CITY OF YORK COUNCIL

Notice of a public meeting of

Audit & Governance Committee

To:	Councillors Potter (Chair), Brooks (Vice-Chair), Ayre, Barnes, Burton, Watson, Wiseman and Mr Whiteley (Co-opted Non-Statutory Member)
Date:	Wednesday, 31 July 2013
Time:	5.00 pm
Venue:	The Severus Room - 1st Floor West Offices (F032)

AGENDA

1. Declarations of Interest

At this point, Members are asked to declare:

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

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

2. Minutes (Pages 3 - 12)

To approve and sign the minutes of the meeting of the Audit and Governance Committee held on 9 July 2013.

3. Public Participation

At this point in the meeting members of the public who have registered their wish to speak regarding an item on the agenda or an issue within the Committee's remit can do so. The deadline for registering is **5:00 pm on Tuesday 30 July 2013.**

4. **Audit and Governance Committee Forward Plan** (Pages 13 - 20)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to June 2014.

5. **Mazars Audit Progress Report** (Pages 21 - 32)

This report from Mazars – the Council's external auditors – reports on progress in delivering their responsibilities as auditors.

6. **Statement of Accounts 2012/13 - Annual Financial Report 2012/13** (Pages 33 - 180)

This report presents the draft Statement of Accounts for 2012/13.

7. **Key Corporate Risk Monitor One** (Pages 181 - 190)

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

8. **Direct Payments Update Report** (Pages 191 - 198)

This report provides an update on action taken by officers to address weaknesses identified in monitoring direct payments during a 2011/12 audit.

9. **Urgent Business**

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

Democracy Officer:
Name: Jayne Carr
Contact Details:
Telephone – (01904) 552030 Email – jayne.carr@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
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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.

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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 following a Cabinet meeting or publication of a Cabinet Member decision. A specially convened Corporate and Scrutiny Management Committee (CSMC) will then make its recommendations to the next scheduled Cabinet meeting, 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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- All public agenda/reports can also be accessed online at other public libraries using this link http://democracy.york.gov.uk/ieDocHome.aspx?bcr=1

Agenda Item 2

City of York Council	Committee Minutes
Meeting	Audit & Governance Committee
Date	9 July 2013
Present	Councillors Potter (Chair), Ayre, Barnes, Burton, Watson and Steward (Substitute for Councillor Brooks)
Apologies	Councillors Brooks and Wiseman

PART A - MATTERS DEALT WITH UNDER DELEGATED POWERS

1. DECLARATIONS OF INTEREST

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda.

Councillor Potter and Councillor Steward declared personal interests as members of the Loans and Grants Scrutiny Review Task Group and Councillor Burton declared a personal interest as a member of the External Funding Scrutiny Review Task Group. The task groups were referred to in agenda item 7 (Draft Annual Governance Statement).

2. MINUTES

RESOLVED: That the minutes of the meeting of 17 April 2013 be approved and signed by the Chair as a correct record.

3. PUBLIC PARTICIPATION

It was reported that there was one registration to speak under the Council's Public Participation Scheme. Ms Swinburn stated that she was pleased to note the reference in the Draft annual Governance Statement to the Committee's role in respect of democratic governance but, as there was no detail as to the proposed work, this meant that she was unable to comment. Ms Swinburn stated that she wanted to work in a collaborative way with the Council to improve democratic governance in the city. One of the ways in which this could be done was by involving citizens at an early stage.

4. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN TO APRIL 2014

Consideration was given to a paper which presented the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2014.

Members were asked to identify any further items they wished to add to the Forward Plan. Members agreed that when consideration was given to Annual Governance Statement, it would be appropriate to update the Committee's Forward Plan to reflect the proposed actions within the Statement.

Clarification was sought as to the timescale within which the Council's Constitution would be updated. Officers stated that an updated version of the Constitution would be available in the near future. It was, however, intended to carry out a full redrafting of the Constitution commencing in the Autumn. The Audit and Governance Committee would be involved in this process.

RESOLVED: (i) That the Committee's Forward Plan for the period up to April 2014 be noted.

(ii) That the Forward Plan be further updated to reflect the Annual Governance Statement (minute 7 refers).

REASONS: (i) To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.

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

5. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Members considered a report that advised them of the process and the outcomes of the 2012/13 review of the effectiveness of the Council's internal audit arrangements.

RESOLVED: That the results of the annual review of the effectiveness of internal audit be noted.

REASON: To enable Members to consider the overall adequacy and effectiveness of the Council's control environment. To ensure that the Council complies with its statutory responsibilities.

6. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT

Members considered a report that summarised the outcome of audit and fraud work undertaken in 2012/13 and which provided an opinion on the overall adequacy and effectiveness of the Council's internal control arrangements.

Clarification was sought as to why issues identified in the report in respect of Adult Social Care budgetary control had not been referred to in the Annual Governance Statement. Officers explained that although not included in the statement, work was ongoing to address this issue, including the commissioning of Mazars to carry out a review of processes. It was noted that Members had opportunities to monitor progress, for example as part of the consideration of the finance and performance monitoring reports that were presented to scrutiny committees and through the reports on risk management that were presented to the Audit and Governance Committee on a regular basis.

RESOLVED: (i) That the results of audit and counter fraud work undertaken in 2012/13 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 accepted.

(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.

7. DRAFT ANNUAL GOVERNANCE STATEMENT

Members considered a report that presented the draft Annual Governance Statement 2012/13 for approval.

Members noted the significant governance issues that had been identified and the proposed role of the committee in respect of the following:

- Embedding of project and programme management – a future agenda item for the committee.
- Information Governance, including compliance with the requirements of the Information Governance Strategic Framework, including that information security requirements are adhered to – a six monthly report on information governance to be presented to the Committee.
- A refocus on business continuity, in particular a focus on the Council move to West Offices – a future agenda item.
- Partnership governance, including the shared use of resources and grant funding arrangements – await the outcome of the scrutiny review that was currently taking place on this issue before determining actions required by the Audit and Governance Committee.
- Democratic governance – A number of reports relating to democratic governance would be presented to the committee during the year. Issues for consideration would include:

    - Involving the Committee in the redrafting of the Constitution and consideration as to how it could be made more accessible
    - How Council meetings operate
    - Scrutiny processes
    - Petitions Scheme
    - Transparency in decision-making
- Freedom of Information Processes – the Council was receiving an increasing number of Freedom of Information requests, many of which were complex in nature. At times there had been delays in responding and therefore there was a planned internal audit review of systems and processes. The Committee would be asked to consider any findings associated with this review. Members suggested that it would be helpful if the report included comparative data with other authorities.

RESOLVED: (i) That the Annual Governance Statement 2012/13 be approved.

(ii) That the Committee's work plan be updated to reflect the Committee's role in addressing the significant governance issues as outlined above.

REASON: (i) To enable Members to consider the effectiveness of the Council's governance framework, and in particular the significant control issues.

(ii) To ensure that due consideration is given to the governance issues identified in the Annual Governance Statement.

8. REVIEW OF THE TERMS OF REFERENCE OF THE AUDIT AND GOVERNANCE COMMITTEE

[see also Part B minute]

Consideration was given to proposed changes to the terms of reference of the Audit and Governance Committee.

The proposed changes were detailed in Annex 2 of the report.

RESOLVED: That it be recommended to Council that the proposed changes to the terms of reference for the Audit and Governance Committee be approved.

REASON: To ensