,515	-	-	102,306	(40,778)	61,528
Adjustments between accounting basis & funding basis under regulations	7	14,788	-	(117,370)		(836)	(103,419)	103,419	0
Net Increase/Decrease before Transfers to Earmarked Reserves		1,579	-	(1,855)	-	(836)	(1,113)	62,641	61,528
Transfers to/from Earmarked Reserves	8	(2,564)	(195)	338	(338)		(2,759)		(2,759)
Increase/Decrease in Year		(985)	(195)	(1,517)	(338)	(836)	(3,872)	62,641	58,769
Balance at 31 March 2011 carried forward		**(14,710)**	**(17,712)**	**(10,398)**	**(2,121)**	**(990)**	**(45,932)**	**(392,478)**	**(438,410)**

BALANCE SHEET

31 March 2009 £000's	31 March 2010 £000's		Note	31 March 2011 £000's
693,956	722,445	Property, Plant and Equipment	(12)	664,762
65,964	67,109	Investment Property	(13)	43,117
3,266	2,214	Intangible Assets	(14)	2,162
13,528	11,513	Assets Held for Sale	(20)	-
5,215	1,215	Long - Term Investments		2,793
20,040	1,956	Long - Term Debtors		2,175
801,969	806,452	**LONG - TERM ASSETS**		715,009
27,534	26,107	Short-Term Investments	(15)	24,046
		Assets Held for Sale		-
556	506	Inventories	(16)	495
23,378	26,989	Short-Term Debtors	(18)	21,009
8,900	9,749	Cash and Cash Equivalents	(19)	21,342
60,368	63,351	**CURRENT ASSETS**		66,892
(5,556)	(8,676)	Short-Term Borrowing	(15)	(11,942)
(5,110)	(7,918)	Provisions due to be settled within 12 months	(22)	(4,728)
(35,612)	(39,384)	Short-Term Creditors	(21)	(37,895)
(256)	(1,171)	Cash Overdrawn		(937)
(46,534)	(57,149)	**CURRENT LIABILITIES**		(55,502)
(55)	(41)	Long-Term Creditors		(28)
(3,437)	(2,498)	Provisions	(22)	(2,120)
(96,943)	(108,147)	Long-Term Borrowing		(122,181)
(36,614)	(16,829)	Other Long-Term Liabilities		(15,587)
		Capital Grants Receipts in Advance		
(150,942)	(189,978)	Liability related to Defined Benefit Pension Scheme		(148,073)
(287,991)	(317,493)	**LONG-TERM LIABILITIES**		(287,989)
527,812	495,161	**NET ASSETS**		438,410
		RESERVES		
		Usable Reserves	(23)	
-	-	Available-for-sale Financial Instruments Reserve		-
-	154	Capital Receipts Reserve		990
15,663	13,726	General Fund Balance		14,711
7,514	8,880	Housing Revenue Account Reserve		10,398
733	1,843	Capital Grants Unapplied		1,314
19,237	17,456	Earmarked Reserves		18,519
43,147	42,059			45,932
		Unusable Reserves	(24)	
25,069	41,670	Revaluation Reserve		54,195
617,630	609,747	Capital Adjustment Account		491,219
(2,343)	(2,198)	Financial Instruments Adjustment Account		(2,173)
(150,942)	(189,978)	Pensions Reserve		(148,073)
62	803	Major Repairs Reserve		667
299	975	Collection Fund Adjustment Account		1,085
(5,110)	(5,903)	Employee Benefit Adjustment Account		(4,442)
484,665	455,116			392,478
527,812	497,175	***TOTAL RESERVES***		438,410

CASH FLOW STATEMENT

2009/10 Restated £000's		2010/11 £000's	Note
15,467	Net (Surplus)or Deficit on the provision of Services	102,305	
(26,491)	Adjustments to the Net Surplus or Deficit on the Provision of Services for non-cash movements	(106,571)	
11,239	Adjustments for items included in the net suplus or deficit on the Provision of Services that are investing and financing activities	(4,730)	
215	Net Cash Flows from Operating Activities	(8,996)	25
17,411	Investing Activities	27,418	26
(12,578)	Financing Activities	(16,119)	27
5,048	Net Increase/Decrease in Cash and Cash Equivalents	2,303	
13,991	Cash and Cash Equivalents at the beginning of the reporting period	19,039	
19,039	Cash and Cash Equivalents at the end of the reporting period	21,342	

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

I. General

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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 Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- 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 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 Authority'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 Authority's financial performance.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Authority'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 Authority 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 authority 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 Authority. 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 Authority 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority 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 Authority 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 Authority are members of two separate pension schemes:

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

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it 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 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 Authority 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.
- 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 Authority 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 seven 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
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return
  - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority 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 Authority 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 Authority 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 Authority becomes a party to the contractual provisions of a financial instrument and 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 most of the borrowings that the Authority 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 Authority 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 Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority 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 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 Authority 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 Authority.

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 Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are 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 Authority 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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

A Business Improvement District (BID) is funded by a BID levy paid by non-domestic ratepayers. There are no BID schemes in place in the Authorities area.

XII. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

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 Authority 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 Authority'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 Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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.

XIII. Interests in Companies and Other Entities

The Authority 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 Authority to prepare Group Accounts. The following paragraphs list those companies and describe the nature of the Authority's interest.

York Business Development Limited
York Business Development Limited is a company limited by guarantee and has been approved by the Secretary of State for Employment as a local Enterprise Agency under Section 79(c) of the Income and Corporation Taxes Act 1988. City of York Council is a Co-Sponsor, but does not have a controlling influence.

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 shareholding.

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.

York Energy Savers
York Energy Savers is a not-for-profit company set up to provide energy efficiency within the City of York and surrounding area. The Authority has two representatives on the Board of Representatives that manages the Company.

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 Council and North Yorkshire County Council, with each council holding 50% of the shares.

XIV. 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.

XV. 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.

XVI. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Authority 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 Authority 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 authority at the end of the lease period).

The Authority 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 Authority as Lessor

Finance Leases

Where the Authority 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 Authority'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 Authority 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 Best Value Accounting Code of Practice 2010/11 (BVACOP). 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 Authority'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 BVACOP 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Authority 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.

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 Authority 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 Authority). 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 Authority.

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, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of 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.

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).

Deprecation 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 – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously 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.

The Authority is not carrying any assets as assets held for sale as they have been reclassified back to their non-current asset classification.

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 housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) 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 Authority'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 Authority 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 Authority at the end of the contracts for no additional charge, the Authority 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 Authority. This applies to Hob Moor School only. For St Oswalds and St Barnabas where the Authority 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 of 4.01% 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 Authority 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 Authority 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 authority 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 authority settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

NOTES TO THE CORE FINANCIAL STATEMENTS

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority 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 authority.

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 Authority 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, retirement and employee benefits and do not represent usable resources for the Authority – 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.

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 Authority. The earmarked reserves held by the Authority are detailed in notes 23 and 24 to the Core Statements. The major ones are:

The Major Repairs Allowance (MRA), paid as part of HRA subsidy, provides authorities with the resources needed to maintain the value of their housing stock over time. Authorities 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. These funds are then available to authorities 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.

The Authority established a **Venture Fund** with an initial capital of £4m.The Fund makes monies available for Authority 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.

During 2008/09 an **Invest to Save** Fund was established to enable the Authority to meet its efficiency and strategic procurement programmes over the coming financial years. Repayments will be made back to the fund from efficiencies made.

The Department for Communities and Local Government (DCLG) has changed the HRA subsidy arrangements. As part of the changes the HRA subsidy for debt repayment has been removed and as a consequence of this the requirement for the HRA to make a compulsory 'set-aside' of monies for debt repayment has been removed. A reserve has therefore been created in order to set funds aside for the future **voluntary repayment** of HRA debt.

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

The **Pensions 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.

Revenue Government Grants and Contributions

Whether paid on account, by instalments or in arrears, revenue government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

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 Authority 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. Comparative Figures

Comparative figures for the previous financial year are either shown in the left hand column or in brackets after the current year figure. The Code of Practice has required revised comparative figures for 2009/10 resulting from the changes set out in the following section. In all cases the notes have also been amended to reflect the revised figures.

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

HERITAGE ASSETS: IMPACT OF THE ADOPTION OF THE NEW STANDARD ON THE FINANCIAL STATEMENTS - EFFECTIVE FOR THE 2011/12 FINANCIAL YEAR

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. In a historic city such as York, the heritage assets held by the authority are mainly ancient monuments and structures, such as the city walls and war memorials. In addition, the Authority is the freehold owner of the City Art Gallery, York Castle Museum, St Mary's Heritage Centre, the Hospitium and St Mary's Abbey ruins all of which are let on long leases to York Museums Trust at peppercorn rents.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). However, it is considered that the City Walls and the Bootham Abbey Walls are too extensive to value and this exemption is permitted by the 2011/12 Code.

The carrying value of heritage assets currently held in the Balance Sheet within Property, Plant and Equipment at 1 April 2010 is £0.5 million.

The amount of any revaluation gains and losses to be recognised on reclassification is not yet known.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority 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 Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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 Authority 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 Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and 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	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

	uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	
Pensions Liability	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.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £7.1m

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Income and Expenditure Account shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences are:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- the payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.

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 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

North Yorkshire County Council will enter into a commercial agreement for the provision of a long term waste management service contract prior to September 2011 with AmeyCespa. As part of the agreement City of York Council will enter a Joint Waste Management Agreement with the County Council. This post Balance Sheet event is disclosed on page 90 as a Material Contingent Liability. The financial statements and relevant disclosure notes have not been adjusted as this event is considered to be a non-adjusting event.

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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11

	Capital Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(11,507)	(7,553)	-	-	-	**(19,060)**
Revaluation losses on Property Plant and Equipment	(12,798)	(116,047)	-	-	-	**(128,845)**
Movements in the market value of Investment Properties	5,619	157	-	-	-	**5,776**
Amortisation of intangible assets	-	-	-	-	-	-
Capital grants and contributions applied	17,804	562	-	-	-	**18,366**
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from Capital under statute	(10,074)	-	-	-	-	**(10,074)**
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income Expenditure Statement	(4,895)	(2,587)	-	-	-	**(7,482)**
Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:						
Statutory provision for the financing of capital investment	6,230	-	-	-	-	**6,230**
Capital expenditure charged against the General Fund and HRA balances	-	400	-	-	-	**400**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
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	5,637	1,831	-	-	-	**7,468**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(836)	-	-	**(836)**
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	-	-	(703)	-	-	**(703)**
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	-	-	-	5,242	-	**5,242**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-
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	25	-	-	-	-	**25**
Adjustment primarily involving the Pensions Reserve:						-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,640	76	-	-	-	**2,716**
Employer's pensions contributions and direct payments to pensioners payable in the year	15,381	406	-	-	-	**15,787**
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	110	-	-	-	-	**110**
Adjustment primarily incolving 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 requirments	-	-	-	-	-	-
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	1,461	-	-	-	-	**1,461**
Total Adjustments:	15,633	(122,755)	(1,539)	5,242	-	**(103,419)**

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments between Accounting Basis and Funding Basis under Regulations – 2009/10

2009/10	Usable Reserves: Capital Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(33,572)	(152)	-	-	-	**(33,724)**
Revaluation losses on Property Plant and Equipment	12,455	4,894	-	-	-	**17,349**
Movements in the market value of Investment Properties	(2,958)	(25)	-	-	-	**(2,983)**
Amortisation of intangible assets	0	-	-	-	-	-
Capital grants and contributions applied	6,518	-	-	-	-	**6,518**
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from Capital under statute	(1,147)	-	-	-	-	**(1,147)**
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income Expenditure Statement	(1,493)	-	-	-	-	**(1,493)**
Insertion of items not debited or credited to the Comprehensive income and						
Statuatory provision for the financing of capital investment	6,184	-	-	-	-	**6,184**
Capital expenditure charged against the General Fund and HRA balances	958	707	-	-	-	**1,665**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Appliation 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	2,170	48	-	-	-	**2,218**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

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	-	(334)	334	-	-	-
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	-	(2,436)	-	-	-	**(2,436)**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-
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	145	-	-	-	-	**145**
Adjustment primarily involving the Pensions Reserve:						-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(20,572)	(601)	-	-	-	**(21,173)**
Employer's pensions contributions and direct payments to pensioners payable in the year	14,675	426	-	-	-	**15,101**
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	676	-	-	-	-	**676**
Adjustment primarily incolving 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 requirments	-	-	-	-	-	-
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	(797)	5	-	-	-	**(792)**
Total Adjustments:	(16,758)	2,532	334	-	-	**(13,892)**

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2010/11.

Balance at 31.3.10 £000's		Transfers Out During Year £000's	Transfers In During Year £000's	Balance at 31.3.11 £000's
	General Fund			
(1,208)	Investment Reserves	-	-	(1,208)
(2,219)	Venture Fund	854	(10)	(1,375)
-	Reserve to Support Capital	-	-	-
(4,146)	Developers Contributions Unapplied	1,538	(2,057)	(4,665)
(1,050)	Insurance Fund	260	(355)	(1,145)
(796)	Invest to Save	330	-	(466)
(6,254)	Miscellaneous	4,530	(6,093)	(7,817)
	HRA			
182	53rd Week Rent	-	(60)	122
(1,965)	Voluntary Debt Repayment	-	-	(1,965)
(17,456)		7,512	(8,575)	(18,519)

9. OTHER OPERATING EXPENDITURE

2009/10		2010/11
£'000's		£'000's
585	Parish council precepts	582
-	Levies	-
335	Payments to the Government Housing Capital Receipts Pool	704
(726)	Gains/losses on the disposal of non-current assets	13
194	Total	1,299

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10		2010/11
£'000's		£'000's
5,440	Interest payable and similar charges	6,472
11,620	Pensions interest cost and expected return on pensions	8,567
(1,145)	Interest receivable and similar income	(827)
-	Income and expenditure in relation to investment properties and changes in their fair value	-
(308)	Other investment income	(515)
15,607	Total	13,697

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10		2010/11
£'000's		£'000's
(71,317)	Council tax income	(73,459)
(35,326)	Non domestic rates	(38,919)
(17,043)	Non-ringfenced government grants	(22,284)
(1,292)	Capital grants and contributions	(15,000)
(124,978)	Total	(149,662)

NOTES TO THE CORE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Surplus Assets £000's	Assets under Cons-truction £000's	Total Property, plant & Equipment £000's	PFI Assets included in Property, plant & Equipment £000's
Net Book Value								
At 1 April 2010								-
01-Apr-10	374,076	270,204	5,511	80,485	4,639	20,320	755,235	-
Category Adjustments	12	5,243	1,791	3,896	368	(11,310)	-	
01-Apr-10	374,088	275,447	7,302	84,381	5,007	9,010	755,235	
Additions	7,039	4,505	2,484	7,992	4	20,747	42,771	-
Donations							-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,355	10,898		18			22,271	-
Revaluation increases/(decreases) recognised in the Surplus/ Deficit on the Provision of services	(115,201)	(9,452)	(712)	(158)	(467)		(125,990)	-
Derecognition - disposals	(2,587)	(1,503)					(4,090)	-
derecognition - other							-	-
assets reclassified (to)/from Held for Sale							-	-
Other movements in cost or valuation							-	-
At 31 March 2011	(99,394)	4,448	1,772	7,852	(463)	20,747	(65,038)	-
Accumulated Depreciation and Impairments								
At 1 April 2010	-	-	-	-	-	-	-	-
Depreciation charge	(7,349)	(4,467)	(2,048)	(2,595)	(76)		(16,535)	-
Depreciation written out to the Revaluation Reserve							-	-
Depreciation written out to the Surplus/ Deficit on the Provision of Services	(7,976)	(715)	712	97	61		(7,821)	-

NOTES TO THE CORE FINANCIAL STATEMENTS

Impairment losses/(reversals) recognised in the Revaluation Reserve							-	-
Impairment losses/(reversals) recognised on the Provision of Services							-	-
Derecognition - disposals							-	-
Derecognition - other							-	-
Other movements in depreciation & impairment							-	-
At 31 March 2011	(15,325)	(5,182)	(1,336)	(2,498)	(15)	-	(24,356)	-
Net Book Value								
31-Mar-11	259,369	274,713	7,738	89,735	4,529	29,757	665,841	-

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in **2009/10:**

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Surplus Assets £000's	Assets under Cons-truction £000's	Total Property, plant & Equipment £000's	PFI Assets included in Property, plant & Equipment £000's
Net Book Value								
01-Apr-09	367,454	249,531	5,415	76,121	5,012	12,944	716,477	-
Category Adjustments		16,713		2,161		(8,621)	10,253	-
01-Apr-09	367,454	266,244	5,415	78,282	5,012	4,323	726,730	
Additions	6,093	6,990	1,578	4,561	-	16,005	35,227	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,474	20,136	-	-	1,355	-	29,965	-
Revaluation increases/(decreases) recognised in the Surplus/ Deficit on the Provision of services	-	(14,511)	(30)	-	(1,521)	-	(16,062)	-
Derecognition - disposals	(596)	-	-	-	-	-	(596)	-
derecognition - other	-	-	-	-	-	-	-	-
assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	(383)	-	-	-	-	(383)	-
At 31 March 2010	13,971	12,232	1,548	4,561	(166)	16,005	48,151	-
Accumulated Depreciation and Impairments								
At 1 April 2009	-	-	-	-	-		-	-
Prior Year Adjustment	-	-	-	-	-	-	-	-
Restated 1 April 2009	-	-	-	-	-	-	-	-
Depreciation charge	(7,349)	(4,342)	(1,441)	(2,358)	(54)	-	(15,544)	-
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/ Deficit on the Provision of Services	-	(912)	-	-	(153)	-	(1,065)	-

NOTES TO THE CORE FINANCIAL STATEMENTS

Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised on the Provision of Services	-	(3,018)	(11)	-	-	(8)	(3,037)	-
Derecognition - disposals		-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation & impairment	-	-	-	-	-	-	-	-
At 31 March 2010	(7,349)	(8,272)	(1,452)	(2,358)	(207)	(8)	(19,638)	-
Net Book Value								
31-Mar-10	374,076	270,204	5,511	80,485	4,639	20,320	755,235	-

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in **2008/09:**

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Surplus Assets £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								
At 1 April 2008	401,933	278,258	5,877	73,494	5,194	1,658	766,414	-
Additions	7,469	14,836	926	4,824	-	11,587	39,642	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,924	9,471	-	-	151	-	28,546	-
Revaluation increases/(decreases) recognised in the Surplus/ Deficit on the Provision of services	(7,572)	(17,553)	-	-	-	-	(25,125)	-
Derecognition - disposals	(240)	(370)	-	-	-	-	(610)	-
derecognition - other	-	-	-	-	-	-	-	-
assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation - IP transferred to PPE	-	(18,077)	-	-	-	-	(18,077)	-
At 31 March 2009	18,581	(11,693)	926	4,824	151	11,587	24,376	-
Accumulated Depreciation and Impairments								
At 1 April 2008	-	-	-	-	-		-	-
Prior Year Adjustment	-	-	-	-	-	-	-	-
Restated 1 April 2008	-	-	-	-	-	-	-	-
Depreciation charge	(8,414)	(3,924)	(1,388)	(2,197)	(56)	-	(15,979)	-
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/ Deficit on the Provision of Services	(37,177)	(802)	-	-	(277)	-	(38,256)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-

Impairment losses/(reversals) recognised on the Provision of Services	(7,469)	(12,308)	-	-		(301)	(20,078)	-
Derecognition - disposals	-	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation & impairment	-	-	-	-	-	-	-	-
At 31 March 2009	(53,060)	(17,034)	(1,388)	(2,197)	(333)	(301)	(74,313)	-
Net Book Value								
31-Mar-09	367,454	249,531	5,415	76,121	5,012	12,944	716,477	-

Depreciation

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

- Council Dwellings – 50-70 years
- Other Land and Buildings – 30-50 years
- Vehicles, Plant, Furniture & Equipment – 7-10 years
- Infrastructure – 40 years

Capital Commitments

- At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost c £10m.

Revaluations

The Authority 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	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-11	260,276	62,706	-	-	168	323,150
31-Mar-10	-	39,108	-	-	8,395	47,503
31-Mar-09	-	34,702	-	-	-	34,702
31-Mar-08	-	580	-	-	125	705
31-Mar-07	-	117,005	-	-	-	117,005
Total Cost or Valuation	260,276	254,101	-	-	8,688	523,065

13. 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 Statement:

2009/10 £000's		2010/11 £000's
(3,284)	Commercial Rental income from investment property	(3,166)
558	Commercial Direct operating expenses arising from investment property	490
(2,726)	Net Gain/ (loss)	(2,676)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2009/10 £000's	2010/11 £000's
Balance at start of the year	48,475	40,890
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	23	24
Revaluations		
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,357)	5,777
Revaluation increases/(decreases) recognised in the Surplus/ Defecit on the Provision of services		(3,538)
Disposals	(3,357)	2,239
Net gains/ losses from fair value adjustments	(894)	(3,395)
Transfers:		
to/ from Inventories		
to/ from Property, Plant & Equipment	-	3
Other changes	-	3
Balance at end of year	40,890	42,002

14. INTANGIBLE ASSETS

The Authority 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 include both purchased licenses and internally generally 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 Authority. The useful lives assigned to the major software suites used by the Authority 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 2010/11 was £1,114k.

The movement on Intangible Asset balances during the year is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2009/10			2010/11		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
- Gross carrying amounts	-	7,389	7,389	-	7,439	7,439
- Accumulated amortisation	-	(4,123)	(4,123)	-	(5,225)	(5,225)
Net carrying amount at the start of the year	-	3,266	3,266	-	2,214	2,214
Additions:						
- Internal development	-	-	-	-	1,063	1,063
- Purchases	-	50	50	-	-	-
- 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	-	-	-	-	-	-
Impairmnet 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	-	(1,102)	(1,102)	-	(1,114)	(1,114)
Other changes	-	-	-	-	-	-
Net carrying amount at the end of year	-	2,214	2,214	-	2,162	2,162
Comprising:						
- Gross carrying amounts	-	7,439	7,439	-	-	-
- Accumulated amortisation	-	(5,225)	(5,225)	-	-	-
	-	2,214	2,214	-	-	-

There are 4 items of capitalised software that are individually material to the financial statements:

	Carrying Amount 2009/10 £000's	Carrying Amount 2010/11 £000's	Remaining Amortisation Period
Electronic Data Management & Workflow	464	387	6 years
Office Upgrade 2010-11	0	298	5 years
Mobile Working - Installation		259	5 years
Voice & Data - Licences & Hardware		238	5 years

In 2010/11 the Authority entered into a contract for the replacement of its payroll software. The new system is anticipated to be operational in 2011/12.

15. 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.

	Long-Term		Short-Term	
	31.3.10 Restated £000's	31.3.11 £000's	31.3.10 Restated £000's	31.3.11 £000's
Investments				
Loans and receivables	-	-	26,108	35,346
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total Investments	-	-	26,108	35,346
Debtors				
Loans and receivables	3,587	1,826	26,990	21,358
Financial assets carried at contract amounts	-	-	-	-
Total Debtors	3,587	1,826	26,990	21,358
Borrowings				
Financial Liabilities at amortised cost	(108,147)	(127,181)	(8,676)	(6,841)
Financial Liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	(108,147)	(127,181)	(8,676)	(6,841)
Other Long Term Liabilities				
PFI liabilities	11,821	11,451		
finance lease liabilities	1,736	947		
Total other long term liabilities	13,557	12,398		
Creditors				
Financial liabilities at amortised cost	-	-		
Financial liabilities carried at contract amount			36,974	37,895
Total Creditors	-	-	36,974	37,895

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 2 – Fair value has been measured by:

- Direct reference to published price quotations in an active market or estimating using a valuation technique where applicable.

31.3.10 £000's		31.3.11 £000's
	Financial Liabilities measured at amortised costs	
5,259	Interest Expense	6,472
5,259		6,472
	Financial Assets - Loans and Receivables	
(308)	Dividends Received	(515)
(1,145)	Interest Income	(827)
(1,453)		(1,342)
3,806	Net loss for the year	5,130

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 and other loans payable, premature repayment rate from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- 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-10		31-Mar-11	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair Value £000's
PWLB debt	(101,471)	(104,343)	(108,617)	(114,493)
Non-PWLB debt	(15,352)	(17,766)	(25,405)	(26,988)
Total debt	(116,823)	(122,109)	(134,022)	(141,481)
Long term creditors	-	-	-	-
Total Financial liabilities	(116,823)	(122,109)	(134,022)	(141,481)

The fair value is greater than the carrying amount because the Authority'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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	31-Mar-10 Carrying amount £000's	31-Mar-10 Fair value £000's	31-Mar-11 Carrying amount £000's	31-Mar-11 Fair Value £000's
Money market loans < 1 yr	26,108	26,108	35,346	35,346
Money market loans > 1 yr	-	-	-	-
Bonds	-	-	-	-
Trade debtors	21,829	21,829	15,803	15,083
Total Loans and receivables	47,937	47,937	51,149	50,429

The differences are attributable to fixed interest instruments receivable being held by the authority 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 authority 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.

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.

16. INVENTORIES

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Total	
	2009/10 '£000's	2010/11 '£000's	2009/10 '£000's	2010/11 '£000's	2009/10 '£000's	2010/11 '£000's	2009/10 '£000's	2010/11 '£000's
Balance Outstanding at Start of Year	536	494	-	-	21	12	557	507
Purchases	119	365	-	-	-	-	119	365
Recognised as an Expense in theYear	(160)	(339)	-	-	(9)	(7)	(169)	(346)
Written Off Balances	-	(34)	-	-	-	-	-	(34)
Reversals of Write Offs in Previous Years	-	-	-	-	-	-	-	-
Balance Outstanding at End of Year	495	486	-	-	12	5	507	492

17. CONSTRUCTION CONTRACTS

At 31 March 2011 the Authority had no construction contracts in progress.

NOTES TO THE CORE FINANCIAL STATEMENTS

18. DEBTORS

Balance at 31 March 2010 £000's		Balance at 31 March 2011 £000's
10,304	Central Government Bodies	6,023
111	Other Local Authorities	1,135
100	NHS Bodies	1,487
163	Public Corporations	356
21,829	Other Entities and Individuals	15,803
32,507		24,804
(5,517)	Provision for Bad and Doubtful Debts	(3,795)
26,990	**Total Debtors**	21,009

19. CASH AND CASH EQUIVALENTS

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

Balance at 31 March 2010 £000's		Balance at 31 March 2011 £000's
9,749	Cash Held by the Authority	10,042
8,875	Money Market Funds	-
-	Call Accounts	11,300
415	Bank Current Accounts	-
-	Short Term Deposits with Building Societies	-
19,039	**Total Cash and Cash Equivalents**	21,342

20. ASSETS HELD FOR SALE

The Authority does not hold any Assets held for sale. In accordance with Note 1 Accounting Policies and section **XIX** Property, plant and equipment, the assets that the Authority holds for disposal do not meet the specific IFRS definition for Assets held for sale and therefore have been reclassified back to the previous classification within non-current assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

21. CREDITORS

Balance at 31 March 2010 £000's		Balance at 31 March 2011 £000's
(7,337)	Central Government Bodies	(8,076)
(496)	Other Local Authorities	(3,783)
(733)	NHS Bodies	(495)
(1,681)	Public Corporations	(1,616)
(26,726)	Other Entities and Individuals	(23,925)
(36,973)	**Total Creditors**	(37,895)

22. PROVISIONS

	Employee Absences £000's	Insurance Fund £000's	Equal Pay £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2010	(5,903)	(1,462)	(1,035)	(2)	(8,402)
Additional provisions made in 2010/11	(4,442)	(331)	-	(50)	(4,823)
Amounts Used In 2010/11	-	266	207	2	475
Unused amounts reversed in 2010/11	5,903	-	-	-	5,903
Unwinding of discounting in 2010/11	-	-	-	-	-
Balance at 31 March 2011	(4,442)	(1,527)	(828)	(50)	(6,847)

Employee Absences
A provision to account for new changes under IFRS whereby the Authority accounts for any untaken leave owed to its employees.

Insurance Fund
The general insurance provision is based on information provided by the Authority'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.

Other Provisions
All other provisions are individually insignificant.

NOTES TO THE CORE FINANCIAL STATEMENTS

23. USEABLE RESERVES

Movements in the Authority’s usable reserves are detailed in the Movement in Reserves Statement and notes 23 and 24.

24. UNUSEABLE RESERVES

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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.

2008/09	2009/10		2010/11	
£000's	£000's		£000's	£000's
(31,144)	(25,068)	**Balance at 1st April**		(41,669)
(33,641)	(33,627)	Upward revaluation of assets	(23,269)	
37,979	1,482	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,502	
(26,806)	(57,213)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(14,767)
	14,348	Downward/Upward revaluation of assets and impairment losses charged to the Surplus/Deficit on the Provision of Services		
903	396	Difference between fair value depreciation and historical cost depreciation	1,883	
179	800	Accumulated gains on assets sold or scrapped	358	
656	0	Properties RR movement with CAA	0	
1,738	15,544	Amount written off to the Capital Adjustment Account		2,241
(25,068)	(41,669)	Balance at 31 March		(54,195)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The Authority 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

NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority 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 Authority.

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.

2009/10 £000's		2010/11 £000's
(617,631)	**Balance at 1st April**	(609,748)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
20,830	Charges for depreciation and impairment of non current assets	19,469
	Revaluation losses on Property, Plant and Equipment	129,509
0	Amortisation of intangible assets	0
1,147	Revenue expenditure funded from capital under Statute	10,074
1,490	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,482
(594,164)		(443,214)
(1,655)	Adjusting amounts written out of the Revaluation Reserve	(2,241)
(595,819)	**Net written out amount of the cost of non-current assets consumed in the year**	**(445,455)**
	Capital financing applied in the year:	
(1,727)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,929)
5,127	Use of the Major Repairs Reserve to finance new capital expenditure	(5,379)
(11,680)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(18,367)
	Application of grants to capital financing from the Capital Grants Unaplied Account	(3,347)
(4,760)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,228)
(889)	Capital expenditure charged against the General Fund and HRA balances	(737)
(13,929)		(39,987)
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5,777)
(609,748)	**Balance at 31 March**	**(491,219)**

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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 Authority 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 benefits earned to be financed as the Authority 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 Authority 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 March 2010 £000's		31 March 2011 £000's
150,942	**Balance at 1 April**	189,978
32,964	Acturial gains or losses on pensions assets and liabilities	(23,402)
21,173	Reversal of items relating to retirement benefits debited or credited to the Surplus or Defecit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,716)
(15,101)	Employer's pensions contributions and direct payments to pensioners payable in the year.	(15,787)
189,978	**Balance at 31 March**	148,073

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 March 2010 £000's		31 March 2011 £000's
299	**Balance at 1 April**	975
676	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	110
975	**Balance at 31 March**	1,085

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10 £000's		2010/11 £000's	2010/11 £000's
-	**Balance at 1st April**		1,035
2,400	Increase in provision for back pay in relation to Equal Pay cases	-	
(1,365)	Cash settlements paid in the year	(207)	
1,035			(207)
-	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		-
1,035	**Balance at 31st March**		828

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.

2009/10 £000's		2010/11 £000's	2010/11 £000's
5,110	**Balance at 1st April**		5,903
(5,110)	Settlement or cancellation of accrual made at the end of the preceding year	(5,903)	
5,903	Amounts accrued at the end of the current year	4,443	
793			(1,460)
-	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		-
5,903	**Balance at 31st March**		4,443

25. CASHFLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Balance at 31 March 2010 £000's		Balance at 31 March 2011 £000's
(1,145)	Interest received	(802)
(1,145)	Interest paid	6,325
(308)	Dividends received	(515)

NOTES TO THE CORE FINANCIAL STATEMENTS

26. CASHFLOW STATEMENT – INVESTING ACTIVITIES

Balance at 31 March 2010 £000's		Balance at 31 March 2011 £000's
(1,145)	Purchase of property, plant and equipment, investment property and intangible assets	(802)
(1,145)	Purchase of short-term and long-term investments	-
(308)	Other payments for investing activities	(515)
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
-	Proceeds from short-term and long-term investments	-
-	Other receipts from investing activities	-
(2,599)	**Net cash flows from investing activities**	(1,317)

27. CASHFLOW STATEMENT – FINANCING ACTIVITIES

Balance at 31 March 2010 £000's		Balance at 31 March 2011 £000's
(1,145)	Cash receipts of short-term and long-term borrowing	(802)
(1,145)	Other receipts from financing activities	6,325
(308)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(515)
-	Repayments of short-term and long-term borrowing	-
-	Other payments for financing activities	-
		-
(2,599)	**Net cash flows from financing activities**	5,008

28. 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 Authority's 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 Authority's principal (directorates) recorded in the budget reports for the year is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11	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	43,013	11,010	38,201	14,029	2,782	1,517	110,552
Supplies & Services	66,109	5,756	10,356	7,885	809	7,667	98,582
Recharges	9,247	3,231	1,764	2,786	1,834	0	18,862
Other Expenses	161,652	20,102	41,489	56,075	146	7,268	286,732
Total Expenditure	**280,021**	**40,099**	**91,810**	**80,775**	**5,571**	**16,452**	**514,728**
Fees, Charges & Other Income	(52,850)	(29,533)	(45,570)	(5,655)	(1,566)	(36,953)	(172,127)
Government Grants	(132,960)	(2,735)	(4,531)	(52,073)	-	(14,472)	(206,771)
Support Services	-	-	-	(17,916)	(946)	-	(18,862)
Total Income	**(185,810)**	**(32,268)**	**(50,101)**	**(75,644)**	**(2,512)**	**(51,425)**	**(397,760)**
Net Expenditure	**94,211**	**7,831**	**41,709**	**5,131**	**3,059**	**-34,973**	**116,968**

2009/10	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	43,904	11,724	38,401	15,734	2,930	625	113,318
Supplies & Services	60,963	6,389	8,917	8,545	1,204	6,570	92,588
Recharges	8,621	2,832	1,787	5,173	2,125	0	20,538
Other Expenses	158,480	21,942	42,473	53,076	3,875	25,563	305,409
Total Expenditure	**271,968**	**42,887**	**91,578**	**82,528**	**10,134**	**32,758**	**531,853**
Fees, Charges & Other Income	(43,171)	(30,243)	(45,283)	(8,595)	(5,229)	(85,902)	(218,423)
Government Grants	(120,031)	-	(1,434)	(48,864)	-	(9,349)	(179,678)
Support Services	-	-	-	(19,370)	(1,168)	-	(20,538)
Total Income	**(163,202)**	**(30,243)**	**(46,717)**	**(76,829)**	**(6,397)**	**(95,251)**	**(418,639)**
Net Expenditure	**108,766**	**12,644**	**44,861**	**5,699**	**3,737**	**-62,493**	**113,214**

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2009/10 £000	2010/11 £000
Net Expenditure in Directorate Analysis	113,214	116,968
Net expenditure of services and support services not included in the Analysis	(114,035)	(133,799)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	25,263	127,105
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(8,975)	(7,968)
Cost of Services in Comprehensive Income and Expenditure Statement	**15,467**	**102,306**

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.

2010/11

	Directorate Analysis £000	Amounts Not Reported To Management For Decision Making £000	Amounts Not Included In I&E £000	Allocation Of Recharges £000	Cost Of Services £000	Corporate Amounts £000	**Total £000**
Employee Expenses	110,552	(17,683)			(1,461)		**91,408**
Other Service Expenses	366,778		(7,968)				**358,810**
Support Service Recharges	18,862		(16,248)	(18,862)			**(16,248)**
Depreciation, Amortisation & Impairment	11,507	133,171					**144,678**
Interest Payments	6,325	122					**6,447**
Precepts & Levies						582	**582**
Payments to Housing Capital Receipts Pool	704					-	**704**
Gain Or Loss On Disposal Of Fixed Assets		13					**13**
Total Expenditure	**514,728**	**115,623**	**(24,216)**	**(18,862)**	**(1,461)**	**582**	**586,394**
Fees, Charges & Other Service Income	(190,187)	11,507	16,248	18,862			**(143,570)**
Surplus Or Deficit On Associates & Joint Ventures							**-**
Interest & Investment Income	(802)	(25)					**(827)**
Income From Council Tax						(73,349)	**(73,349)**
Government Grants & Contributions	(206,771)				(15,000)	(44,571)	**(266,342)**
Total Income	**(397,760)**	**11,482**	**16,248**	**18,862**	**(15,000)**	**(117,920)**	**(484,088)**
Surplus Or Deficit On The Provision Of Services	**116,968**	**127,105**	**(7,968)**	**-**	**(16,461)**	**(117,338)**	**102,306**

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10

	Directorate Analysis £000	Amounts Not Reported To Management For Decision Making £000	Amounts Not Included In I&E £000	Allocation Of Recharges £000	Cost Of Services £000	Corporate Amounts £000	**Total £000**
Employee Expenses	113,318	12,147			793		**126,258**
Other Service Expenses	358,499	(6,518)	(8,975)				**343,006**
Support Service Recharges	20,538		(27,225)	(20,538)			**(27,225)**
Depreciation, Amortisation & Impairment	33,724	(13,219)					**20,505**
Interest Payments	5,440	(145)					**5,295**
Precepts & Levies						585	**585**
Payments to Housing Capital Receipts Pool	334						**334**
Gain Or Loss On Disposal Of Fixed Assets		(726)					**(726)**
Total Expenditure	**531,853**	**(8,461)**	**(36,200)**	**(20,538)**	**793**	**585**	**468,032**
Fees, Charges & Other Service Income	(237,816)	33,724	27,225	20,538			**(156,329)**
Surplus Or Deficit On Associates & Joint Ventures							**-**
Interest & Investment Income	(1,145)						**(1,145)**
Income From Council Tax						(70,641)	**(70,641)**
Government Grants & Contributions	(179,678)				(1,292)	(43,480)	**(224,450)**
Total Income	**(418,639)**	**33,724**	**27,225**	**20,538**	**(1,292)**	**(114,121)**	**(452,565)**
Surplus Or Deficit On The Provision Of Services	**113,214**	**25,263**	**(8,975)**	**-**	**(499)**	**(113,536)**	**15,467**

29. ACQUIRED AND DISCONTINUED OPERATIONS

All Authority operations are categorised as continuing operations.

NOTES TO THE CORE FINANCIAL STATEMENTS

30. TRADING OPERATIONS

The Authority has established 15 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 authority or other organisations. Details of those units in 2010/11 are as follows:

2009/10 Turnover (Income) £(000)	2009/10 Expend-iture £(000)	2009/10 (Surplus)/ Deficit £(000)		2010/11 Turnover (Income) £(000)	2010/11 Expend-iture £(000)	2010/11 (Surplus)/ Deficit £(000)
			Significant Trading Services included in Net Cost of Services			
(2,712)	3,672	960	Commercial Property	(2,657)	707	(1,950)
(596)	315	(281)	Markets	(629)	329	(300)
(5,496)	1,964	(3,532)	Car Parks	(5,297)	787	(4,510)
(1,300)	640	(660)	Crematorium	(1,430)	454	(976)
-	-		Building Control	-	-	
(562)	511	(51)	(chargeable element)	(475)	478	3
(421)	359	(62)	Land Charges	(336)	282	(54)
(975)	914	(61)	Engineering Consultancy	(861)	918	57
(1,948)	1,974	26	Facilities Management	(1,655)	2,160	505
(592)	525	(67)	York Training Centre	(598)	595	(3)
(7,519)	7,500	(19)	Building Maintenance	(7,374)	7,484	110
(7,655)	6,588	(1,067)	Civil Engineering	(8,147)	7,673	(474)
(3,501)	3,957	456	Neighbourhood Pride Service	(1,997)	3,990	1,993
(3,605)	3,731	126	Cleaning of Public Buildings	(3,640)	3,695	55
(2,019)	1,509	(510)	Commercial Waste	(1,755)	1,304	(451)
(3,946)	3,672	(274)	Transport Operating	(4,663)	4,359	(304)
(42,847)	37,831	(5,016)	**Total**	(41,514)	35,215	(6,299)

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

31. AGENCY SERVICES

The Authority has an agency agreement with North Yorkshire and York Primary Care Trust (PCT) related to provision for people with learning disabilities. The council administers the service on behalf of the PCT and are fully reimbursed for the expenditure incurred. The income received in 2010/11 was £4.008m (2009/10 £4.56m).

	2009/10 £000's	2010/11 £000's
Expenditure incured providing Learning Disabilities services	4,560	4,008
Funds payable by North Yorks and York PCT	(4,560)	(4,008)
Net Position	-	-

The Authority, as a billing authority, both bills and collects income on behalf of the central government, the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority for National Non-

Domestic Rates and Council Tax. This statutory arrangement is treated in the Authority's accounts as an agency agreement.

The Authority provides payroll services for two schools, one college, one district council, a trust and various small organisations mostly in the voluntary and sports sectors. These contracts earned £38k (2009/10 £36k) against expenditure of £24k (2009/10 £24k).

	2009/10 £000's	2010/11 £000's
Expenditure incured providing Payroll Services	24	24
Fee income earned	(36)	(38)
Net Position	(12)	(14)

32. ROAD CHARGING SCHEMES

There were no schemes under the Transport Act 2000 in 2010/11, but these will continue to be considered by the Authority in future years.

33. POOLED BUDGETS

There were no pooled budgets in 2010/11, but these will continue to be considered by the Authority in future years.

34. MEMBERS' ALLOWANCES

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

2009/10 £000's		2010/11 £000's
559	Allowances	543
12	Expenses	9
571	**Total**	552

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 2010/11 will be released to the press during the summer and will identify that the Authority spent £552k (2009/10 £571k) 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 Authority after recommendations are received from the Executive, having regard to the review undertaken by the Authority's independent remuneration panel. In addition to the allowances and expenses the Authority has incurred a cost of £21k (2009/10 £20k) for members pensions contributions.

Although the Authority only has 47 Members, during 2010/11 a by-election was held following the resignation of one Member, thus the number of Members receiving an allowance over the financial year is 48.

NOTES TO THE CORE FINANCIAL STATEMENTS

35. OFFICERS REMUNERATION

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 introduce a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees. 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 Authority's senior employees in 2010/11 is as follows:

	Notes	Salary (incl. fees & Allow-ances) £000's	Expense Allow-ances £000's	Compens-ation for loss of office £000's	Total Remuner-ation excluding Pension contrib-utions 2009/10 £000's	Pension contrib-utions £000's	Total Remuner-ation including Pension contrib-utions 2009/10 £000's
Chief Executive		132,399	185	-	132,583	23,734	156,317
Director of City Strategy		102,961	153	-	103,114	18,498	121,612
Director of Adults, Children & Education		102,874	-	-	102,874	18,498	121,372
Director of Communities and Neighbourhoods		102,766	-	-	102,766	18,498	121,264
Director of Customer & Business Support Services		102,874	468	-	103,342	18,498	121,840
Head of Civic, Democratic & Legal Services	1	68,168	119	-	68,287	12,297	80,585
		612,043	925	-	612,968	110,023	722,990

Notes:

1: The current head of Civic, Democratic & Legal Services arrived on 19/04/2010.

The remuneration paid to the Authority's senior employees in 2009/10 is as follows:

	Notes	Salary (incl. fees & Allow-ances) £000's	Expense Allow-ances £000's	Compens-ation for loss of office £000's	Total Remuner-ation excluding Pension contrib-utions 2009/10 £000's	Pension contrib-utions £000's	Total Remuner-ation including Pension contrib-utions 2009/10 £000's
Chief Executive from 5/10/09	**1**	63,602	11		63,613	11,448	75,061
Chief Executive from 1/4/09 to 16/08/09	**1**	53,979	80		54,059	9,716	63,775
Director of Housing and Social Services	**2**	131,005	554	51,242	182,801	69,259	252,060
Director of City Strategy	**3**	109,794	142		109,936	19,157	129,093
Director of Learning, Culture & Children's Services		96,883	-		96,883	17,439	114,322
Director of Neighbourhood Services from 17/8/09	**4**	57,683	5		57,687	10,383	68,070
Director of Neighbourhood Services to 17/07/09	**4**						
Director of People & Improvement	**5**	73,037	108	58,333	131,479	12,871	144,350
Director of Resources		104,103	397		104,500	18,498	122,998
Head Civic Democratic & Legal Services resigned 31/10/09	**6**	42,817	202		43,019	7,707	50,726
		732,904	1,498	109,575	843,977	176,478	1,020,456

Note 1: The Chief Executive resigned on 16/8/09, his annualised salary was £143,430. He was replaced on 5/10/2009, at an annualised salary of £130,000.

Note 2: Director of Housing & Social Services was made redundant on 31/3/2010, his annualised salary was £108,481.43. He received pay in lieu of notice was £22,524 and £50,761.14 pension contribution for the next 5 years.

Note 3: Director of City Strategy was appointed the Acting Chief Executive from 17/08/09 to 04/10/09, his annualised salary was £106,426.45 and he recieved a responsibility payment of £3,367.65.

Note 4: There was an interim Director of Neighbourhood Services employed via an agency from 01/04/09 to 17/07/09 which was paid £57,750 and expense allowances of £2,883.63. The current Director of Neighbourhood Services was appointed on 17/08/2010, the annualised salary is £96,883.

Note 5: Director of People & Improvement's annualised salary was £102,766. She went on maternity leave on 12/4/09 and returned on 1/11/09. She was made redundant on 31/3/2010 and received £25,691.49 pay in lieu of notice.

Note 6: Head of Civic, Democratic & Legal Services resigned on 31/10/2009, his annualised salary was £73,401. His interim replacement was via an agency from 26/10/2009 to 14/04/2010, She worked 3 days a week and teh agency was paid £60,220.98. The current Head of Civic, Democratic & Legal Services arrived on 19/4/2010.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 7: Compensation for loss of office includes redundancy payments and compromise agreement payments.

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

2009/10 Number of employees					2010/11 Number of employees			
Officers Current	Officers Left during year	Teachers Current	Total	Remuneration Band	Officers Current	Officers Left during year	Teachers Current	Total
31	8	23	62	£50,000 - £54,999	29	1	30	60
4	3	34	41	£55,000 - £59,999	6		20	26
4	3	7	14	£60,000 - £64,999	2		16	18
14	5	8	27	£65,000 - £69,999	11		5	16
4	1	6	11	£70,000 - £74,999	3		4	7
		2	2	£75,000 - £79,999			4	4
		2	2	£80,000 - £84,999			2	2
		1	1	£85,000 - £89,999			1	1
1		1	2	£90,000 - £94,999			1	1
1			1	£95,000 - £99,999				0
2		1	3	£100,000 - £104,999	4			4
			0	£105,000 - £109,999				0
			0	£110,000 - £114,999				0
			0	£115,000 - £119,999				0
			0	£120,000 - £124,999				0
			0	£125,000 - £129,999				0
1			1	£130,000 - £134,999	1			1
			0	£135,000 - £139,999				0
			0	£140,000 - £144,999				0
			0	£145,000 - £150,000				0

36. EXTERNAL AUDIT COSTS

The Authority 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 Authority's external auditors:

2009/10 £000's		2010/11 £000's
248	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	225
17	Fees payable to the Audit Commission in respect of statutory inspection	-
30	Fees payable to the Audit Commission for the certification of grant claims and returns	46
4	Fees payable in respect of other services provided by the appointed auditor	-
299		271

The fees for other services payable in both 2009/10 and 2010/11 related to specialist advice on a successful claim against HM Revenue & Customs for the refund of VAT.

37. DEDICATED SCHOOLS GRANT

The Authority's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, via the Dedicated Schools Grant (DSG). For 2010/11 the sum received is £92.651m (2009/10 £88.321m) and this is credited against the Children's and Education Services line in the Income and Expenditure Account.

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 2008. The Schools Budget includes elements for a restricted range of services provided on a Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The Authority is able to supplement the Schools Budget from its own resources but this year decided against any additional spending for schools. Details of the use of the DSG receivable for 2010/11 are as follows:

	Central Expend-iture £000's	Individual Schools Budget £000's	Not Allocated £000's	Total £000's
Original grant allocation to Schools Budget for the current year in the Council's budget	(12,696)	(79,955)	-	(92,651)
Adjustment to finalised grant allocation	(254)	-	-	(254)
DSG receivable for the year	(12,950)	(79,955)	-	(92,905)
Actual expenditure for the year	12,532	79,980	-	92,512
Over/(under) spend for the year	(418)	25	-	(393)
Over/(under) spend from prior year	162	(25)	-	137
Underspend carried forward to 2011/12	(256)	-	-	(256)

38. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10 £000's		2010/11 £000's
	Credited to Taxation and Non Specific Grant Income	
(71,317)	Demand on Collection Fund	(73,459)
(35,326)	Non-Domestic Rates Redistribution	(38,919)
(8,154)	Revenue Support Grant	(5,651)
(8,643)	Area Based Grant	(14,567)
(20,766)	Capital Grants	(14,999)
(246)	Housing and Planning Act Grant	-
(144,452)		(147,595)
	Credited to Services	
	Grants Credited to Services	
(1,132,932)	Supporting People	(1,038,459)
(369,550)	Homelessness	(463,050)
(77,733)	Dedicated Schools Grant Base	(92,425)
(14,438)	Other Standard Fund Grants	-
(4,723)	School Development Grant	(4,829)
(3,804)	School Standards	(4,767)
(3,251)	Sure Start, Early Years & Childcare	(4,184)
(1,143)	Dft	(1,527)
(1,183)	Early Years - Free Entitlement for 3-4 yr olds	(1,191)
(1,126)	Supporting People	-
-	Learning and Skills council	(1,115)
-	DAAT main grant	(970)
(959)	Yorkshire Forward	(233)
(946)	Targeted Support for Primary & Secondary Strategy	(853)
(459)	Social Care Reform Grant	(928)
(900)	SSGP	-
-	One to One Tuition	(722)
(544)	Cycle England	(615)
-	Think Family Grant	(579)
(378)	Extended Schools - Sustainability	(557)
(4,683)	Other Grants	(5,903)
(4,926)	Contributions	(8,389)
(70)	Donations	(88)
(1,623,748)	TOTAL	(1,631,384)

The Authority 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.

39. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Central Government
Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 38.

Members
Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 34. A number of Members have interests in organisations based in the city, however any transactions made with the Authority are not material and are centred on income for services such as commercial waste.

Officers

The Assistant Director for Partnerships & Early Intervention is a director on the board of a charity called York Cares with whom the Authority did approximately £9k of business in 2010/11. He is also a director and trustee for the National Centre for Early Music of which the Authority did approximately £13k of business with, including a £9k service agreement. There is no evidence to suggest any further senior officers have pecuniary interests in organisations that the Authority has done business with in 2010/11.

Other Public

Income was received for joint arrangements for people with learning difficulties. The arrangements were between Social Services and North Yorkshire and York PCT Services, £4.008m (2009/10 £4.560m).

Entities Controlled or Significantly Influenced by the Authority

The Authority 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 Authority to prepare Group Accounts.

The share-holding for Yorwaste 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.

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 Council and North Yorkshire County Council, with each Authority holding 50% of the shares.

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.

York Business Development Limited is a company limited by guarantee and has been approved by the Secretary of State for Employment as a local Enterprise Agency under Section 79(c) of the Income and Corporation Taxes Act 1988. City of York Council is a Co-Sponsor, but does not have a controlling influence.

York Energy Savers is a not-for-profit company set up to provide energy efficiency within the City of York and surrounding area. The Authority has two representatives on the Board of Representatives that manages the Company.

40. 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 Authority, the expenditure results in an increase in the Capital

Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000's		2010/11 £000's
97,876	**Opening Capital Financing Requirement**	121,691
6,353	**PFI**	(6,353)
	Transfer of Local Authority Debt 1996	22,744
	Capital Investment	
35,214	Property, Plant and Equipment	42,770
35	Investment Properties	24
50	Intangible Assets	1,063
23,232	Revenue Expenditure Funded from Capital under Statute	10,074
	Sources of Finance	
(1,727)	Capital Receipts	(5,929)
(33,693)	Government grants and other contributions	(27,293)
-	Sums set aside from revenue:	-
(889)	Direct revenue contributions	(537)
(4,760)	[MRP/ loans fund principal]	(4,993)
17,462	Movement in Year	15,179
121,691	**Closing Capital Financing Requirement**	153,261
	Explanations of movement in year	
5,466	Increase in underlying need to borrow (supported by government financial assistance)	6,102
16,756	Increase in underlying need to borrow (unsupported by government financial assistance)	14,070
-	Assets acquired under finance leases	-
-	Assets acquired under PFI/ PPP contracts	-
(4,760)	[MRP/ loans fund principal]	(4,993)
17,462	**Increase/ (decrease) in Capital financing Requirement**	15,179

41. LEASES

Authority as Lessee

Finance Leases

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

2009/10 £000's		2010/11 £000's
-	Other Land and Buildings	-
2,411	Vehicles, Plant, Furniture and Equipment	1,578
2,411		1,578

The Authority has not acquired any property assets under finance leases.

The Authority 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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2009/10 £000's		2010/11 £000's
-	Finance lease liabilities (net present value of minimum lease payments)	
1,101	- Current	1,039
1,736	- Non-current	947
261	Finance costs payable in future years	131
3,098	Minimum lease payments	2,117

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

	Minimum lease payments		Finance lease liabilities	
	2009/10 £000's	2010/11 £000's	2009/10 £000's	2010/11 £000's
Not later than one year	1,244	1,125	1,101	1,039
Later than one year and not later than five years	1,854	992	1,736	947
Later than five years	-	-	-	-
	3,098	2,117	2,837	1,986

Due to the short-term nature of the leases entered into by the Authority, no contingent rents were payable by the Authority in 2010/11 (2009/10 £0).

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

Operating Leases

The Authority has acquired 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 live 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

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

Commitment at 31.3.10 £000's		Commitment at 31.3.11 £000's
6,421	Not later than one year	6,343
13,065	Later than one year and not later than five years	6,838
2,397	Later than five years	2,344
21,883		15,525

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:

2009/10 £000's		2010/11 £000's
6,871	Minimum lease payments	6,841
-	Contingent rents	-
6,871		6,841

Authority as Lessor

Finance Leases

The Authority acts as lessor for a small number of property leases, with start dates between 1967 and 1994 and remaining lease terms of between 5 and 27 years. The Authority 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 Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

2009/10 £000's		2010/11 £000's
	Finance lease debtor (net present value of minimum lease payments)	
8	- Current	9
427	- Non-current	418
513	Unearned finance income	481
-	Unguaranteed residual value of property	-
948	Gross Investment in the lease	908

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

	Minimum lease payments		Finance lease liabilities	
	2009/10 £000's	2010/11 £000's	2009/10 £000's	2010/11 £000's
Not later than one year	40	40	40	40
Later than one year and not later than five years	162	160	162	160
Later than five years	746	708	746	708
	948	908	948	908

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 2010/11 contingent rents of £123,750 were receivable by the Authority (2009/10 £121,750).

Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

2009/10 £000's		2010/11 £000's
2,092	Not later than one year	1,907
5,950	Later than one year and not later than five years	4,974
11,858	Later than five years	11,521
19,900		18,402

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 2010/11 contingent rents of £906k were receivable by the Authority (2009/10 £906k).

42. PFI AND SIMILAR CONTRACTS

The Authority has one PFI scheme for the provision of 3 primary schools with Sewell Education (York) Ltd and 10/11 was the sixth year of the 30-year PFI contract. 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 Authorities Balance Sheet along with a liability for the financing provided by the PFI operator. Payments made by the Authority 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 Authority 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 Authority'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 13. The other 2 schools are voluntary aided where the asset does not revert back to the authority at the end of the contract. These assets are not included on the face of the balance sheet and the associated costs removed.

Payments

The Authority 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 2011 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Payment for Services	Finance Payment	Liability Repayment	Total Payments
	£000's	£000's	£000's	£000's
Within 1 Yr	998	770	408	2,176
Between 2 Yrs and 5 Yrs	2,788	4,229	1,546	8,563
Between 6 Yrs and 10 Yrs	2,859	5,959	1,742	10,560
Between 11 Yrs and 15 Yrs	2,183	6,963	1,504	10,650
Between 16 Yrs and 20 Yrs	1,674	7,824	1,496	10,994
Between 21 Yrs and 25 Yrs	1,980	6,804	2,792	11,576
	12,482	32,549	9,488	54,519

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.

43. IMPAIRMENT LOSSES

The impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure are disclosed in Note 12 and reconciles the movement over the year in the Property, Plant and Equipment balances.

During 2010/11, no impairment loss occurred on vehicle or infrastructure assets of the authority.

44. CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during 2010/11 as is consistent with previous years.

45. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/11 as a result of its ongoing efficiency programme. This resulted in redundancy costs of £760k (£482k in 09/10) and a pension liability of £854.7k (£516k in 09/10).

46. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority 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 Authority 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 Authority 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 2010/11 the Authority paid £7.092m (2009/10 £6.950m) to CTP in respect of teachers' retirement benefits, which represents 14.0% (2009/10 14.1%) of teachers' pensionable pay.

In addition the Authority is responsible for the costs of any additional benefits awarded upon early retirement which are not the responsibility of the CTP. These amounted to £665k (2009/10 £624k) and are fully accrued in the pensions liability described in the figures shown below.

47. DEFINED BENEFIT PENSION SCHEMES

The Authority 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 Authority 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.

The Authority participates in two schemes, the North Yorkshire Pension Fund and the Teachers Scheme. Brief details of the two pension schemes are shown in Policy 6 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 Authority 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 Authority's liabilities to its current and former employees can be identified within the fund, and the Authority will be liable to meet these, irrespective of the future performance of the fund. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The information below relates to the cost of pension arrangements borne by this Authority and included in the revenue accounts.

Transactions relating to post-employment benefits

The cost 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:

Local Government Pension Scheme

2009/10 £000's		2010/11 £000's	2010/11 £000's
	Comprehensive Income and Expenditure Statement		
	Cost of Services		
9,016	Current service cost	15,171	
2	Past service cost	(27,247)	
535	Settlements and Curtailments	793	
9,553			(11,283)
	Financing and Investment Income and Expenditure		
21,233	Interest cost	24,414	
(9,613)	Expected return on assets in the scheme	(15,847)	
11,620			8,567
21,173	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**		(2,716)
	Other Post Employment Benefit Charged to Comprehensive I&E statement		
-	Acturial gains and losses		(23,402)
	Movement in Reserves statement		
(21,173)	Reversal of net charges made to the Surplus or Defecit for the Provision of Services for post employment benefits in accordance with the Code		2,716
	Actual amount charged against the General Fund Balance for pensions in the year:		
15,101	Empoyers' contributions payable to scheme		15,787

Pensions Costs and Net Pensions Liability Movement in Year

In addition to the gains and losses included in the Provision of Services section of the Consolidated Income and Expenditure Statement, actuarial gains and losses amounting to a gain of £23.402m (2009/10 loss of £32.964m) are included as in the same statement in the Other Comprehensive Income and Expenditure section. The cumulative amount of actuarial gains and losses is a loss of £91.918 m.

The NYPF, which is a Local Government Pension Scheme, is a defined benefit scheme, since the Authority's liabilities to its current and former employees can be identified within the fund, and the Authority will be liable to meet these, irrespective of the future performance of the fund. Further information can be found in NYPF's Annual Report that is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

As at 31.3.10 Local Government Pension Scheme £000's	As at 31.3.10 Unfunded Teachers Scheme £000's		As at 31.3.11 Local Government Pension Scheme £000's	As at 31.3.11 Unfunded Teachers Scheme £000's
287,911	8,880	Balance at 1 April	420,933	10,663
9,016	-	Current service cost	15,171	-
20,626	607	Interest cost	23,846	568
5,137	-	Contributions by scheme participants	5,304	-
106,861	1,638	Actuarial (gains)/losses	(21,018)	1,140
(8,949)	(668)	Benefits/transfers paid	(10,715)	(665)
-	2	Past service costs	(26,599)	(648)
331	204	Curtailments	738	55
420,933	10,663	Balance at 31 March	407,660	11,113

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

As at 31.3.10 Local Government Pension Scheme £000's	As at 31.3.10 Unfunded Teachers Scheme £000's		As at 31.3.11 Local Government Pension Scheme £000's	As at 31.3.11 Unfunded Teachers Scheme £000's
(145,849)	-	Balance at 1 April	(241,618)	-
(9,613)	-	Expected rate of return	(15,847)	-
(75,535)	-	Actuarial (gains)/losses	(10,520)	-
(14,433)	(668)	Employer contributions	(15,122)	(665)
(5,137)	-	Contributions by scheme participants	(5,304)	-
8,949	668	Benefits/transfers paid	10,715	665
(241,618)	-	Balance at 31 March	(277,696)	-

Pensions Costs and Net Pensions Liability Movement in Year cont'd

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £19.520m (2009/10 gain of £85.148m).

Scheme History

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2006/07 Restated £000's	2007/08 Restated £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's
Present Value of Liabilities					
Local Government Pension Scheme	301,497	338,000	287,911	420,933	407,660
Unfunded Teachers Pensions	8,530	10,146	8,880	10,663	11,113
Fair Value of Assets					
Local Government Pension Scheme	(214,450)	(212,575)	(145,849)	(241,618)	(277,696)
(Surplus)/Deficit in the Scheme					
Local Government Pension Scheme	87,047	125,425	142,062	179,315	129,964
Unfunded Teachers Pensions	8,530	10,146	8,880	10,663	11,113
Total Scheme (Surplus)/Deficit	95,577	135,571	150,942	189,978	141,077

The liabilities show the underlying commitments that the Authority has to pay, namely retirement benefits in the long-term. The total liability of £148.073m (2009/10 £189.978m) has a substantial impact on the net worth of the Authority 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 Authority 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.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £15m.

Basis for Estimating Assets and Liabilities

In calculating the Authority's assets and liabilities Mercer, 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 Human Resource Consulting Ltd. an independent firm of actuaries, with the estimates being based on the latest full valuation of the scheme as at 31 March 2010.

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Costs and Net Pensions Liability Movement in Year cont'd

The principal assumptions used by the actuary have been:

As at 31.3.10		As at 31.3.11
	Post Retirement Mortality Assumptions	
PA92mc YoB Tables + 1 year	Non-retired members (retiring in the future in normal health)	PA92mc YoB Tables + 1 year
PA92mc YoB Tables + 1 year	Current pensioners (retired in normal health)	PA92mc YoB Tables + 1 year
	Life expectancy	
22.2 yrs	Of a male future pensioner aged 65 in 20 years time	22.2 yrs
25.0 yrs	Of a female future pensioner aged 65 in 20 years time	25.0 yrs
21.2 yrs	Of a male current pensioner aged 65	21.2 yrs
24.1 yrs	Of a female current pensioner aged 65	24.1 yrs
	Commutation of pension for lump sum at retirement	
50%	Take maximum cash	50%
50%	Take 3/80ths cash	50%

The following shows the inflation factors used:

As at 31.3.10 % pa LGPS	As at 31.3.10 % pa UTS		As at 31.3.11 % pa LGPS	As at 31.3.11 % pa UTS
3.30	3.20	Rate of Inflation	3.40	3.30
5.05	N/A	Rate of increase in salaries	4.65	N/A
3.30	3.20	Rate of increase in pensions	2.90	2.80
5.60	5.50	Discount rate	5.50	5.40

The Unfunded Teacher’s Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme’s assets consist of the following categories, by proportion of the total assets held:

31.03.10 %		31.03.11 %
76.2	Equities	74.7
7.8	Government Bonds	8.9
13.9	Other Bonds	15.9
-	Property	-
2.1	Cash/liquidity	0.5
-	Other	-
100.0		100.0

Pensions Costs and Net Pensions Liability Movement in Year cont'd

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

As at 31.3.10 % pa		As at 31.3.11 % pa
7.50	Equities	7.50
4.50	Government Bonds	4.40
5.20	Other Bonds	5.10
N/A	Property	N/A
0.50	Cash/liquidity	0.50
N/A	Other	N/A

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the pensions reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	Local Government Pension Scheme				
	2006/07	2007/08 Restated	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between expected and actual return on assets	0.5	(13.0)	(63.1)	31.3	3.8
Experience gains and losses on liabilities	-	2.2	-	-	2.9

	Unfunded Teachers Pensions				
	2006/07	2007/08 Restated	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	-	(0.2)	-	-	(8.9)

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Authority's liabilities in the North Yorkshire Pension Fund by £26.599m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

48. CONTINGENT LIABILITIES

North Yorkshire County Council will enter into a commercial agreement for the provision of a long term waste management service contract prior to September 2011 with AmeyCespa (Contractor). As part of the agreement City of York Council will enter a Joint Waste Management Agreement with the County Council.

The contract includes provision whereby compensation would be payable by the County Council to the Contractor in specific circumstances should the contract not proceed to financial close. As part of the Joint Waste Management Agreement the City Council would be liable for 21% of the compensation value. It is, however, anticipated that this situation is very unlikely.

A joint committee of which the Authority is a member authority has been asked by a regulatory body to provide information in relation to its activities. At present it is not known whether this will lead to any action or if there will be any financial impact.

49. CONTINGENT ASSETS

No contingent assets have been identified.

50. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority 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 three 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 Council on 25/02/10 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2010/11 was set at £192m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £172m. 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 108% and –8% 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.

This Council uses the creditworthiness service provided by Sector Treasury 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 2010/11 was approved by Full Council on 25/02/10 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 [the council].

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £35.2m 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 Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

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

	Amount at 31.3.11	Historical Experience of Default	Historical Experience Adjusted for Market Conditions	Estimated Maximum Exposure to Default and Uncollectability
	£000's	%	%	£000's
Deposit with banks and financial institutions	35,346	-	-	-
Bonds	-	-	-	-
Customers	15,803	3.42%	3.42%	541
	51,149			541

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 £5.479m of the £21.009m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31.03.10 £000's	31.3.11 £000's
Less than three months	1,229	676
three to six months	562	506
Six months to one year	575	565
More than one year	1,156	1,085
Total	3,521	2,832

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 assets is as follows:

	31.03.10 £000's	31.3.11 £000's
Less than 1 year	26,108	35,346
Between 1 and 2 years	-	-
Between 2 and 3 years	-	-
More than 3 years	-	-
Total	26,108	35,346

All trade and other payables (£37.895m) are due to be paid in less than one year and are not shown in the table above.

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 Minimum limits %	Approved Maximum Limit %	Authority Actual at 31.3.10 £000's	Authority Actual at 31.3.11 £000's
Less than 1 year	0%	20%	(7,000)	(5,000)
Between 1 and 2 years	0%	20%	-	(3,000)
Between 2 and 5 years	0%	25%	(7,673)	(6,674)
Between 5 and 10 years	0%	40%	(22,000)	(28,000)
More than 10 years	30%	90%	(79,565)	(90,565)
Total			(116,238)	(133,239)

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 (i.e HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

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:

31.3.10 £000's		31.3.11 £000's
-	Increase in interest payable on variable rate borrowings	-
89	Increase in interest receivable on variable rate investments	113
	Impact on Surplus or Deficit on the Provision of Services	
-	Increase in government grant receivable for financing costs	-
89	Impact on Income and Expenditure Account	113
18	Share of overall impact credited to the HRA	18
10,616	Decrease in fair value of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services or other CIES)	11,621

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.

51. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS:

The statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are difference from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the date of transition to IFRS (1st April 2009)

	Previous GAAP	Effect of transition to IFRS: Presentational changes	Cash & cash Equivalents	Absences	Leases	PFI	Non-current Assets	Grants	IFRS
		1	2	3	4	5	6	7	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
LONG-TERM ASSETS									
Property, Plant and Equipment	712,996	-			(964)		(18,076)		693,956
Investment Property	65,964		-						65,964
Intangible Assets	3,266		-						3,266
Assets Held for Sale	13,528		-						13,528
Long - Term Investments	5,215		-						5,215
Long - Term Debtors	21,560		-		444	(1,964)			20,040
LONG - TERM ASSETS	822,529	-	-	-	(520)	(1,964)	(18,076)	-	801,969
CURRENT ASSETS									
Short-Term Investments	27,534		-						27,534
Assets Held for Sale			-						-
Inventories	556	-	-						556
Short-Term Debtors	23,378		-						23,378
Cash and Cash Equivalents	59	8,841	-						8,900
Schools Cash at Bank	8,841	(8,841)	-						-
CURRENT ASSETS	60,368	-	-	-	-	-	-	-	60,368
CURRENT LIABILITIES									
Short-Term Borrowing									-
Provisions due to be settled within 12 months	(5,556)		-	(5,110)					(10,666)
Short-Term Creditors	(35,328)		-					(284)	(35,612)
Cash Overdrawn	(256)		-						(256)
CURRENT LIABILITIES	(41,140)	-	-	(5,110)	-	-	-	(284)	(46,534)
LONG TERM LIABILITIES									
Long-Term Creditors	(55)		-						(55)
Provisions	(3,437)		-						(3,437)
Government Grants Defererred Account	(43,251)	43,251							-
Developers contributions Deferred Account	(7,480)	7,480							-

NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Liabilities	(27,046)	27,046							-
Long-Term Borrowing	(96,943)		-						(96,943)
Other Long-Term Liabilities		(177,988)	-		(1,341)	(8,226)			(187,555)
Capital Grants Receipts in Advance	(2,581)		-					2,581	-
Liability related to Defined Benefit Pension			-						-
Scheme	(150,942)	150,942	-						-
LONG-TERM LIABILITIES	(331,735)	50,731	-	-	(1,341)	(8,226)	-	2,581	(287,990)
NET ASSETS	510,022	50,731	-	(5,110)	(1,861)	(10,190)	(18,076)	2,297	527,813
RESERVES									
Usable Reserves									
Available-for-sale Financial Instruments Reserve									-
Capital Receipts Reserve									-
General Fund Balance	15,663								15,663
Housing Revenue Account Reserve	7,514								7,514
Capital Grants Unapplied								733	733
Earmarked Reserves	17,673							1,564	19,237
	40,850	-	-	-	-	-	-	2,297	43,147
Unusable Reserves									
Revaluation Reserve	25,760				(36)		(655)		25,069
Capital Adjustment Account	596,336	50,731			(1,825)	(10,190)	(17,421)		617,631
Financial Instruments Adjustment Account	(2,343)								(2,343)
Pensions Reserve	(150,942)								(150,942)
Major Repairs Reserve	62								62
Collection Fund Adjustment Account	299								299
Employee Benefit Adjustment Account				(5,110)					(5,110)
	469,172	50,731	-	(5,110)	(1,861)	(10,190)	(18,076)	-	484,666
TOTAL RESERVES	510,022	50,731	-	(5,110)	(1,861)	(10,190)	(18,076)	2,297	527,813

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of net worth reported under previous GAAP to net worth under IFRS at the end of the latest period presented in the most recent financial statements under previous GAAP (31st March 2010)

	Previous GAAP	Effect of transition to IFRS: Presentational changes	Cash & cash Equivalents	Absences	Leases	PFI	Non-current Assets	Grants	IFRS
		1	2	3	4	5	6	7	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
LONG-TERM ASSETS									
Property, Plant and Equipment	740,745	-	-		209		(18,509)		722,445
Investment Property	67,265		-				(156)		67,109
Intangible Assets	2,214		-						2,214
Assets Held for Sale	11,513		-						11,513
Long - Term Investments	1,215		-						1,215
Long - Term Debtors	3,587		-		437	(2,068)			1,956
LONG - TERM ASSETS	826,539	-	-	-	646	(2,068)	(18,665)	-	806,452
CURRENT ASSETS									
Short-Term Investments	26,107		-						26,107
Assets Held for Sale	-		-						-
Inventories	506	-	-						506
Short-Term Debtors	26,989		-						26,989
Cash and Cash Equivalents	59	9,690	-						9,749
Schools Cash at Bank	9,690	(9,690)	-						-
CURRENT ASSETS	63,351	-	-	-	-	-	-	-	63,351
CURRENT LIABILITIES									
Short-Term Borrowing	-	(8,676)	-						(8,676)
Provisions due to be settled within 12 months	(8,676)	8,676	-	(5,903)					(5,903)
Short-Term Creditors	(36,973)		-					(2,411)	(39,384)
Cash Overdrawn	(1,171)		-		(2,015)				(3,186)
CURRENT LIABILITIES	(46,820)	-	-	(5,903)	(2,015)	-	-	(2,411)	(57,149)
LONG TERM LIABILITIES									
Long-Term Creditors	(41)		-						(41)
Provisions	(2,498)		-						(2,498)
Government Grants Defererred Account	(48,049)	48,049	-						-
Developers contributions Deferred Account	(7,619)	7,619	-						-

Deferred Liabilities	(6,914)	6,914	-						-
Long-Term Borrowing	(108,147)		-						(108,147)
Other Long-Term Liabilities		(196,892)	-			(7,901)			(204,793)
Capital Grants Receipts in Advance	(5,476)		-					5,476	-
Liability related to Defined Benefit Pension									-
Scheme	(189,978)	189,978	-						-
LONG-TERM LIABILITIES	(368,722)	55,668	-	-	-	(7,901)	-	5,476	(315,479)
NET ASSETS	474,348	55,668	-	(5,903)	(1,369)	(9,969)	(18,665)	3,065	497,175
RESERVES									
Usable Reserves									
Available-for-sale Financial Instruments Reserve									-
Capital Receipts Reserve	154								154
General Fund Balance	13,726								13,726
Housing Revenue Account Reserve	8,880								8,880
Capital Grants Unapplied								1,843	1,843
Earmarked Reserves	16,234							1,222	17,456
	38,994	-	-	-	-	-	-	3,065	42,059
Unusable Reserves									
Revaluation Reserve	56,031				(36)		(14,325)		41,670
Capital Adjustment Account	569,721	55,668			(1,334)	(9,968)	(4,340)		609,747
Financial Instruments Adjustment Account	(2,198)								(2,198)
Pensions Reserve	(189,978)								(189,978)
Major Repairs Reserve	803								803
Collection Fund Adjustment Account	975								975
Employee Benefit Adjustment Account				(5,903)					(5,903)
	435,354	55,668	-	(5,903)	(1,370)	(9,968)	(18,665)	-	455,116
TOTAL RESERVES	474,348	55,668	-	(5,903)	(1,370)	(9,968)	(18,665)	3,065	497,175

Reconciliation to total comprehensive Income & Expenditure under IFRS for the latest period in the most recent annual financial statements (Year ended31[st]March2010)

	Previous GAAP	Effect of transition to IFRS: Presentational changes 1	Cash & cash Equivalents 2	Absences 3	Leases 4	PFI 5	Non-current Assets 6	Grants 7	IFRS
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Central Services to the Public	9,085,312	(458,105)	-	152,071	(458,978)		(1,891,214)	-	6,429,086
Cultural, Environmental and Planning Services	38,135,086	(637,659)	-	21,819			(211,775)	119,160	37,426,631
Children's and Education Services	32,165,113	998,885	-	546,164		(221,654)	(5,604,951)	217,188	28,100,745
Highways, Roads and Transport Services	11,368,550	(4,459,845)	-	7,110	(214,179)		(346,173)	(8,147)	6,347,316
Local Authority Housing (HRA)	(775,934)		-	(4,518)			(4,898,475)	-	(5,678,927)
Other Housing Services	3,302,856	2,408	-	8,283				60,336	3,373,883
Adult Social Care	44,418,049	(382,779)	-	63,448			(128,473)	135,022	44,105,267
Court Services	303,951		-					-	303,951
Corporate and Democratic Core	4,190,111		-	(1,386)				-	4,188,725
Non-Distributed Costs	846,595		-					-	846,595
Exceptional Items	(798,636)		-					-	(798,636)
Cost of Services	142,241,053	(4,937,095)	-	792,991	(673,157)	(221,654)	(13,081,061)	523,559	124,644,636
Other Operating Expenditure	193,559		-					-	193,559
Financing and Investment Income and	15,425,421		-		181,295			-	15,606,716
Taxation and Non-Specific Grant Income	(123,686,183)		-					(1,291,812)	(124,977,995)
(Surplus)/Deficit on Provision of Services	34,173,850	(4,937,095)	-	792,991	(491,862)	(221,654)	(13,081,061)	(768,253)	15,466,916
Surplus/loss arising on the revaluation of property, plant and equipment assets									(17,796,997)
Surplus/loss arising on the revaluation of available-for-sale financial assets									-
Actuarial (gains)/losses relating to pensions									32,964,000
Other Comprehensive Income and Expenditure									15,167,003
Total Comprehensive Income and Expenditure									30,633,919

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Presentational Changes

The adoption of IFRS gives rise to a revised format of the Authority's accounts. A new financial statement 'Movement in Reserves Statement' is introduced and combines the prior statement on the Movement on the General Fund Balance together with other reserve movements; the new Comprehensive Income and Expenditure Statement now incorporates the former Statement of Total Recognised Gains and Losses. Presentational changes have also been applied to the Balance Sheet and Cash Flow Statements.

2. Cash & Cash equivalent

Cash Equivalents is a new balance sheet heading to include both cash and highly liquid short term investments that are held for cash management purposes (which are considered as the 'equivalent' of cash), such as call accounts and short term deposits.

3. Short Term Accumulating Compensated Absences:

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

4. Leases:

Under the Code, definitions of a finance lease and an operating lease are different from previous. This change can result in leases being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The council has a number of leases where the accounting treatment has changed following the introduction of the Code.

Authority as Lessee

The council leases its fleet of refuse collection vehicles from several external suppliers, with typical lease term of five years starting on various dates. A number of York schools procure IT equipments under ICT managed service agreement with Vital York Ltd, typically with lease term of three years. In addition, the council leases photocopiers from external suppliers, with typical lease term of five years.

These leases were previously classified as operating leases, but under the Code, they have been classified as finance leases.

As a consequence of these changes, the financial statements have been amended as follows:

- The council has recognised the assets (vehicles, IT equipments, and photocopiers) at depreciated historical cost and corresponding finance lease liabilities.
- The operating lease charges within individual lines on Cost of Services have been removed and replaced by depreciation charges.
- The depreciation charges have been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payments is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

Authority as Lessor

Among council-owned properties that are leased out to external bodies, five were previously classified as operating leases, but under the Code, they have been classified as finance leases. Of those, four were investment properties (No 23, 31 & 39 Hospital Fields Road, and 27/28 St Marys, York), and one was a surplus property (Theatre Royal). The lease terms are between thirty and sixty years, commencing from July 1994 at the latest.

As a consequence of these changes, the financial statements have been amended as follows:

- The council has removed the five properties from its recognised assets and has recognised finance lease long term debtors for them.
- The Impairment Losses on No 23, 31 & 39 Hospital Fields Road have been removed from Cost of Services and credited back to the Capital Adjustment Account. This adjustment is reflected in the balance sheet as at 31 March 2010, and reported in the Movement in Reserves Statement for the year.
- Loss on disposals have been charged to the General Fund and subsequently transferred from the General Fund to the Capital Adjustment Account. These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The revaluation gain on 27/28 St Marys in 2009/10 has been transferred from the Revaluation Reserve to the Capital Adjustment Account. This transfer is reflected in the balance sheet as at 31 March 2010, and reported in the Movement in Reserves Statement for the year.

5. PFI

For the 21010/11 financial statements three schools are now incorporated in the PFI scheme, to include the two voluntary aided schools that were previously excluded. Under the 2010/11 code these voluntary aided schools must now be included in the Authority's accounts. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority. However, in the case of the voluntary aided schools where the Authority does not own the assets, the non current assets are recognised and written back out of the balance sheet.

6. Non-current Assets

IFRS introduces a number of new accounting treatments in respect of non-current assets. Investment Properties are now a distinct category of asset and separately identified on the face of the balance sheet. Movements in the valuation of investment properties are now recorded through the surplus or deficit of provision of services rather than recognised within the Revaluation Reserve. A new Balance Sheet heading of Assets held for Sale is recognised for those properties that are marketed and anticipated to be sold within a twelve month period of the reporting date. The Authority does not currently have any assets in this category.

7. Grants

Grant income is to be recognised within the Revenue Account when conditions of the grant have been met rather than apply a matching principle to expenditure. This results in a number of adjustments being required.

Capital Grants Deferred Account
The Capital Grants Deferred Account was the accumulated balance of capital grants received that had funded assets held on the Balance Sheet; applying a matching principle this grant income was released to the revenue account to match the depreciation charge for those assets. Under IFRS the treatment is to recognise Capital grant income when the conditions of the grant have been met and then release this income to the revenue account at this point. The adjustment above is to remove the historic accumulated balance and movements on this account.

Grant Recognition
As grants are recognised when the conditions of the grant have been met, rather than necessarily held to match future expense, this results in the release of certain grant income from creditors. The revenue for this grant income is recognised within the Comprehensive Income and Expenditure Statement; adjustments have then been made to transfer this additional income either to an earmarked reserve for revenue items of the Capital Grant Unapplied Reserve for capital grants.

52. 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.

Balance at 31.3.10 £		Expenditure During Year £	Income During Year £	Balance at 31.3.11 £
(61)	Strensall & Towthorpe Parish	-	(1)	(61)
(46)	Haughton Gardiner Trust	-	(1)	(47)
(11)	Staff Lottery	18	(36)	(28)
(23)	Edward Lamb Automoton Clock Legacy	-	(0)	(23)
(22)	Edmund Wilson Trust	2	(0)	(21)
(140)	Other Funds	36	(9)	(113)
(302)		55	(47)	(294)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2009/10 £000's		Note	2010/11 £000's
	Expenditure		
6,130	Repairs and maintenance		6,288
7,175	Supervision and management		7,039
223	Rents, Rates, Taxes and Other Charges		205
5,808	Negative Housing Revenue Account subsidy payable	(5)	6,175
7,745	Depreciation and Impairment of non-current assets	(6)	122,754
8	Debt Management Costs		9
40	Movement in the allowance for bad debts (not specified by the Code)	(4)	105
27,129	**Total Expenditure**		142,575
	Income		
(25,708)	Dwellings Rents	(3)	(25,994)
(605)	Non-dwelling rents		(598)
(813)	Charges for Services and Facilities		(829)
(778)	Contributions Towards Expenditure		(505)
-	Other Government Grants		-
(27,904)	**Total Income**		(27,926)
(775)	**Net Cost of Services included in the Comprehensive Income and Expenditure Statement**		114,649
	Share of Corporate Costs		
269	HRA share of Corporate and Democratic Core	(7)	218
10	HRA share of other amounts included in the Council Net Cost of Services but not allocated to specific services	(8)	(732)
(496)	**Net Cost of HRA Services**		114,135
(49)	Gain or (loss) on sale of HRA non-current assets		756
1,117	Interest payable and similar charges		814
(265)	Interest and investment income		(183)
325	Pensions interest cost and expected return on pensions assets		227
632	**(Surplus)/Deficit on Provision of Services**		115,749

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2009/10 £000's			2010/11 £000's
(7,514)	**Balance on the HRA at the end of the previous year**		**(8,880)**
632	Surplus/(Deficit) for the year on the HRA Income and Expenditure Statement	115,749	
	Adjustments between accounting basis & funding basis under regulations		
(269)	HRA share of Corporate Democratic Core	(218)	
(2,437)	Transfer to/(from) the Major Repairs Reserve	(2,310)	
49	Gain or (loss) on sale of HRA non-current assets	(756)	
(175)	HRA share of contributions to/(from) the Pensions reserve	482	
707	Capital Expenditure funded by the HRA	399	
(181)	Transfer to/(from) the Capital Adjustment Account	(115,201)	
(1,674)	**Net Increase/Decrease before Transfers to or from reserves**	**(1,855)**	
308	Transfers to/(from) reserves	337	
(1,366)	**Increase/Decrease in Year on the HRA**		(1,518)
(8,880)	**Balance on the HRA at the end of the current year**	-	**(10,398)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. **Significance of the Statutory Housing Revenue Account**

Although there is a deficit of £115.749m (2009/10 deficit of £632k) on the Housing Revenue Account Income and Expenditure Account this becomes a surplus of £1.518m (2009/10 £1.386m) 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 GAAP, rather than the amount to be funded from rents and government grants. Authorities 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 Statement.

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, government subsidy 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, preventing the subsidisation of rents from the general income of the Council.

HRA subsidy includes the Major Repairs Allowance which acts as a proxy for depreciation of council dwellings which is intended to reflect the actual cost of maintaining the present condition of the housing stock and aid medium and long term financial planning.

3. **Gross Rents**

Gross rent income is the total amount due for the year after allowance for voids of £58k (2009/10 £243k) which represents 0.22% (2009/10 0.94%) of the gross rent income including charges for services. Average rents in March 2010 were £61.79 (2009 £60.14) a week. In April an increase of 1.83% (2009 2.86%) was applied increasing the average rent at that time by £1.14 (2009/10 £1.72).

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. The cost of rebates granted is met by the Council's General Fund not by the HRA.

2009/10 £000's		2010/11 £000's
(10,344)	Rents due from Tenants	(10,110)
(15,364)	Rents remitted by Rent Rebates through the Housing Benefit System	(15,884)
(25,708)	Total Rent Income	(25,994)

The Council was responsible for managing 7,926 (2009/10 7,955) dwellings at 31 March. In addition to this total are 223 (2009/10 214) properties that the Council manages on behalf of two Housing Associations and 50 properties on behalf of private landlords through the social lettings agency, Yorhome, although these properties are not part of the HRA stock. The HRA stock was made up as follows:

NOTES TO THE HOUSING REVENUE ACCOUNT

	Pre 1919	1919/ 1944	1945/ 1964	After 1964	Total
Low Rise Flats	1	546	660	736	1,943
Medium Rise Flats	4	3	836	765	1,608
Houses and Bungalows	16	2,133	1,533	693	4,375
	21	2,682	3,029	2,194	7,926

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

2009/10 Total		2010/11 Houses/ Bungalows	2010/11 Flats	2010/11 Total
	Operational Stock			
8,008	Balance at 1 April	4,399	3,556	7,955
(5)	Sales	(5)	(5)	(10)
(40)	Awaiting Demolitions	(19)	-	(19)
-	Dwellings declared surplus	-	-	-
-	Dwellings reprovided with Housing Association	-	-	-
	Re-categorisation			
(8)	To General Fund	-	-	-
-	To HRA non-housing stock	-	-	-
7,955	Balance at 31 March	4,375	3,551	7,926

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 2010/11 rent arrears as a proportion of gross rent income have decreased from 5.14% of the amount due to 3.67%. The rent arrears figures are as follows:

2009/10 £000's			2010/11 £000's
501	Arrears at 31 March	- Current tenants	444
917		- Former tenants	571
89	Amounts Written Off during the Year		419
36	Increased/(Reduced) Provision during the Year		47
1,211	Provision for Bad and Doubtful Debts		834

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

2009/10 %			2010/11 %
	Dwelling rent arrears as a % of gross rent debit		
1.82		- Current tenants	1.60
3.32		- Former tenants	2.07
5.14			3.67

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

NOTES TO THE HOUSING REVENUE ACCOUNT

2009/10 £000's		2010/11 £000's
82	Arrears at 31 March	45
14	Amounts Written Off during the Year	31
4	Increased/(Reduced) Provision during the Year	8
49	Provision for Bad and Doubtful Debts	27

5. **Sums Directed by the Secretary of State/Housing Revenue Account Subsidy**

The HRA subsidy is based on a notional account with the deficit on the account being the entitlement to subsidy and a surplus meaning that the Council is in a 'negative subsidy' status and must pay the surplus to the Secretary of State. The notional account is:

2009/10 £000's		2010/11 £000's
	Expenditure	
12,352	Management and Maintenance	12,791
1,431	Capital Financing Charges	1,079
-	Other Items	-
5,127	MRA	5,242
18,910		19,112
	Income	
(24,713)	Rent Income	(25,286)
(5)	Interest	(1)
(24,718)		(25,287)
(5,808)	Negative HRA subsidy payable	(6,175)

6. **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.

NOTES TO THE HOUSING REVENUE ACCOUNT

7. 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: -

2009/10 £000's		2010/11 £000's	2010/11 £000's
	Income and Expenditure Account Entries		
	Net Cost of HRA Services		
266	Current service cost	429	
-	Past service cost	(753)	
10	Curtailment Cost	21	
276			(303)
	Net Operating Expenditure		
609	Interest cost	675	
(284)	Expected return on assets in the scheme	(448)	
325			227
601	**Net Charge to the Income and Expenditure Account**		(76)
	Statement of Movement on the Housing Revenue Account Balance Entries		
	Reversal of net charges made for retirement benefits		
(601)	Contribution to/(from) Pensions Reserve		76
	Actual amount charged to the Housing Revenue Account for		
426	Pensions in the year		406

8. 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. Under item 8 of part VI of the Local Government and Housing Act 1989 any difference between the depreciation credit on the reserve and the Major Repairs Allowance has to be transferred back to the HRA. Councils are able to charge capital expenditure directly to the reserve. The following table shows the transfer to the HRA in the year.

2009/10 £000's		2010/11 £000's
(215)	Depreciation on other HRA assets	(204)
(2,222)	Depreciation on dwellings higher than MRA	(2,106)
(2,437)	Total Transfer from MRR	(2,310)

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:

2009/10 £000's		2010/11 £000's
(62)	Balance at 1 April	(803)
(7,349)	Depreciation on HRA dwellings	(7,349)
(215)	Depreciation on other HRA assets	(204)
2,437	Transfer to HRA during the financial year	2,310
4,386	Capital expenditure on houses within the HRA charged to the reserve	5,379
(803)	Balance at 31 March	(667)

NOTES TO THE HOUSING REVENUE ACCOUNT

9. **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:

2010/11

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Surplus Assets £000's	Assets under Cons-truction £000's	Total Property, plant & Equipment £000's	PFI Assets included in Property, plant & Equipment £000's
Net Book Value								
At 1 April 2010	374,076	7,462	-	16	556		382,110	
Prior Year Adjustment	12	(13)	-	-	-	-	(1)	-
Restated 1 April 2010	374,088	7,449	-	16	556	-	382,109	-
Additions	7,039	4	-	-	-	-	7,043	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,355	424	-	-	-	-	11,779	-
Revaluation increases/(decreases) recognised in the Surplus/ Defecit on the Provision of services	(115,213)	(128)	-	-	(406)	-	(115,747)	-
Derecognition - disposals	(2,587)	-	-	-	-	-	(2,587)	-
derecognition - other	-	-	-	-	-		-	-
assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2011	(99,406)	300	-	-	(406)	-	(99,512)	-
Accumulated Depreciation and Impairments								
At 1 April 2010	-	-	-	-	-	-	-	-
Prior Year Adjustment	-	-	-	-	-	-	-	-
Restated 1 April 2010	-	-	-	-	-	-	-	-
Depreciation charge	(7,349)	(204)	-	(1)	-	-	(7,554)	-
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/ Defecit on the Provision of Services	-	-	-	-	-	-	-	-

NOTES TO THE HOUSING REVENUE ACCOUNT

Movement on Fixed Assets cont'd

Impairment losses/(reversals) recognised in the Realuation Reserve	(7,964)	(905)	-	-	-	-	(8,869)	-
Impairment losses/(reversals) recognised on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation & impairment	-	-	-	-	-	-	-	-
At 31 March 2011	(15,313)	(1,109)	-	(1)	-	-	(16,423)	-
Net Book Value								
31-Mar-10	374,088	7,449	-	16	556	-	382,109	-
31-Mar-11	259,369	6,640	-	15	150	-	266,174	-

Movement on Fixed Assets 2009/10

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Surplus Assets £000's	Assets under Cons-truction £000's	Total Property, plant & Equipment £000's	PFI Assets included in Property, plant & Equipment £000's
Net Book Value								
At 1 April 2009	367,454	7,803	-	17	756		376,030	
Prior Year Adjustment	-	-	-	-	-	-	-	-
Restated 1 April 2009	367,454	7,803	-	17	756	-	376,030	-
Additions	6,093	-	-	-	-	-	6,093	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,474	-	-	-	-	-	8,474	-
Revaluation increases/(decreases) recognised in the Surplus/ Defecit on the Provision of services	-	-	-	-	(30)	-	(30)	-
Derecognition - disposals	(596)	-	-	-	-	-	(596)	-
derecognition - other	-	-	-	-	-		-	-
assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2010	13,971	-	-	-	(30)	-	13,941	-

NOTES TO THE HOUSING REVENUE ACCOUNT

Movement on Fixed Assets 2009/10 cont'd

Accumulated Depreciation and Impairments								
At 1 April 2009	-	-	-	-	-	-	-	-
Prior Year Adjustment	-	-	-	-	-	-	-	-
Restated 1 April 2009	-	-	-	-	-	-	-	-
Depreciation charge	(7,349)	(197)	-	(1)	(17)	-	(7,564)	-
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/ Defecit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Realuation Reserve		(144)	-	-	(153)	-	(297)	-
Impairment losses/(reversals) recognised on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation & impairment	-	-	-	-	-	-	-	-
At 31 March 2010	(7,349)	(341)	-	(1)	(170)	-	(7,861)	-
Net Book Value								
31-Mar-09	367,454	7,803	-	17	756	-	376,030	-
31-Mar-10	374,076	7,462	-	16	556	-	382,110	-

10. 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 are now included at 31% of the open market valuation. As a consequence the Council recognises council dwellings at a value of £259.369m (2009/10 £374.076m) on the balance sheet. At vacant possession the same dwellings would have a value of £814.325m (2009/10 £795.909m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £554.956m (2009/10 £408.767m).

NOTES TO THE HOUSING REVENUE ACCOUNT

11. **Summary of Capital Expenditure and Financing**

The capital expenditure to be financed in 2010/11 is £7.039m (2009/10 £6.093m). The analysis of the expenditure and the sources of financing used are set out in the following table:

2009/10 Total £000's		2010/11 Dwellings £000's	Infra-structure £000's	Equipment £000's	Total £000's
6,093	**Total capital expenditure**	5,843	-	250	6,093
	Financing				
(1,000)	Borrowing	(848)	-	(152)	(1,000)
-	Capital Receipts	(101)	-	-	(101)
(4,386)	Major Repairs Reserve	(5,379)			
-	Grants	(160)	-	-	(160)
(707)	Revenue Contributions	(391)	-	(8)	(399)
(6,093)		(6,879)	-	(160)	(7,039)

12. **Capital Receipts**

In accordance with Part 1 of the Local Government Act 2003 housing capital receipts are now subject to capital pooling requirements. Generally this means that only 25% of dwelling receipts can be used with the remainder paid into the Government Pool. 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:

2009/10 Total £000's		2010/11 Council Dwellings £000's	Land £000's	Total £000's
(546)	Sales proceeds	(1,028)	(793)	(1,821)
5	less: administrative costs	2	-	2
(541)	Net proceeds	(1,026)	(793)	(1,819)
(39)	Right to buy discount repaid	-	-	-
(15)	Mortgage principal repaid	(12)	-	(12)
(595)		(1,038)	(793)	(1,831)
	of which:			
(261)	Usable			(1,127)
(334)	Payable to Housing Pooled Capital Receipts			(704)
(595)				(1,831)

The administrative costs are a permissible charge to the Council's Capital Adjustment Account.

13. **Investment Properties**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority 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:

NOTES TO THE HOUSING REVENUE ACCOUNT

	2009/10 £000's	2010/11 £000's
Balance at start of the year	3,458	3,307
Additions:	-	-
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/ losses from fair value adjustments	(151)	106
Transfers:		
to/ from Inventories		
to/ from Property, Plant & Equipment	-	(21)
Other changes	-	-
Balance at end of year	3,307	3,392

COLLECTION FUND

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

2009/10 £(000)		Note	2010/11 £(000)	2010/11 £(000)
	Income			
(78,920)	Council Tax Income	(2)		(80,831)
	Transfer from General Fund:			
(9,671)	Council Tax Benefit			(10,397)
(82,492)	Income from business ratepayers	(3)		(80,875)
(171,083)	**Total Income**			(172,103)
	Expenditure			
	Precepts and Demands			
13,092	North Yorkshire Police Authority		13,591	
4,002	North Yorkshire Fire and Rescue Authority		4,126	
70,405	City of York Council		73,061	
87,499				90,778
	Business Rates			
82,194	Payment to National Pool		80,579	
298	Costs of Collection		296	
82,492				80,875
	Council Tax Provision for uncollectable			
(41)	accounts and outstanding appeals			(44)
	Contribution from previous years'			
	Collection Fund surpluses			
44	North Yorkshire Police Authority			53
13	North Yorkshire Fire and Rescue Authority			16
236	City of York Council			288
170,243	**Total Expenditure**			171,966
(840)	**(Surplus)/Deficit for the year**			(137)

COLLECTION FUND BALANCE

(840)	(Surplus)/Deficit for the Year on the Income and Expenditure Account		(137)
(371)	Collection Fund surplus brought forward		(1,211)
(1,211)	Collection Fund surplus carried forward	(4)	(1,348)

NOTES TO THE COLLECTION FUND

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 Authority, North Yorkshire Fire and Rescue Authority, parish councils and the 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). Government grant is received for this reduction.

In order to calculate the charge to be levied the estimated number of properties for each band for the year is converted to a Band D Equivalent figure (e.g. 20 band H properties is equivalent to 40 band D properties - 20 x 18/9). A new band, band A reduced, has been introduced by the government to allow a discount to be given to those people who are entitled to a one-band discount but who live in a band A property.

This gives the tax base for the Council. The valuation bands, the Band D equivalent figures originally estimated for the year, the year-end Band D equivalent figures and the 2010/11 charges are:

Property Band	Property Value			Proportion of Band D	Estimated Tax Base for Year	Year-End Tax Base	Average Charge In Year
A reduced	up to		£40,000	5/9	7.67	7.68	£759.03
A	up to		£40,000	6/9	5,708.47	5,737.45	£910.84
B	£40,000	to	£52,000	7/9	15,741.91	15,837.31	£1,062.65
C	£52,000	to	£68,000	8/9	19,397.71	19,467.16	£1,214.45
D	£68,000	to	£88,000	9/9	10,989.72	10,996.94	£1,366.26
E	£88,000	to	£120,000	11/9	7,728.62	7,800.67	£1,669.87
F	£120,000	to	£160,000	13/9	4,133.02	4,206.77	£1,973.49
G	£160,000	to	£320,000	15/9	2,280.62	2,278.70	£2,277.10
H	over		£320,000	18/9	114.88	114.57	£2,732.52
TOTAL					66,102.62	66,447.25	

In addition, the government makes a contribution for properties classed as "Crown" properties in lieu of paying Council Tax. These contributed £444k (2009/10 £433k) 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 £282k (2009/10 £605k) 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 £237k (2009/10 £574k) and the level of the provision for banding appeals was increased by £1k (2009/10 reduced by £10k). The net effect of these is a reduction in the value of provisions of £44k (2009/10 £41k).

NOTES TO THE COLLECTION FUND

Council Tax cont'd

The amount credited to the Collection Fund is analysed as follows:

2009/10 £(000)		2010/11 £(000)
(433)	Crown Contribution	(444)
(88,158)	Charge (66,447.25 x £1,366.26)	(90,784)
(88,591)		(91,228)
	where the charge total comprises:	
(78,920)	Income due from Chargepayers, including Crown properties	(80,831)
(9,671)	Council Tax Benefit	(10,397)

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 2010 was 202,718,617 (2009/10 202,718,617) and the rate for 2010/11 was 41.6p (2009/10 48.5p), with a reduction to 40.7p (2009/10 48.1p) for small businesses. The Council has no control over these values.

The total amount collected, less certain reliefs and deductions, is paid to a central pool (NNDR Pool) managed by Central Government, which in turn pays each local authority their apportionment of the pool. This income is credited directly to the Income and Expenditure Account. Under these arrangements the amount due is as follows:

2009/10 £(000)		2010/11 £(000)	2010/11 £(000)
(98,319)	Rates payable for year (242,622,439 x 41.4 p)		(100,446)
5,583	Less: Transitional Relief and part occupancy	6,975	
6,282	Charitable Relief	6,749	
2,133	Adjustments re previous years rates	3,295	
1,829	Other adjustments including making provision for bad debts, interest payments made and small business relief	2,552	
15,827			19,571
(82,492)			(80,875)

4. **Distribution of Year-End (Surplus)/Deficit**

As was set out in note 1 the year-end (surplus)/deficit is distributed to City of York Council, the North Yorkshire Police Authority (NYPA) and the North Yorkshire Fire and Rescue Authority (NYFRA).

2009/10 £000's		2010/11 £000's
(975)	City of York Council	(202)
(181)	North Yorkshire Police Authority	(61)
(55)	North Yorkshire Fire and Rescue Authority	(1,085)
(1,211)		(1,348)

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is in the council's Constitution and on the council's website. This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

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 Purpose of the Governance Framework cont'd

The governance framework has been in place at the council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts for 2010/11.

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 Corporate Strategy expresses the council's priorities until 2012 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. The Council is currently in the process of refreshing it's strategic plan for 2011-2015 'Delivering for the People of York' and this will be formally launched during 2011/12.

Political and Managerial Structures and Processes

The full Council is responsible for agreeing overall policies and setting the budget. The Executive is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT) 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.

In accordance with new legislative requirements, a new Leader and Cabinet model was introduced in May 2011. The Cabinet, which replaced the Executive, meets every fortnight and the CMT meets every week. The Cabinet and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The officer Quality Control Group also reviews reports before they are presented to the Cabinet to ensure that all legal, financial and other governance issues have been adequately considered. Arrangements have been developed to introduce officer agenda planning for all Cabinet decisions. This will ensure that all reports receive a legal overview.

The council implemented new scrutiny arrangements during 2009/10 which have increased the effectiveness of the scrutiny function.

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 a Standards Committee that is responsible for promoting good ethical governance within the organisation. 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 Standards Committee has a membership that includes members of the council, members of the public and representatives of the parish councils.

In addition, the Chair of the Committee must be one of the independent members.

The Council's Governance Framework cont'd

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

Management and Decision Making Processes

As part of the refreshed strategic council plan, a core organisational capability will be to develop into a confident, collaborative organisation, requiring us to make sound decisions swiftly. This will be supported through the implementation of a Workforce Development Strategy which develop and harness staff the skills of our staff to effectively deliver our priorities.

Corporate management and leadership is supported and developed through the Corporate Leadership Group.

Policies and Guidance

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

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

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

In delivering these responsibilities he leads and directs a finance function:

- that is resourced to be fit for purpose; and
- 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 Statements of Recommended Practice, Accounting Codes of Practice, and International Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.

<u>Compliance Arrangements</u>

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 are subject to ongoing scrutiny by the Audit Commission 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.

<u>Risk Management</u>

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 Council's Governance Framework cont'd

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 2003 (as amended). The service in 2010/11 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 2010/11. This includes establishing the Business Intelligence Hub, within the new 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 financial based monitoring. During 2010/11 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.

In 2009/10 the council embarked on an ambitious programme of efficiency improvements. The programme was approved by members in principle in July 2009 and in detail, supported by detailed business plans, in October 2009. During 2010/11 the programme had a clear governance structure with CMT as its Programme Board and a clear project management approach with financial and performance monitoring processes in place.

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. These have been enshrined in the council's 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
- the Talkabout Citizen's Panel
- regular residents' surveys

The Council's Governance Framework cont'd

- publications such as Your City 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 that ensure that the responsibilities are clearly defined to ensure that the relationship works effectively, for the benefit of service users. For each partnership the legal status of the entity is defined and also the extent that decisions taken by the partnership will be binding for each organisation. Regular review of the existing partnerships database is undertaken to monitor the extent of joint working and its effectiveness. An annual review of governance arrangements of the council's key partnerships is undertaken and 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) and the Assistant Director of Customer & Business Support Services - Governance & ICT (the Monitoring Officer), the Assistant Director of Customer & Business Support Services – Financial Services 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 Chief Internal Auditor, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the Review of the Effectiveness of Internal Audit
- 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 including the review of significant partnership governance arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2009/10 Annual Governance Statement.

5. **Significant Governance Issues**

In considering the significant internal control issues contained within the 2009/10 AGS, it is noted that the following enhancements have been achieved:

- Improved use of scrutiny, including training for members and officers
- Organisational leadership and cultural change: it has been recognised that although issues remain, this is not a matter relevant for inclusion as a significant governance issue within this statement

In addition to the above, a number of issues referred to in the 2009/10 AGS have been partially actioned in 2010/11 and will be further progressed during 2011/12 and beyond (through the named plans in brackets):

- Embedding of project and programme management. Examples of good project management have been demonstrated during 2010/11 however embedding of the processes is necessary across all projects (Office of the Chief Executive Directorate Plan)
- Partnership governance including shared use of resources (Council Plan)
- Further improvements to officer and member decision-making processes (Customer & Business Support Services Directorate Plan)
- Officer Code of Conduct awareness including a revision of current procedures such as the Whistleblowing Policy and Gifts and Hospitality (Customer & Business Support Services Directorate Plan).
- Compliance with Financial Regulations and Contract Procedure Rules to ensure lawful, effective and efficient use of the council resources in relation to procuring goods and services; in particular the raising of purchase orders for all relevant items of expenditure (CBSS Directorate Plan)
- Further development of effective processes for bank reconciliations. Although the current system is considered fit for purpose, the item remains on the statement as further key actions are planned for 2011/12 through maximising the functionality of the Council's Financial Management System to secure further control and assurance around the bank reconciliation process (CBSS Directorate Plan)
- Information Governance including compliance with the requirements of the Information Governance Strategic Framework including ensuring that information security requirements are adhered to (CBSS Directorate Plan)

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 during 2011/12 for evidence of improvement:

- Improvements in procurement activity and contract control and management, including the introduction of a new electronic contract register (CBSS Directorate Plan)
- A refocus on Business Continuity (Council Plan)

Significant Governance Issues cont'd

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

Signed .... Dated 31/08/11
K. England
Chief Executive

Signed .... Dated 30/06/11
Cllr J. Alexander
Leader of the Council

GLOSSARY

Accounting Concepts

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

Accounting Period

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

Accounting Policies

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

Accruals

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

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.

Area Based Grant (ABG)

This is a non-ringfenced general grant with no conditions on its use imposed by the government which is paid to the Income and Expenditure Account in support of the Charging Authority's revenue expenditure.

Asset

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

Assets Under Construction

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

GLOSSARY

Authorised Limit

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

Balance Sheet

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

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 Authority

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

GLOSSARY

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 Authority, 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 Authority's area. The income from the charge was used to finance a proportion of the Authority'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 authority. 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.

GLOSSARY

Current Assets

Assets that can be expected to be consumed or realised (cease to have material value) during the next accounting period.

Current Liabilities

Amounts that will become due or could be called upon during the next accounting period.

Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments can include termination of employees' services earlier than expected (due to ceasing an activity) and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

Amounts due to the Authority 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 Authority 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 Authority 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).

GLOSSARY

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.

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 authority 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.

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 Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

GLOSSARY

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 Authority services either specifically (e.g. improvement grants) or generally (e.g. revenue support grant).

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.

GLOSSARY

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 authority 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.

GLOSSARY

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 Quentin Baker, Head of Legal, Civic and Democratic Services.

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 Authority requires from a Charging Authority to meet its expenditure requirements.

GLOSSARY

Precepting Authority

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

Prior Year Adjustments (or Prior Period Adjustments)

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

Provisions

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

Prudence

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

Prudential Indicators

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

Public Works Loan Board (PWLB)

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

Realisable Value

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

Related Party

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

Reserves

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

Residual Value

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

GLOSSARY

Retirement Benefits

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

Revaluation Reserve

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

Revenue Account

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

Revenue Expenditure Funded from Capital Under Statute

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 Authority'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.

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.

Statement of Recognised Practice (SORP)

This is the guidance issued by CIPFA to enable Council's to ensure that the Accounts published comply with UK GAAP as it applies to local authority financial matters.

GLOSSARY

Statement of Standard Accounting Practice (SSAPs)

Statements prepared by the Accounting Standards Committee. Many of these have been replaced by Financial Reporting Standards (FRSs), but any departure from them must be disclosed in the published accounts.

Stocks

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

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.

Trust Funds

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

UK GAAP

This is the "generally accepted accounting practice with respect to accounts of UK companies that are intended to give a true and fair view for the purposes of the relevant provisions of the Companies Acts". It includes, but is not limited to, Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) issued by the Accounting Standards Board and its predecessors.

Unapportionable Central Overheads

These are overheads from which no user benefits, and 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.

INDEX

INDEX

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Audit and Governance Committee 26 July 2011

Report of the Director of Customer & Business Support Services

Annual Governance Statement 2010/11

Summary

1 The purpose of this report is to present the Annual Governance Statement (AGS) 2010/11 for approval. The AGS is attached as Annex A and has been agreed by the Leader and Chief Executive of the council (a signed version will accompany the Statement of Accounts 2010/11).

2 As was reported to this committee in April 2011, changes have been made to the approval process for the Statement of Accounts. In 2010/11, the AGS continues to form part of the Statement of Accounts, however it is now considered as an accompanying document rather than a core statement. The Draft Statement of Accounts were approved by the S151 Officer on 30th June and will be reviewed by this Committee as a separate item on this agenda. The final version of the Statement of Accounts will be approved by this Committee, at the meeting in September 2011.

Background

3 The Accounts and Audit Regulations 2003 imposed a legal requirement on all local authorities to conduct a review of the effectiveness of systems of internal control and to publish Statements of Internal Control (SIC) as part of the annual accounts.

4 In 2007, CIPFA/SOLACE published an updated Framework document. The new document '*Delivering Good Governance in Local Government Framework'* set out six core principles of governance which authorities are required to adopt. In accordance with this requirement, the council has a local

Code of Governance which reflects the CIPFA/SOLACE framework.

5 The Framework introduced the requirement on local authorities to prepare an Annual Governance Statement (AGS) instead of a SIC from 2007/08 onwards. In preparing the AGS it is necessary to address the overall governance arrangements of the organisation rather than specifically the systems of internal control.

Preparation Process

6 In compiling the 2010/11 AGS, a range of sources of evidence have been gathered and analysed. These have then been reviewed by the Officer Governance Group to consider the following:

(a) significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies;
(b) the results of internal audit and fraud investigation work undertaken during the period;
(c) the Review of the Effectiveness of Internal Audit;
(d) 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;
(e) the council's risk register and any other issues highlighted through the council's risk management arrangements including the review of significant partnership governance arrangements;
(f) progress in dealing with control issues identified in the 2009/10 Annual Governance Statement.
(g) any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director;
(h) any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer*;*
(i) any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor.

7 Local authorities are required to use judgement in deciding whether control weaknesses are significant and hence require disclosure in the AGS. The Officer Governance Group have therefore evaluated all the control issues identified through the review process and considered which should be disclosed in the AGS as a significant control weakness. A control weakness is considered to be significant where:

a) the issue has seriously prejudiced or prevented achievement of a principal council aim or objective;

b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from another aspect of the council's services;

c) the issue has led to a material impact on the accounts;

d) the Audit and Governance Committee has advised that it should be considered significant for this purpose;

e) the Chief Internal Auditor has reported on it as significant in the annual opinion on the Council's internal control environment;

f) the issue, or its impact, has attracted significant public interest or has seriously damaged the council's reputation;

g) the issue has resulted in formal action being taken by the S151 Officer and/or the Monitoring Officer.

8 The items that OGG have agreed meet the criteria above have been published within Section 5 of the AGS. This year there are 9 items in total, including 2 new significant issues.

Monitoring of AGS Action Plans

9 As was agreed in approving the 2009/10 AGS, there will not be a separate action place for the AGS. Instead, the items included in the 2011/12 Council Plan will be monitored through the council's performance management framework. The items covered by Directorate Plans will be monitored specifically by the Director of Customer & Business Support Services who also chairs the Officer Governance Group

(OGG) which will have oversight of the progress of all AGS actions.

Consultation

10 Not relevant for the purposes of this report

Options

11 Not relevant for the purpose of the report.

Analysis

8 Not relevant for the purpose of the report.

Corporate Priorities

9 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It specifically contributes to the Effective Organisation priority in the Corporate Strategy.

Implications

10 The implications are;

- **Financial** – there are no financial implications other than the time required to undertake the review of key controls and prepare the AGS.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** - there is a legal requirement for the council to publish an Annual Governance Statement as part of the annual Statement of Accounts.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

11 The council will fail to comply with legislative requirements if it does not publish an Annual Governance Statement with the annual Statement of Accounts. The council would be criticised by the external auditor if the process followed to prepare the Annual Governance Statement was not sufficiently robust.

Recommendation

12 Members are asked to consider and approve the AGS 2010/11, particularly the significant governance issues identified in section 5 of the Statement.

<u>*Reason*</u>

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

Contact Details

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	Report Approved ✔ **Date** 13 July 2011

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable **All** ✔

For further information please contact the author of the report

Background Papers

- CIPFA/SOLACE – 'Delivering Good Governance in Local Government' – Framework and Guidance Note for English Authorities' (2007)
- CIPFA/SOLACE – Application Note to Delivering Good Governance in Local Government:a Framework (March 2010)
- Accounts and Audit Regulations 2003 (as amended)
- CIPFA guidance – 'The Annual Governance Statement' – Meeting the Requirements of the Accounts and Audit Regulations 2003 (as amended 2006)
- 2009/10 Annual Governance Statement
- CIPFA – The role of the Chief Finance Officer (2010)

Annexes

Annex A – Draft Annual Governance Statement 2010/11

Annex A

ANNUAL GOVERNANCE STATEMENT 2010/11

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is in the council's Constitution and on the council's website. This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

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.

ANNUAL GOVERNANCE STATEMENT

The Purpose of the Governance Framework cont'd

The governance framework has been in place at the council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts for 2010/11.

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 Corporate Strategy expresses the council's priorities until 2012 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. The Council is currently in the process of refreshing it's strategic plan for 2011-2015 'Delivering for the People of York' and this will be formally launched during 2011/12.

Political and Managerial Structures and Processes

The full Council is responsible for agreeing overall policies and setting the budget. The Executive is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT) 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.

In accordance with new legislative requirements, a new Leader and Cabinet model was introduced in May 2011. The Cabinet, which replaced the Executive, meets every fortnight and the CMT meets every week. The Cabinet and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The officer Quality Control Group also reviews reports before they are presented to the Cabinet to ensure that all legal, financial and other governance issues have been adequately considered. Arrangements have been developed to introduce officer agenda planning for all Cabinet decisions. This will ensure that all reports receive a legal overview.

The council implemented new scrutiny arrangements during 2009/10 which have increased the effectiveness of the scrutiny function.

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 a Standards Committee that is responsible for promoting good ethical governance within the organisation. 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 Standards Committee has a membership that includes members of the council, members of the public and representatives of the parish councils. In addition, the Chair of the Committee must be one of the independent members.

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

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

Management and Decision Making Processes

As part of the refreshed strategic council plan, a core organisational capability will be to develop into a confident, collaborative organisation, requiring us to make sound decisions swiftly. This will be supported through the implementation of a Workforce Development Strategy which develop and harness staff the skills of our staff to effectively deliver our priorities.

Corporate management and leadership is supported and developed through the Corporate Leadership Group.

Policies and Guidance

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

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

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

In delivering these responsibilities he leads and directs a finance function:

- that is resourced to be fit for purpose; and
- 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 Statements of Recommended Practice, Accounting Codes of Practice, 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 are subject to ongoing scrutiny by the Audit Commission 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.

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

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 2003 (as amended). The service in 2010/11 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 2010/11. This includes establishing the Business Intelligence Hub, within the new 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 financial based monitoring. During 2010/11 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.

In 2009/10 the council embarked on an ambitious programme of efficiency improvements. The programme was approved by members in principle in July 2009 and in detail, supported by detailed business plans, in October 2009. During 2010/11 the programme had a clear governance structure with CMT as its Programme Board and a clear project management approach with financial and performance monitoring processes in place.

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. These have been enshrined in the council's 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
- the Talkabout Citizen's Panel
- regular residents' surveys

ANNUAL GOVERNANCE STATEMENT

The Council's Governance Framework cont'd

- publications such as Your City 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 that ensure that the responsibilities are clearly defined to ensure that the relationship works effectively, for the benefit of service users. For each partnership the legal status of the entity is defined and also the extent that decisions taken by the partnership will be binding for each organisation. Regular review of the existing partnerships database is undertaken to monitor the extent of joint working and its effectiveness. An annual review of governance arrangements of the council's key partnerships is undertaken and 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) and the Assistant Director of Customer & Business Support Services - Governance & ICT (the Monitoring Officer), the Assistant Director of Customer & Business Support Services – Financial Services 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 Chief Internal Auditor, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the Review of the Effectiveness of Internal Audit
- 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 including the review of significant partnership governance arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2009/10 Annual Governance Statement.

5. **Significant Governance Issues**

In considering the significant internal control issues contained within the 2009/10 AGS, it is noted that the following enhancements have been achieved:

- Improved use of scrutiny, including training for members and officers
- Organisational leadership and cultural change: it has been recognised that although issues remain, this is not a matter relevant for inclusion as a significant governance issue within this statement

In addition to the above, a number of issues referred to in the 2009/10 AGS have been partially actioned in 2010/11 and will be further progressed during 2011/12 and beyond (through the named plans in brackets):

- Embedding of project and programme management. Examples of good project management have been demonstrated during 2010/11 however embedding of the processes is necessary across all projects (Office of the Chief Executive Directorate Plan)
- Partnership governance including shared use of resources (Council Plan)
- Further improvements to officer and member decision-making processes (Customer & Business Support Services Directorate Plan)
- Officer Code of Conduct awareness including a revision of current procedures such as the Whistleblowing Policy and Gifts and Hospitality (Customer & Business Support Services Directorate Plan).
- Compliance with Financial Regulations and Contract Procedure Rules to ensure lawful, effective and efficient use of the council resources in relation to procuring goods and services; in particular the raising of purchase orders for all relevant items of expenditure (CBSS Directorate Plan)
- Further development of effective processes for bank reconciliations. Although the current system is considered fit for purpose, the item remains on the statement as further key actions are planned for 2011/12 through maximising the functionality of the Council's Financial Management System to secure further control and assurance around the bank reconciliation process (CBSS Directorate Plan)
- Information Governance including compliance with the requirements of the Information Governance Strategic Framework including ensuring that information security requirements are adhered to (CBSS Directorate Plan)

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 during 2011/12 for evidence of improvement:

- Improvements in procurement activity and contract control and management, including the introduction of a new electronic contract register (CBSS Directorate Plan)
- A refocus on Business Continuity (Council Plan)

Significant Governance Issues cont'd

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

Signed .... Dated 30/06/11
K. England
Chief Executive

Signed .... Dated 30/06/11
Cllr J. Alexander
Leader of the Council

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CITY OF YORK COUNCIL

Agenda Item

Audit & Governance Committee **26 July 2011**

Report of the Assistant Director CBSS (Head of Financial Services)

Key Corporate Risk Monitor One 2011/12

Summary

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) the position of the risks associated with the Key Corporate Risks (KCRs) as at the end of June 2011. This report also proposes changes to the way in which risks are reported in the future.

Background

2. The KCRs are reported to both A&G and Corporate Management Team (CMT) four times a year as part of the council's overall governance arrangements. The KCRs are also regularly reviewed at Directorate Management Teams (DMT's).

Proposed changes to the way risk are reported

3. The process for presenting risks to both A&G and CMT has not been reviewed or changed for a number of years. One of the key drivers for the current process has been to provide very clear documentary evidence that risk is well managed at City of York Council. Outside of CMT and A&G the key audiences for the current reporting process has been the Audit Commission. In the final Comprehensive Area Assessment (CAA) the Audit Commission reported that Risk Management was well embedded within the organisation with Risk been scored at 3 (Good).

4. The demise of inspection processes such as CAA and the more recent changes in the A&G members allows the opportunity to take a fresh look at how risk may be more effectively reported and owned by the organisation. A key weakness of the current process is that ownership of some KCR risks is perceived to be with the service area responsible for the risk management framework (CBSS). The following paragraphs propose how in future risk could be reported in a way that provides clear ownership by the relevant directorate and service.

5. For the purposes of monitor 1 (Annex A -E) provides the corporate risk register for the High and Critically ranked KCR's split by Directorate

and Risk. The risks below this level continue to be reported to DMT's and are no longer included within the monitor. This reduction in the number of risks reported should provide better clarity and brings us in line with best practice in other local authorities such as North Yorkshire County Council where only 5 key risks are reported to their Audit Committee bi-annually. A&G may also wish to consider whether bi-annual reporting of the KCR's is adequate or whether they wish to continue seeing the risks on a quarterly basis.

6. A further proposed change is to allow each Directorate to present its own keys risks to A&G at least once during the year. This should encourage greater ownership of the risks and at the same time allow A&G to ask questions of the relevant risk owners. This should help improve the existing process where A&G members often have questions that cannot be answered in committee. If this is approved by A&G along with continuing with the four reports per annum the following schedule would be recommended to be adopted for this year:

A&G Committee Date		**Directorate**
•26 September 2011	-	Customer & Business Support Services/Office of the Chief Executive
5 December 2011	-	Community & Neighbourhoods/City Strategy
13 February 2012	-	Adults Children & Education

Monitor 1

7. There has been very little change to the key critical KCRs since Monitor 4 2010/11. There remains just three critical risks and the up to date risk owners comments are set out below:

KCR 0016 Capital Programme

Failure to obtain funding for Access York Phase 1

The delivery risk for Access York Phase 1 is considered to be critical because the way that the government distributes funding for transport major schemes has significantly altered since the scheme obtained Programme Entry status in March 2010. The other key risks such as planning consent and land purchase have all been resolved satisfactorily but the availability of the principal funding source, confirmed by the previous administration, is now more uncertain. Approximately 90% of the funding (£22.9m) was expected to be provided by the Department for Transport (DfT). Their budgets have now been reduced and this has resulted in the scheme being placed in what is termed the 'Development Pool'. An Expression of Interest for the continuation of the scheme was submitted to the DfT by 4 January

2011. Following the addition of 23 schemes into the Development Pool in February 2011 there are now 45 projects valued at an estimated £945m competing for £630m of funding. A 'Best and Final Funding Bid' for the scheme will be prepared and submitted before the autumn deadline (9 September). The DfT will make a decision regarding the funding of the schemes dependent on a number of criteria including value for money, extent of local contribution, and deliverability by the end of 2011 meaning that the earliest that successful schemes could re-start with DfT funding is April 2012. If the Access York Phase 1 scheme is successful in obtaining funding, it is anticipated that the project would be completed and the Park & Ride sites operational, by early summer 2014.'

KCR 0019 Safeguarding

<u>Safeguarding</u>

"In common with every other local authority this risk remains a constant. The controls in place are regularly reviewed and updated in line with emerging national guidance. Measures to review and strengthen the controls in place to manage this risk in the next quarter include, participation in an LGID Peer Review of our Local Safeguarding arrangements, implementation of our local action plan following the recent unannounced inspection of our contact, referral and assessment service, implementation of a new supervision policy for all children's social care workers involved in child protection activity and improved case file auditing arrangements."

KCR 0022 Financial Pressures

<u>Reduction in Revenue Budgets</u>

"The requirement to reduce revenue budgets by approximately 28% and a 45% reduction in capital funding over the next 4 years presents a challenging financial scenario for the council to manage. Whilst long term financial planning provides a key control, critical to the organisation been able to manage this risk effectively lies in identifying and achieving the savings identified in service reviews and delivered through the Business Change & Performance (BCP) efficiency program."

8. The appropriate risk owner from the relevant directorate can provide more detailed information, if it is required, in relation to any of the above risks or any others contained within the monitor.

Matters arising at A&G on 14 April

9. At A&G on 14 April 2011 a query was raised in relation to the 'Actions' associated with risk numbers 1796, 1798, 1799. At the time that the report was published it was not possible to provide the up to date position of these 'Actions'. To allow officers enough time to update these risks the target dates were moved on by one month. Having discussed these risks with the relevant service area one of the key issues giving rise to this problem is that risk owners are including Controls in the Actions element of the risk. Taking risk 1796 for example 'training in equality and human rights' is an ongoing process and a Control. If it is the case that all relevant officers have not been trained this does not make it an Action to be taken but rather an ongoing Control. The amendments to reflect this change have now been undertaken with regard to these risks and are included within annex C.

10. The councils risk register magique was not designed to be used for detailed hard copy reports but rather as an on-line system. Users are able if they wish to score the Controls within the system to reflect how well embedded or how effective they perceive them to be. Taking the example of 'training in equality and human rights' in paragraph 9 above if only limited training had been undertaken the control could be categorised as weak (Red) and this in turn may affect the overall risk ranking.

Directorate High & Critical Risks

10. In terms of high and critical directorate risks there are none requiring escalation to CMT for this monitor.

Options

11. Not applicable.

Corporate Strategy

12. The effective consideration and management of risk within all of the council's business processes will contribute to achieving an 'Effective Organisation' and aid the successful delivery of each theme within the Corporate Strategy.

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

13. 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

14. A&G are asked to:

a. Consider, comment and approve the change to risk reporting set out at paragraph 3 - 6 of this report;

Reason
To provide a more meaningful risk reporting process better engaging the directorates in their own risk issues.

b. Consider whether they wish to continue to receive the risk monitor on a quarterly basis or wish to move to a bi-annual basis (Paragraph 5);

Reason
To provide an option to A&G on the frequency that they would like risks reported.

c. Consider, comment and agree the risks set out at paragraph 7, Annex A – D and confidential Annex E of this report.

Reason
To provide assurance that risks to the council are continuously reviewed and updated

Contact Details

Author:

David Walker
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Chief Officer Responsible for the report:

Keith Best
Assistant Director of Financial Services
Customer and Business Support Services

Report Approved ☐ **Date**

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable **All** ☐

For further information please contact the author of the report

Background Papers

Key Corporate Risk Monitor Four 2010/11.

Annexes

- Annex A – ACE Risks
- Annex B – City Strategy Risks
- Annex C – CAN's Risks
- Annex D – CBSS Risks

Confidential Annexes

- Annex E

KCR 0018 Impact of an Ageing Population

Corporate Lead Pete Dwyer

This is a long term piece of work which has been initiated by a scoping report to CMT in relation to the impact on the council of the current demographic. The key issues, impacts and risks will need to be managed by the council as a whole in the coming years.

Adults, Children & Education

Increasing social care support costs

Risk Owner: Graham Terry

Risk Ref: 1715

High **20**

<u>Cause</u> *If we do not involve older people in the design and delivery of services such as health, social care, housing and other services and deliver the changes required to manage demand and create efficiencies/savings.*

<u>Consequence</u> *The rising demographic for social care support projections show that the costs could increase by £12m by 2020. This would happen if the council does not respond and change the way it delivers its services. We will lose the opportunity to have an inclusive design that supports older people's quality of life in the city.*

Controls	Owner
Expected budget settlement to include growth of £1.5m for demographic pressures	Graham Terry
Additional central government funding in 2011-12 to come via PCT	Graham Terry
Executive considering proposals on Re-ablement service expansion in March and the EPH review in June 2011.	Graham Terry

Actions	Target Date	Revised Date
Older Peoples Accomodation review	30/06/2011	31/08/2011

Inability to understand and respond to the demands of an Ageing Population

Risk Owner: Graham Terry

Risk Ref: 1714

High **18**

<u>Cause</u> *If the Ageing Population Review fails to be given the necessary priority corporately, including required resources for it to be carried out during 2010.*

<u>Consequence</u> *We may not understand the extent and scale of the changes required to be made to our services to meet the ageing populations changing demands. This could lead to reputational damage and affect our CAA rating, especially if older people become disengaged with the council and broader social issues.*

Controls	Owner
Prioritisation of work following CLG and support from the Chief Executive	Graham Terry
Continue to engage stakeholders in key actions to deliver these.	Graham Terry

KCR 0019 Safeguarding

Corporate Lead Pete Dwyer

Ensuring that our children and young people in the city are safe and protected has to be a key priority for any authority. This involves not simply ensuring effective interventions into family life but the creation of protective arenas of safety which for example include safe recruitment practice.The individual, organisational and reputational implications of ineffective safeguarding practice are acute

Adults, Children & Education

Serious injury or death occurs where there is or should have been some safeguarding involvement

Risk Owner: Eoin Rush **Risk Ref: 1707** Critical **22**

Cause *Evidence that multi agency procedures were not properly implemented*

Consequence *Serious case review which would put into the public domain the short comings of any services that were involved*

Controls	Owner
Monitoring of referral arrangements	Eoin Rush
Safeguarding Children Board Professional Practice Monitoring Group established	Eoin Rush
Implementation of comprehensive safeguarding children training programme	Eoin Rush
Routine Case File Auditing	Eoin Rush

Actions	Target Date	Revised Date
Monitoring of the Advice and Early Intervention Service	31/01/2012	

KCR 0003 Waste management strategy partnership

Corporate Lead Bill Woolley

Financial penalties of failing to manage satisfactory partnership solution to waste agenda. Partnership solution with NYCC introduces risks to the programme from CYC perspective (control, breakdown of effective working, governance etc). Project risks of the partnership have been identified and are being managed by NYCC as the lead body

City Strategy

Waste Management Strategy Partnership

Project delays

Risk Owner: Bill Woolley

Risk Ref: 1005

High **20**

Cause *Failure to communicate to stakeholders regarding the benefits and requirement for a treatment site.*
Failure to secure and/or demonstrate adequate consultation.
Stakeholder issues arise to do with planning and design, due to negative perception of treatment plants and technologies.

Consequence *This could result in judicial review, objections of planning permission, protests, public enquiry and significant delays to the project and increase costs.*

Controls	Owner
Communication Strategy	Bill Woolley
Public Consultation	Bill Woolley
Communication Plan	Bill Woolley
Work with Amey Cespa and NYCC planners	Bill Woolley
Project programme includes time for planning debate	Bill Woolley
Work to ensure the site is deliverable	Bill Woolley
Early feasibility study to be carried out to identify possible areas of concern	Bill Woolley

Actions	Target Date	Revised Date
Consultation to be completed as statutory consultation on planning	31/08/2010	31/12/2011

Failure to secure planning consent

Risk Owner: Bill Woolley

Risk Ref: 1010

High **19**

<u>*Cause*</u> *Failure to secure planning consent on any of the selected sites. If there is not enough preparation to ensure the site is the most appropriate and all the required testing has been complete. Environmental Impact assessments etc.*

<u>*Consequence*</u> *This could result in non-delivery of project.*

Controls	**Owner**
Identification of suitable alternative sites	Bill Woolley
Environment Impact Assessment	Bill Woolley
Amey Cespa working closely with planning department re design and site plan	Bill Woolley
Council engagement with statutory consultees	Bill Woolley
Engagement with Government Office	Bill Woolley
Requirement of Amey Cespa to demonstrate how they plan to ensure planning success	Bill Woolley
Work closely with Amey Cespa through planning - communication process	Bill Woolley

Actions	**Target Date**	**Revised Date**
Support provided to NYCC in terms of peer review of planning process	31/12/2010	31/12/2011

KCR 0010 Emergency Planning & Business Continuity

Corporate Lead Bill Woolley

Business Continuity: The Council has a statutory duty to have plans in place to ensure the delivery of it's critical services continues throughout any disruption to itself or the community. Emergency Planning: The Council, as a Category 1 responder to critical incidents, has a duty to maintain both generic and specific plans to respond to the major risks facing it's community.

City Strategy

Inability to respond to and assist in the recovery of city of York after a major incident

Risk Owner: Richard Wood

Risk Ref: 1718

High **18**

Cause *Under the Civil Contingencies Act, as a local authority, it is the role of City of York Council to support the emergency services in the case of a major emergency and to provide aid and assistance and advice to the general public.*

Consequence *Emergency services may not be completely supported which could hinder the promptness of their response, the speed of recovery of the city, and vulnerable people within the city may be put at risk.*

Controls	Owner
Emergency Plans for the city	Richard Wood
Emergency manuals	Richard Wood
Exercising of the plans	Richard Wood
Officers on-call	Richard Wood
Plans and manuals updated twice (particularly contacts)	Richard Wood
CYC Emergency Handbook	John Wray
Engagement with regional partners via local resilience forum	Richard Wood

Inability to continue to deliver services following a business disruption event

Risk Owner: Richard Wood

Risk Ref: 0623

High **16**

Cause *If group and directorate plans are not developed, adopted and embedded at both levels this could result in an inability to continue to deliver services following a business disruption event. the result could be further risk to customers and the community and resultant criticism.*

Consequence *Reputational and potentially litigation and breach of statutory duty leading to censure of Council.*

Controls	Owner
BC working group	John Wray
Progress reports to CMT	John Wray
Timetable for driving forward BC in the Council	John Wray
A BC Lead for every Directorate and Department has been put in place	John Wray

KCR 0016 Capital Programme

Corporate Lead Bill Woolley & Pete Dwyer

The Capital Programme delivers a number of capital schemes that directly contribute to the achievement of the Corporate Strategy. All capital schemes are included into the Capital Programme via the annual capital budget process which allocates resources to the projects that facilitate with service delivery and contribute toward the Corporate Strategy. Currently the Capital Programme contains 85 projects over a 5 year period with a budget of over £206m.

City Strategy

Strategic Planning and Transport

Transport Capital Programme

Failure to obtain funding for Access York Phase 1

Risk Owner: Tony Clarke **Risk Ref: 1319** Critical **23**

Cause *If the DfT or CYC funding was not available* *Consequence* *Project would not proceed*

Controls	Owner
Regional Funding Allocation confirmed available.	Tony Clarke
Follow DfT procedures to obtain main funding.	Tony Clarke
Follow CYC CRAM procedures for local contribution.	Tony Clarke

Actions	Target Date	Revised Date
Confirm CYC funding through CRAM process	31/03/2009	31/08/2011
Progress scheme through new bidding process. Submit Best and Final Funding Bid by 9 September 2011	31/03/2011	09/09/2011

City Strategy

Administration & Accommodation Review

Developers unable to meet the requirements of the development brief.

Risk Owner: Ian Asher **Risk Ref: 1315** High **18**

Cause *Developers are unable to comply with the brief as outlined in the design brief, within the budget due to emerging historical building, archaeological or onerous conditions.*

Consequence *Reduction in scope.- e.g. Building area or quality.*
Possibly less effective building due to an increase in staff density resulting in negative feedback and staff dis-satisfaction.
Sustainability features put at risk.
Potential for extended programme due to historic finds.
Reputational damage to CYC.

Controls	Owner
Realistic development brief	Ian Asher
Professional advice to ensure specification is achievable.	Ian Asher

Actions	Target Date	Revised Date
Monitor design proposals and early site work	08/04/2010	31/07/2011
Review risk status once archaeology is complete	30/06/2011	31/07/2011

Failure to discharge planning conditions

Risk Owner: Ian Asher **Risk Ref: 1821** High **17**

Cause *The developer delays or is unable to comply with the planning conditions. This risk remains valid until the end of the project.*

Consequence *Completion of the construction work and the subsequent handover of the building to the council could be delayed.*
The council may not be entitled to occupy and/or use the building if planning conditions are not discharged.

Controls	Owner
Planning policy and the conditions attached to the planning approval	Ian Asher
Conditional Sale and Development Agreement	Ian Asher
Staged design development meetings	Ian Asher

Actions	Target Date	Revised Date
Monitor discharge of CSDA pre-conditions including developer's discharging of the planning conditions.	30/09/2010	30/09/2011

City Strategy

Community Stadium

Commercial Development does not progress

Risk Owner: Tim Atkins **Risk Ref: 1844** High **18**

Cause *The developer has problems raising funds.*

Consequence *No enabling funds available resulting in a shortfall of capital. Scheme delayed and / or alternative developer required.*

Controls	Owner
Financial protocols	Tim Atkins

Actions	Target Date	Revised Date
Due diligence	28/02/2011	29/07/2011
Soft market test another developer-partner	30/04/2011	31/08/2011

KCR 0022 Financial Pressures

Corporate Lead Ian Floyd

Reductions of approximately 25% in government department budgets are expected over the next 4 years. The council needs a structured and strategic approach to deliver savings in order to ensure that any change to service provision is aligned to the council's key priorities.

City Strategy

Strategic Planning and Transport

Reduced levels of economic development due to less investment of national & regional transport infrastructure

Risk Owner: Richard Wood

Risk Ref: 1720

High **19**

Cause *The financial impact of the economic downturn will almost certainly result in a reduction in investment in regional and national air services, rail network and long distance buses.*

Consequence *This could mean that there is less investment available for supporting infrastructure affecting the future economic prosperity of the city.*

Controls	Owner
Lobbying for sustainable levels of investment and funding	Richard Wood
Review policy setting	Richard Wood
Access York Phase 1 Dft Funding	Richard Wood
A19 Roundabout Extension	Richard Wood
Cycling City DfT funding through Cycle England	Richard Wood
Access York Phase 2 DaST Connectivity Study with Leeds City Region	Richard Wood
LTP 3 Consultation	Richard Wood

Actions	Target Date	Revised Date
Regularly review current status of several initiatives	25/10/2011	

KCR 0015 Fairness & Inclusion

Corporate Lead Sally Burns

The refreshed corporate Fairness and Inclusion Strategy and Single Equality Scheme were approved by the Executive in December 2009. This updates council fairness and inclusion commitment and action. It also ensures that we meet current statutory duties arising from equality legislation and provides the framework for the development of fair and inclusive service delivery and employment practice in the council.

Communities & Neighbourhoods

Councillor's vision and expectations of a fair inclusive and customer-focused organisation will not be realised

Risk Owner: Sally Burns

Risk Ref: 1796

High **20**

Cause: *The action plan in the corporate Single Equality Scheme is not implemented because of lack of prioritisation, adequate resources and understanding of the issues.*

Consequence: *Customers receive poor quality unfair,and possibly discriminatory, services and staff satisfaction declines due to poor quality employment practices. The council's reputation as a service deliverer and employer declines. We do not meet recognised standards of excellence in services and employment.*

Controls	Owner
Corporate Fairness and Inclusion Strategy and Single Equality Scheme	Evie Chandler
Directorate Single Equality Schemes	Directorate Management Teams
Equality Framework for Local Government self-assessment and peer assessment	Evie Chandler
Provide ongoing staff & member training in equality and human rights	Evie Chandler
Ensure officers understand and follow the corporate equality system and standards	Evie Chandler
Implementation of directorate equality schemes and monitoring by Directorate Management Teams	Evie Chandler
Equality Impact Assessments (EIAs) are undertaken and monitored	Evie Chandler

We do not provide fair and inclusive customer-focused services

Risk Owner: Sally Burns

Risk Ref: 1798

High **20**

Cause: *Lack of understanding of the needs of vulnerable customers resulting in lack of remedial action to meet their needs.*

Consequence: *Vulnerable customers are excluded from services we provide. Our reputation as a quality service provider is reduced. We can face legal challenges.*

Controls	Owner
Directorate Single Equality Schemes	Directorate Management Teams
Equality Impact Assessments (EIAs) are undertaken and monitored	Evie Chandler

Vulnerable staff are bullied, harassed and feel excluded

Risk Owner: Sally Burns **Risk Ref: 1799** High **20**

<u>*Cause*</u> *Lack of understanding of the needs of vulnerable staff resulting in lack of remedial action to meet their needs.*

<u>*Consequence*</u> *Staff survey results are poor. Vulnerable staff's health is affected negatively or/and they leave. Our reputation as a good employer is reduced. We can face legal challenges.*

Controls	Owner
Workforce Plan	Pauline Stuchfield
Monitoring through service planning and PDRs	Pauline Stuchfield

City of York Council

Annex D

Key Corporate Risk Monitor 2011/12 - **Customer & Business Support Services**

KCR 0015 Fairness & Inclusion

Corporate Lead Sally Burns

The refreshed corporate Fairness and Inclusion Strategy and Single Equality Scheme were approved by the Executive in December 2009. This updates council's fairness and inclusion commitment and action. It also ensures that we meet current statutory duties arising from equality legislation and provides the framework for the development of fair and inclusive service delivery and employment practice in the council.

Customer & Business Support Services

Customers & People

Vulnerable people cannot access our services and employment opportunities

Risk Owner: Pauline Stuchfield **Risk Ref: 1797** High **20**

Cause *Lack of understanding of the needs of vulnerable people and the barriers they face when they try to access our services and employment opportunities.*

Consequence *Vulnerable customers are excluded from council services and employment opportunities we provide. We can face legal challenges.*

Controls	Owner
CBSS directorate Single Equality Scheme	Pauline Stuchfield
Complete Equality Impact Assessments (EIAs)	Pauline Stuchfield

KCR 0022 Financial Pressures

Corporate Lead Ian Floyd

Reductions of approximately 25% in government department budgets are expected over the next 4 years. The council needs a structured and strategic approach to deliver savings in order to ensure that any change to service provision is aligned to the council's key priorities.

Customer & Business Support Services

Requirement to reduce revenue budgets by approximately 28% and a 45% reduction in capital funding over the next 4 years

Risk Owner: Keith Best **Risk Ref: 1806** Critical **23**

Cause *Reductions of approximately 28% in local government revenue funding and 45% capital funding to 2014/15 as announced in the CSR.*

Consequence *The council may have to reduce or stop service provision for non statutory services or increase eligibility criteria for statutory services*

Controls	Owner
Long term financial planning to identify funding gaps	Keith Best
Promote a challenge system amongst officers to identify savings or areas for review	Keith Best
Structured approach to identification of saving	Keith Best

Savings identified beyond 2011/12 are not achieved

Risk Owner: Keith Best **Risk Ref: 1812** High **19**

Cause *Some service specific savings proposals may be politically sensitive and alternative savings may need to be identified or the savings may not be achieved.*

Consequence *This could result in an additional untargeted blanket % cut across all services if not properly planned, resulting in as service provision which is not aligned to corporate priorities*

Controls	Owner
Regular communication and consultation	Keith Best
Regular monitoring of progress by More for York programme	Keith Best
Identify potential savings in excess of current target	Keith Best
Structured and planned approach to budget planning	Keith Best

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 10

CITY OF YORK COUNCIL

Audit & Governance **26 July 2011**

Report of the Director of Customer and Business Support Services.

Scrutiny of the Treasury Management Annual Report 2010/11 & Review of Prudential Indicators

Summary

1. The purpose of this report is for members of A&G to scrutinise the "Treasury Management Annual report & Review of Prudential Indicators 2010/11" in accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance ("the Code").

2. The revised Code was published in November 2009 and adopted by the council on 26 February 2010. From 2010/11, Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies.

3. Attached at Appendix A is the Treasury Management Annual Report & Review of Prudential Indicators 2010/11.

Background

4. This covering report aims to explain to Audit & Governance members the reason for the scrutiny of the Treasury Management Annual Report & Prudential Indicators 2010/11 at Appendix A.

5. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

6. For reporting, scrutiny and training arrangements during 2010/11 the Council has met the minimum reporting requirements and received the following reports:

- an annual treasury strategy in advance of the year - 26 February 2010
- a mid year (minimum) treasury update report – 16 November 2010
- an annual report following the year describing the activity compared to the strategy (this report – 19 July 2011)

7. In addition quarterly treasury management update reports have been produced and published on 7 September 2010 and 15 February 2011.

8. Recent changes in the regulatory environment, place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members and the prudential indicators.

9. This Council has also complied with the requirement under the Code to give scrutiny to all of the above treasury management reports by the Audit & Governance Committee. Member training on treasury management issues was undertaken twice during the year on 29 September 2011 and 14 February 2011 in order to support Members' scrutiny role. These training sessions will continue to assist members further understanding.

Consultation

10. Not applicable.

Options

11. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice "the Code". The revised "code" was approved at full Council on 26 February 2010. The Council also approved the Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15 which stated that "The Treasury Management Reporting arrangements set out in paragraph 16, table 1, as described by "the Code" and the terms of reference in the Constitution be amended to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports." No alternative options are available.

Corporate Priorities

12. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure

that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priorities, values and imperatives, as set out in the Corporate Strategy. It therefore underpins all of the council's aims.

Implications

13. The implications are
- Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
- Human Resources - there are no human resource implications to this report.
- Equalities - there are no equality implications to this report.
- Legal - there are no legal implications to this report.
- Crime and Disorder - there are no crime and disorder implications to this report.
- Information Technology - there are no information technology implications to this report.
- Property –there are no property implications to this report.
- Other - the revised code may have implications for the requirements placed on officers and members for the scrutiny and management of the treasury function.

Risk Management

14. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice 2009 (the code) are all adhered to as required.

Recommendations

15. That Audit & Governance Committee note the Treasury Management Annual Report 2009/10 & Review of Prudential Indicators at Appendix A.

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

Contact Details

Author:	**Chief Officer responsible for the report:**
Louise Branford-White Technical Finance Manager 01904 551187	Keith Best Assistant Director of Customer & Business Support services (finance) Ian Floyd Director of Customer & Business Support Services Report approved √ Date 13/7/11

Specialist Implications Officer(s) None

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

For further information please contact the author of this report

Background Working Papers

Local Government Act 2003 and amendments
CIPFA Prudential Code
CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance ("the Code")
Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15

Prudential Indicators 2010/11 Outturn **Annex A**

	PRUDENTIAL INDICATORS		2010/11 Estimate Monitor 3	2010/11 actual	2009/10 actual
1)	**Capital Expenditure**		**£'000**	**£'000**	**£'000**
	To allow the authority to plan for capital financing as a result of the capital programme. To enable the monitoring of capital budgets to ensure they remain within budget.	Non - HRA	57,497	46,892	52,387
		HRA	7,305	7,039	6,093
		TOTAL	64,802	53,931	58,408
2)	**Ratio of financing costs to net revenue stream**				
	This indicator estimates the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from Rents and Subsidy.	Non - HRA	8.95%	8.52%	6.98%
		HRA	2.50%	2.61%	2.84%
3a)	**Incremental impact of capital investment decisions - Council Tax**		**£ p**	**£ p**	**£ p**
	Shows the actual impact of capital investment decisions on council tax. The impact on council tax is a fundamental indicator of affordability for the Council to consider when setting forward plans. The figure relates to how much of the increase in council tax is used in financing the capital programme and any related revenue implications that flow from it.	Increase in Council Tax (band D) per annum	21.72	20.13	15.70
3b)	**Incremental impact of capital investment decisions - Hsg Rents**		**£ p**	**£ p**	**£ p**

	Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA 2008/09 planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.	Increase in average housing rent per week	0.00	0.00	0.00
4)	**Net Borrowing not exceed the CFR**		**£'000**	**£'000**	**£'000**
			92,865	97,865	90,190
	To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR.				
5)	**Capital Financing Requirement as at 31 March**		**£'000**	**£'000**	**£'000**
	Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	Non - HRA	143,623	134,471	111,591
		HRA	18,869	18,794	12,235
		TOTAL	162,492	153,265	123,826
6a)	**Authorised Limit for external debt -**		**£'000**	**£'000**	**£'000**
	The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities for 3 financial years.	borrowing	192,000	192,000	186,000
		other long term liabilities	0	10,000	0
		TOTAL	192,000	192,000	186,000
6b)	**Operational Boundary for external**		**£'000**	**£'000**	**£'000**

	debt - The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.	borrowing other long term liabilities	172,000 0	172,000 10,000	145,000 0.00
		TOTAL	172,000	172,000	145,000
7)	**Adoption of the CIPFA Code of Practice for Treasury Management in Public Services** Ensuring Treasury Management (TM) Practices remain in line with the Code of Practice.				
		TM Policy Statement	☐	☐	☐
		12 TM Practices	☐	☐	☐
		Policy Placed Before Council	☐	☐	☐
		Annual Review Undertaken	☐	☐	☐
		A&G named as specified Scrutiny body	☐	☐	☐
8a)	**Upper limit for fixed interest rate exposure** The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly	Net interest re fixed rate borrowing / investments	148%		150%

	exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.	Actual Net interest re fixed rate borrowing / investments		110%	110%
8b)	**Upper limit for variable rate exposure**				
	The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly	Net interest re variable rate borrowing / investments	-48%		-50%
	exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.	Actual Net interest re variable rate borrowing / investments		-10%	-10%
			£'000	**£'000**	**£'000**
9)	**Upper limit for total principal sums invested for over 364 days**		£10,000	£10,000	£10,000
	To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk.	Investments over 364 days	£0	£0	£0
10)	**Maturity structure of new fixed rate borrowing during 2008/09**		**Upper Limit**	**Actual** (£133065k	**Actual** (£116,065k)
	The Council sets an upper limit for each forward financial year period	under 12 months	10%	4%	0%
	for the level of investments that mature in over 364 days. These limits reduce the liquidity and	12 months & within 24 months	10%	2%	6%
	interest rate risk associated with investing for more than one year.	24 months & within 5 years	25%	5%	6%

	The limits are set as a percentage of the average balances of the investment portfolio.	5 years & within 10 years	40%	21%	19%
		10 years & and above	90%	68%	69%

Glossary Of Abbreviations

HRA
Housing Revenue Account

CFR
Capital Financing Requirement

CYC
City of York Council

1. In accordance with the Prudential Code, the Prudential Indicators set by full Council on 25th February 2010 for the financial year 2010/11 must be monitored and reported at Outturn. The Prudential Indicators are detailed above and the key points are explained below:

2. **Indicator 1 - Capital Expenditure:** The capital programme expenditure at monitor 3 was estimated to be £64.8m and outturn was £53.9m. The Capital Programme Outturn 2010/11 report has further details with regards to this movement. The reduced outturn compared to monitor 3 is due to a number of schemes being slipped to be completed during 2011/12.

2. **Indicator 2 – Ratio of Finance Costs to Net revenue Stream**: This indicator represents how much borrowing (where the finance costs are not supported by government grant), for the capital programme, will cost as a percentage of the net revenue stream of the Council. The General Fund indicator is 8.52% compared to a budgeted level of 8.95%, with the marginal decrease due to reduced finance costs. This was reflected in eth revenue outturn report. The Housing Revenue Account (HRA) version of the indictor is 2.61% compared to the budgeted level of 2.50%, the difference is due to a lower net revenue stream of the HRA than original estimated.

3. **Indicator 3 (a) & (b) - Incremental Impact of Capital Investment Decisions on the Level of Council Tax (3a) and Housing Rents (3b):** This indicator shows the impact of capital investment decision on the bottom line level of Council Tax. The Council can fund its discretionary capital programme from two main sources, from borrowing or using capital receipts from the sale of surplus assets. The Council's policy is to use capital receipts to fund the Capital programme. However in the current economic environment with reduced capital receipts there is the requirement to use borrowing to support the capital programme, which has an impact on Council Tax through the revenue cost of financing the

borrowing. The borrowing is not taken unless it is affordable, sustainable and prudent and can be supported by an existing budget.

4. **Indicator 4 – Net Borrowing not exceed the CFR:** In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2010/11 plus the expected changes to the CFR over 2011/12 and 2012/13. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2010/11. The table highlights the Council's net borrowing position against the CFR, it confirms that no borrowing occurred in advance of need and the net borrowing position was below the CFR.

5. **Indicator 5 - Capital Financing Requirement (CFR)**: The CFR at outturn was £123,826m, which is the Council's underlying need to borrow for all capital investment over time. At year-end when the Capital programme is financed, the CFR can change when decisions are made with regards to the use of external funding, capital receipts etc to support the Capital investment of the Council

6. The CFR represents the capital expenditure (which has not yet been paid for by revenue or other resources) which is required to be funded by borrowing. Under Statute, the council is permitted to borrow to fund capital expenditure. When borrowing is undertaken it is not taken for a specific capital scheme but rather to fund the council's capital financing requirement as a whole. The Council is allowed to borrow in advance of need, it can borrow the CFR in the current year and also 2 years in advance. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR).

7. Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This cash requirement may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or through utilising temporary cash resources within the Council.

8. The Council's underlying borrowing need (Capital Financing Requirement) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over

the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

9. The Council's 2010/11 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2010/11 on 25th February 2010.

10. **Indicator 6(a) - Authorised Limit**: The authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level, which is approved at Full Council every year. The table confirms that during 2010/11 the Council has maintained gross borrowing within its authorised limit of £xxxx m. The Council's highest level of borrowing during the year was £136.1m. The headroom available within this limit allows the Council the ability to borrow in advance of need in accordance with its 3 year forecast Capital programme. If these limits were breached the LG Act 2003 requires full Council approval. Debt levels have remained within the limits set.

11. **Indicator 6(b) – Operational Boundary:** This is approximately the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. In the event the actual borrowing level was below the operational boundary due to the Council not borrowing the total amount is was permitted to do so during the year and not taking any borrowing in advance of need. This was in accordance with the strategy to hold off borrowing due to borrowing rates being much higher than investment rates.

12. **Indicator 7 - Adoption of the CIPFA Code of Practice in Treasury Management:** In accordance with the Prudential Code, the Council has adopted the CIPFA Treasury Management in the Public Services Code of Practice "the Code" prior to the beginning of the financial year. The table shows the code has been adhered to.

13. **Indicator 8(a) & (b) - Upper Limit for Fixed and Variable Interest rate Exposure:** Interest rate exposure on debt is positive due to it being in relation to interest paid and on investments is negative as it is interest being received. When the variable and fixed interest rates are totalled, it will always be 100%. The majority of the interest received for the Council relates to variable rated investments, where as the interest paid on debt is

fixed. The limits set in the budget were not breached and the outturn stands at 110% for fixed interest rate exposure and –10% for variable interest rate exposure.

14. **Indicator 9 - Upper Limit for total principal sums invested for over 364 days:** This has been set at £10m and is approximately 25% of the average portfolio throughout the year. In the year no investments for longer than 364 days have been taken due to the low interest rates available on the market and the forecast that interest rates will raise in the coming months.

15. **Indicator 10 - Maturity Structure of Fixed rate Borrowing:** The borrowing portfolio is spread across different time periods to ensure that the Council is not exposed to the requirement to take new borrowing in any one year and be exposed to interest rates in any one year. In 2010/11 the borrowing portfolio maturity profile was within the limits set.

APPENDIX A

Cabinet

Report of the Cabinet Member for Corporate Services

Treasury Management Annual Report & Review of Prudential Indicators 2010/11

Summary

1. This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2010/11. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2. The treasury management annual activities are detailed in report and the prudential indicators, which ensure the Council's treasury management activities are affordable sustainable and prudent as approved by Council on 25 February 2011, are contained in Annex A.

3. The Council's debt and investment position ensures adequate liquidity for revenue and capital activities, security for investments and manages risks within all treasury management areas. Procedures and controls to achieve these objectives are established through Member reporting and through officer operational activities detailed in the Council's Treasury Management Practices. The Council's treasury position a for 2010/11 is as follows:

	31-Mar-11	Rate of Return	31-Mar-10	Rate of Return
Borrowing:	£M		£M	
-PWLB	108.1		101.1	
-Market	25.0		15.0	
Total Borrowing	133.1		116.1	
Average Borrowing	**130.5**	**4.20%**	**104.9**	**4.52%**
Investments:				
Total Investments	35.2		25.9	
Average Investments	63.8	1.15%	47.4	2.20%

Table 1 – Position of the treasury management portfolio

Background

Economic Background

4. The performance of the council's treasury management function is an outcome of the long-term borrowing and short-term investment decisions affected by the economic conditions during the 2010/11 financial year.

5. The base rate remained at 0.5% throughout 2010/11 and inflation rates (CPI) remained higher than expected above the Bank of England's target rate of 2%. The change in UK political background was a major factor behind weaker domestic growth expectations, evidenced by the heavy spending cuts announced in the October Comprehensive spending review.

6. Interest rates on bonds (gilt yields), which affect the Council's achievable borrowing rates, fell for much of the first half of the year as financial markets drew considerable reassurance from the Government's debt reduction plans. Expectations of further quantitative easing also helped to push yields to historic lows. However, this positive performance was mostly reversed (with increasing borrowing interest rates) in the closing months of 2010 as sentiment changed due to sharply rising inflation pressures.

7. Figure 1 shows the base rate movements since 1 April 2010 with predictions from economists and the Council's Treasury management Advisors – Sector - to February 2014. The graph shows how predictions have changed. The diamond line shows

Sectors prediction of the base rate in February 2010 compared to their latest prediction in triangles.

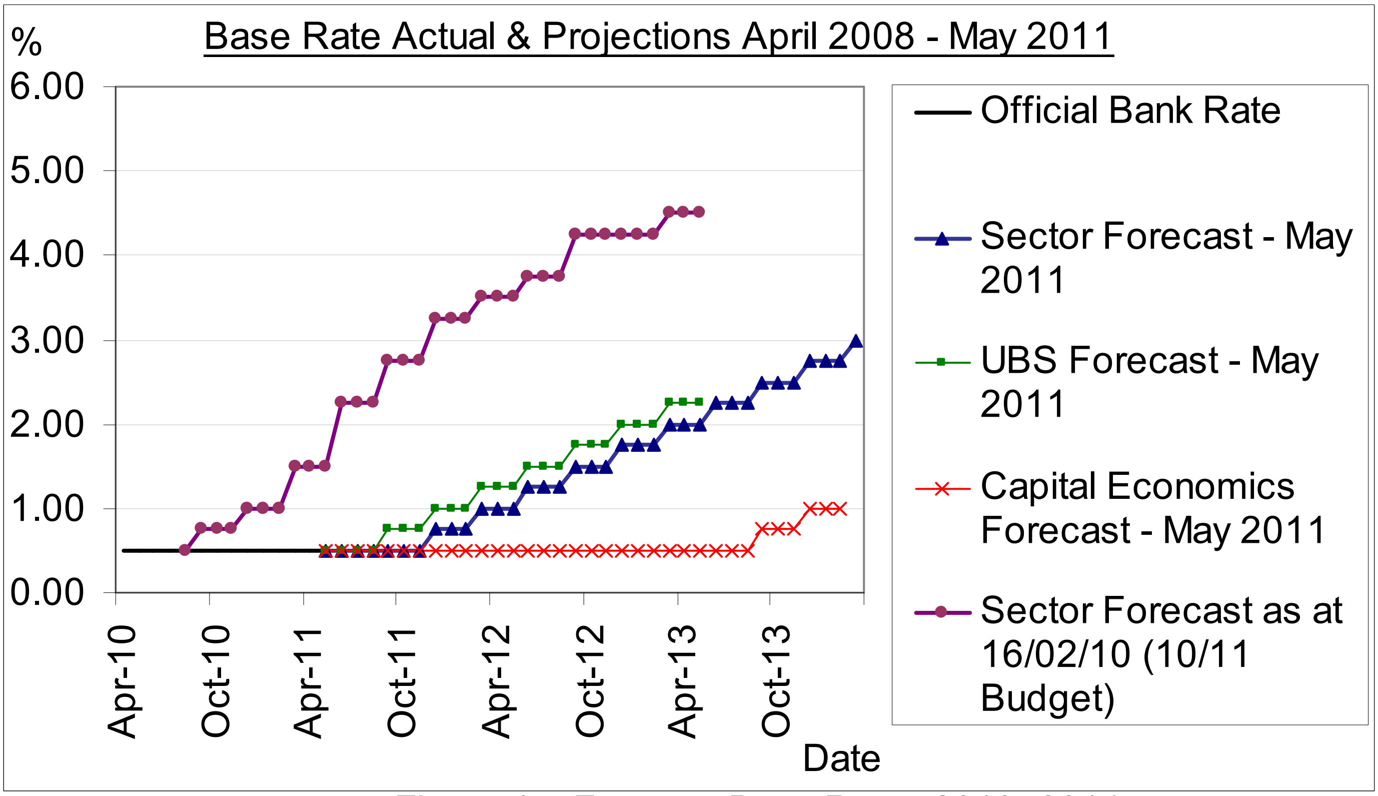

Figure 1 – Forecast Base Rates 2010- 2014

Treasury Managment Strategy

8. The council's borrowing strategy set for 2010/11 at full Council on 25 February 2010 followed advice from the council's treasury management advisors –Sector Treasury Services - to borrow primarily at the start of the year when borrowing rates were forecast to be lower prior to rates rising in the second half of the financial year. The actual movement in interest rates broadly followed the expectations in the strategy, borrowing was taken at the lower rates during the year, the full borrowing requirement was not taken due to borrowing rates being higher than investment rates.

9. Figure 2 illustrates the PWLB rates for 2010/11 including the loans borrowed by the council. This shows the council, took borrowing in the first half of the year when interest rates were lower.

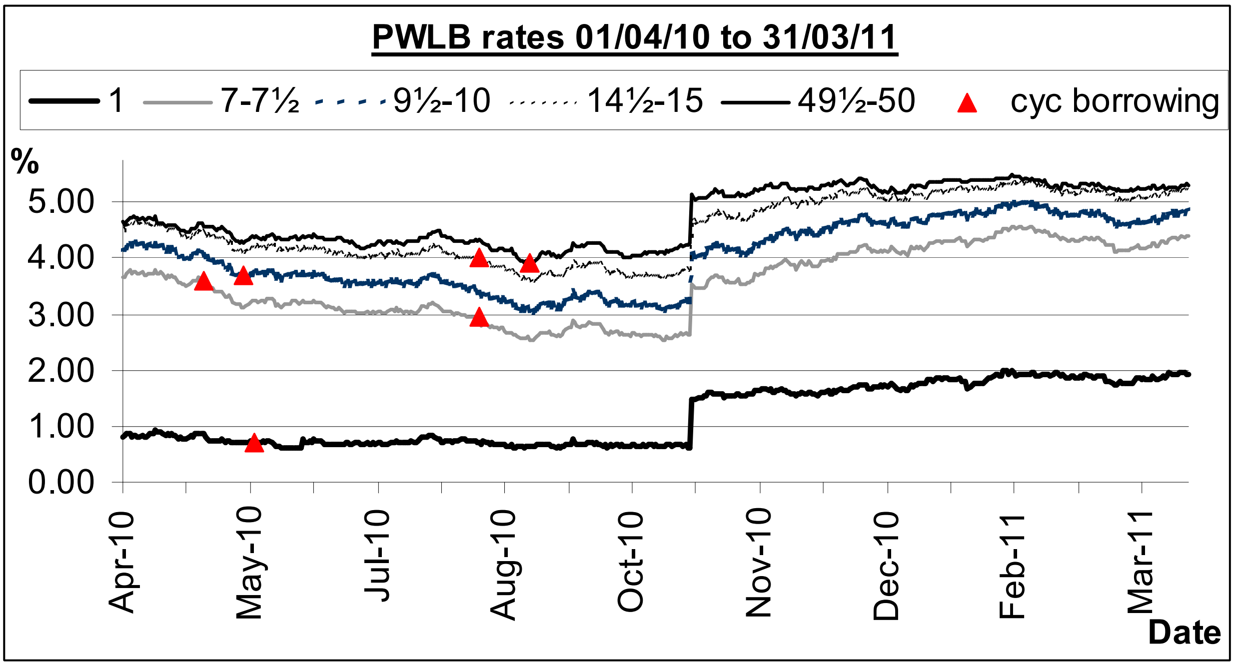

Figure 2 - PWLB rates vs. Bank of England vs. CYC borrowing level

Borrowing Outturn 2010/11

10. The Council undertakes capital expenditure on long-term assets as part of the Capital programme. The way that the capital programme is financed affects the treasury management activity of the Council, and ultimately borrowing. The prudential indicators which control the borrowing activity of the Council are contained in Annex A.

11. The councils long-term borrowing started the year at £116.4m. Table 2 shows the movement in debt during the year, the interest rates obtained on new borrowing, the average rate of the portfolio and the year of maturity.

	Date	Type	Amount £M	Interest rate	Year of Maturity
Total Borrowing 01/04/10			**116.1**	**4.52%**	
Less Loans Repaid	05/05/10	PWLB	4.0	3.85%	2010/11
	10/02/11	PWLB	3.0	0.85%	2010/11
Plus New Loans	12/05/10	LOBO	5.0	3.60%	2060/61
	25/05/10	PWLB	5.0	3.70%	2020/21
	28/05/10	MARKET	5.0	0.70%	2011/12
	12/08/10	PWLB	3.0	4.01%	2025/26
	12/08/10	PWLB	3.0	2.95%	2017/28

	31/08/10	PWLB	3.0	3.92%	2059/60
Total Borrowing 31/03/11			**133.1**	**4.20%**	

Table 2 - Movement In Long Term Borrowing 2010/11

12. All of the new borrowing decisions were taken in light of the maturity structure of the Council's current long term borrowing and the advantageous interest rates available.

13. The Council did not restructure any of its borrowing portfolio during the year as no opportunities were favourable due to the disparity in PWLB rates since November 2007 and the governments change in PWLB rates in the comprehensive spending review.

14. The overall position of the borrowing activity resulted in a fall in the average interest rate by 0.32% from 4.52% to 4.2%.

15. Figure 3 shows the average rate of CYC borrowing continues to fall and in 2009/10 was comparable to other unitary authorities and the national average. No figures as yet are available for 2010/11.

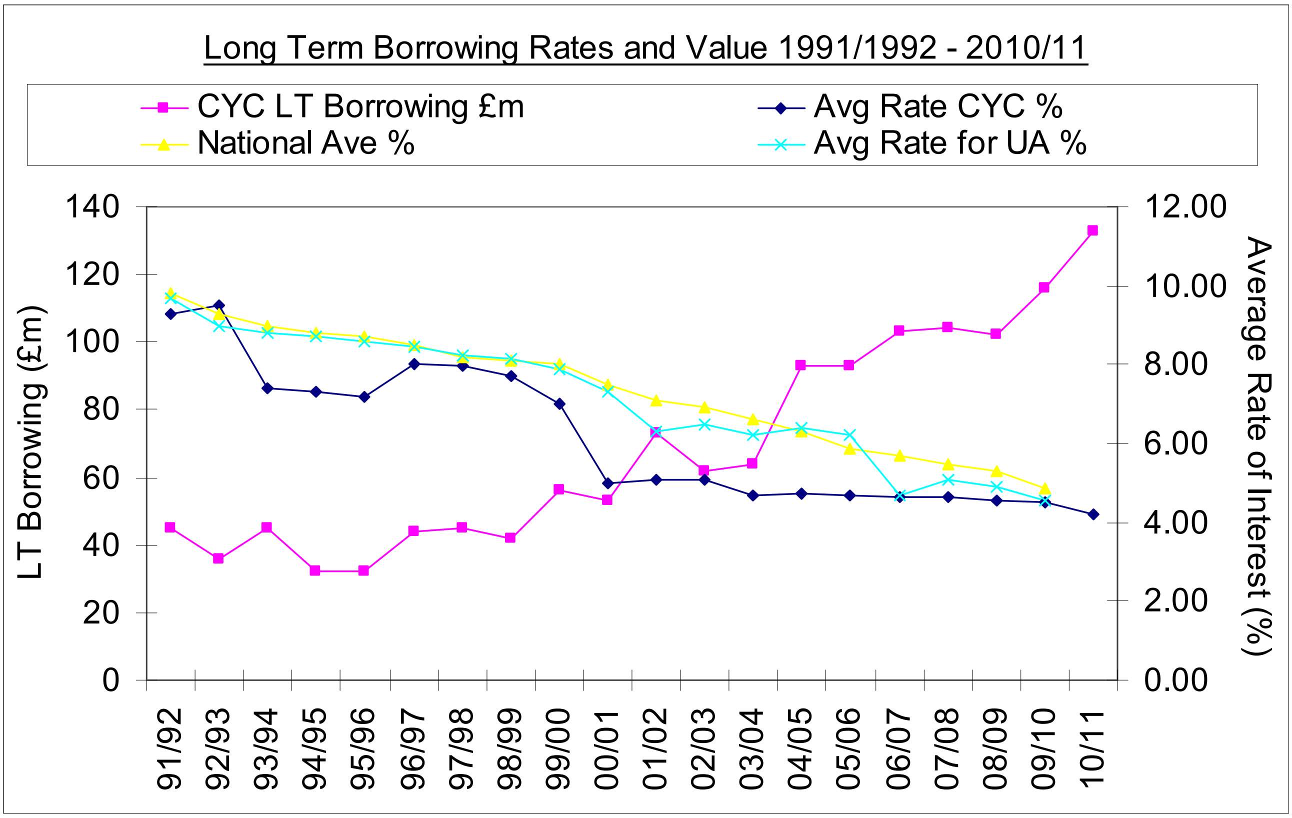

Figure 3 - CYC borrowing vs National Average vs Unitary Authority

Investment Outturn 2010/11

16. The Council's investment policy is governed by CLG guidance, which was implemented in the annual investment strategy approved by the Council on 25 February 2011. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies (Fitch, Standard & Poors, Moody's) supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

17. The investment activity during the year confirmed to the approved strategy, and the Council had no liquidity difficulties

18. The Council maintained an average investment balance of £43.1m compared to £47.2m in 2009/10. The surplus funds earned an average rate of return in 2010/11 of 1.15%, compared to 2.2% in 2009/10. The rates available in 09/10 were more favourable and there were longer term investments that still held good rates in 2009/10 which no longer existed in 2010/11. The comparable performance indicator is the average 7-day LIBID rate, which was 0.43% in 2010/11 and the one month LIBID rate of 0.62%. This occurred in line with the Investment strategy that the security of capital is of prime importance.

19. Figure 4 illustrates the investment interest rates available for 2010/11 including the rate of return on investments achieved. The Council could not invest further in 1 year due to the security of the Councils surplus fund being of prime importance. The fall in the rate of return in May is the repayment of the 2 year investment with Nationwide when rates were more favourable.

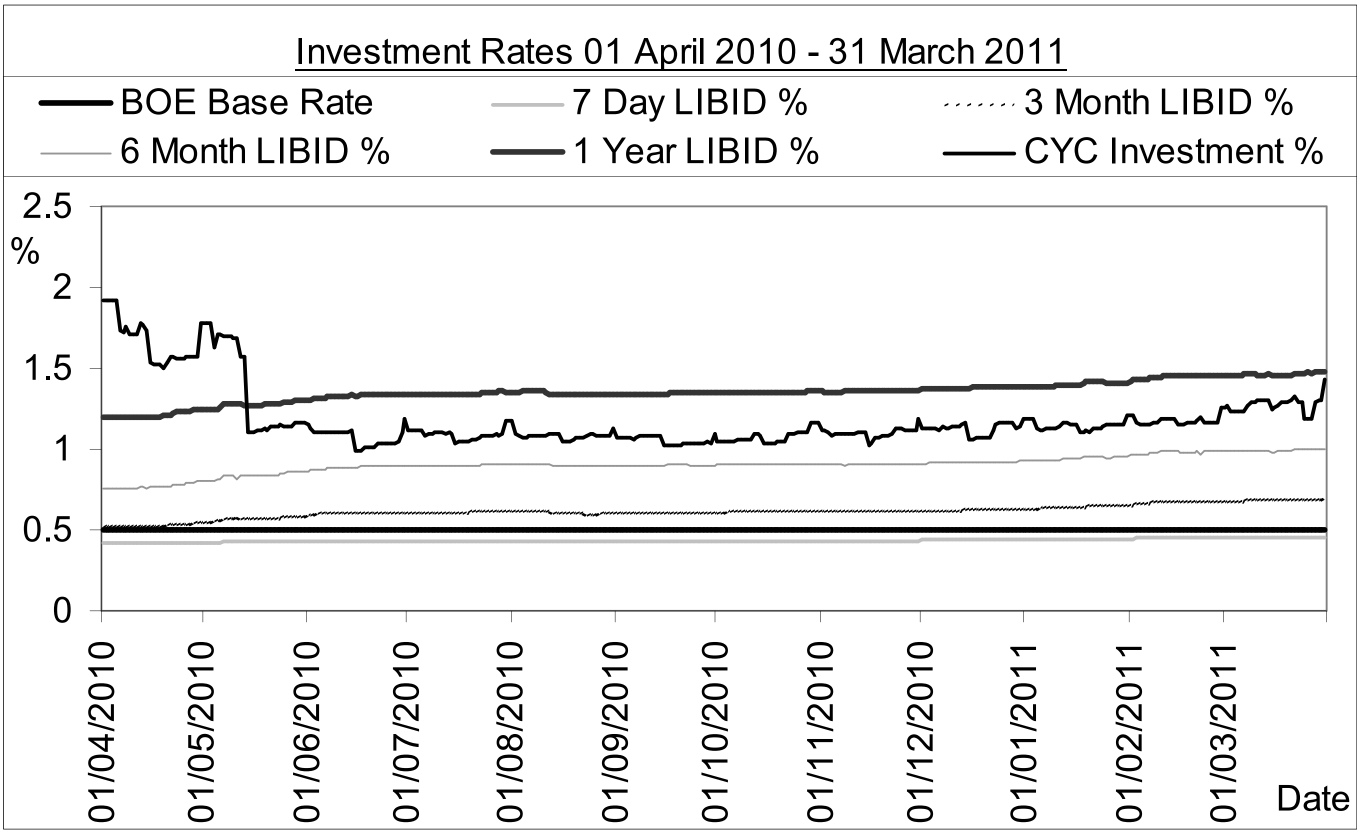

Figure 4 – Investment rates vs. Rate of Return on CYC Investments

Consultation

20. This report is for information purposes and reports on the performance of the treasury management function. Members through the budget process set the level of budget and expected performance of the Councils treasury management function.

Options / Analysis

21. In accordance with the Local Government Act 2003, it is a requirement under the CIPFA Prudential code and the CIPFA Treasury Management in Local Authorities that the Cabinet receives an annual treasury management review report of the previous year –2009/10- by 30 September the following year – 30 September 2010. It is also a requirement that the Council delegates the role of scrutiny of treasury management strategy and policies to a specified named body which in this Council is the Audit & Governance Committee. This annual treasury

management report is scheduled at Audit & Governance Committee on 28th July 2011.

Corporate Priorities

22. The council will meet its Corporate Strategy objective of "Effective Organisation" to achieve high standards by successfully and proactively managing its treasury activities. Effective treasury management is concerned with the management of the council's cash flows, it's banking, money market and capital transactions, the management of debt, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

Implications

23.

(a) **Financial** These are detailed in the body of the report

(b) **Human Resources (HR)** There are no HR implications as a result of this report

(c) **Equalities** There are no equalities implications as a result of this report

(d) **Legal** Treasury Management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice

(e) **Crime and Disorder** There are no crime and disorder implications as a result of this report

(f) **Information Technology (IT)** There are no IT implications as a result of this report

(g) **Property** There are no property implications as a result of this report

Risk Management

24. The treasury function is a high-risk area because of the level of large money transactions that take place. As a result of this there are strict procedures set out as part of the Treasury

Management Practices statement. The scrutiny of this and other monitoring reports is carried out by Audit & Governance Committee as part of the council's system of internal control

Recommendations

25. The Cabinet, in accordance with the Local Government Act 2003 is advised to:
    - **(a) Note** the 2010/11 performance of the Treasury Management activity,
    - **(b) Note** the movements in the Prudential Indicators in Annex A

Contact Details

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<tr><td>Report Approved</td><td>Y</td><td>Date</td><td>19/07/11</td></tr>
<tr><td colspan="4">Ian Floyd
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<tr><td>Report Approved</td><td>Y</td><td>Date</td><td>19/07/11</td></tr>
<tr><td colspan="5">Specialist Implications Officer(s</td></tr>
<tr><td colspan="3">Wards Affected: All wards</td><td>All</td><td>Y</td></tr>
<tr><td colspan="5">For further information please contact the author of the report</td></tr>
</table>

Background Papers:

Cash-flow Model 2010/11 Investment Register 2010/11, PWLB Debt Register, Capital Financing Requirement 2010/11 outturn, Prudential Indicators 2010/11, CIPFA Statistics 2009/10

Annexes

Annex A: Prudential Indicators 2010/11

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CITY OF YORK COUNCIL	
Audit and Governance Committee	26 July 2011
Report of the Assistant Director of Governance and ICT	

Constitutional Changes

Summary

1.1 This report seeks the Committee's comments on proposed constitutional changes relating to the Council Procedure Rules, to Financial regulations and to various protocols which are in the Constitution.

Council Procedure Rules

2.1 The Current Rules provide (with some specific exceptions) for no more than five notices of motion to be received at any one Council meeting. The Group Leaders have signified that there would be all party support to reducing the number to four and have agreed a mechanism for allocating the motions between parties in a way which broadly reflects the political balance. An informal system of allocating the motions between Groups has worked well for a number of years and it is not proposed to attempt to codify it within the Constitutions. However, it is proposed to amend Rule 12.2 by replacing references to five motions with references to four.

Protocols

3.1 The Committee at its last meeting considered the issue of the Media Protocol and Council subsequently agreed that this protocol should be removed from the Constitution. Part 5 of the Constitution contains a number of other codes and protocols and it is now proposed that the need for these to be contained within the Constitution should be reviewed.

3.2 The following table provides a recommendation in respect of each code and protocol within Part 5:

Code/Protocol	**Recommendation**	**Reason**
Members Code of Conduct	Retain	Legal requirement for Council to adopt
Officer Code of Conduct	Retain	Common practice
Protocol on member/officer relations	Retain	Can be seen as a supporting document to the Code of Conduct
Protocol on report writing	Remove	York is unusual in having such a document within the constitution. If such a protocol is required it should be a flexible document issued by the Chief Executive as guidance to Officers.
Access to Information protocol	Retain	Meets legal requirements for a Constitution
Electronic Communications policy	Remove	York is probably unique in having such a document within the Constitution. To be effective such

		documents need very regular review.
Whistle blowing policy	Remove	Most Councils do not include the Whistle blowing policy within the Constitution although a small number do. On balance this is probably best located with HR documents rather than within the Constitution.
Protocol on Councillor Working Groups	Remove	These Groups are advisory groups to the Cabinet and should be allowed to operate in a flexible manner which suits the particular group but is endorsed by Cabinet. There is one reference to scrutiny working groups. That terminology is not used within scrutiny.
Anti Money Laundering Guidance	Remove	Financial regulations contain anti fraud measures. This guidance is best

		dealt with as an instruction to those staff who deal with large financial transactions.
Planning Code of Good Practice	Retain	This is a supporting document to the Code of Conduct
Code of Corporate Governance	Retain	Provides context to the Constitution

3.3 It would be proposed that any document removed from the Constitution would remain in force as a Council policy until such time as it is replaced.

Financial Regulations

4.1 The current financial regulations allow the Chief Finance Officer to write off bad debts up to a value of £10,000. Above that level they require Cabinet member approval. That approval is invariably given. The write off levels are very low in comparison to other authorities which the CFO has been given such as the power to commit expenditure and the calling of a formal meeting to approve write offs simply adds a layer of bureaucracy. It is recommended that the threshold should be raised to £30,000.

Corporate Priorities

5.1 The Council's Constitution is its key governance document and contributes to an 'effective organisation'.

Implications

6.1 Legal – the recommendations take account of and ensure compliance with the requirements of the Local Government Acts and the Constitutions Direction as well as statutory guidance in respect of Constitutions.

Recommendations

7.1 **The Audit and Governance Committee is recommended to recommend to Council that:**

a) The Council procedure rules be amended to allow for four rather than five motions to be routinely presented to Council.
b) The following protocols and policies be removed from the Constitution:
    - Protocol on report writing
    - Electronic Communications policy
    - Whistle blowing policy
    - Protocol on Councillor Working Groups
    - Anti Money Laundering Guidance

c) To increase the CFO's authority to write off debts to sums up to and including £30,000.

Reason: To ensure that the Constitution remains up to date and fit for purpose.

Contact Details

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.</td><td colspan="4">Andy Docherty
Assistant Director of Governance and ICT</td></tr>
<tr><td>Report Approved</td><td>tick</td><td>Date</td><td>15/07/11</td></tr>
<tr><td colspan="4">Chief Officer's name
Title</td></tr>
<tr><td rowspan="2">Report Approved</td><td>tick</td><td rowspan="2">Date</td><td rowspan="2">Insert Date</td></tr>
<tr><td></td></tr>
<tr><td colspan="3">Wards Affected: Not applicable</td><td>All</td><td>tick</td></tr>
<tr><td colspan="5">For further information please contact the author of the report</td></tr>
</table>

Background Papers

None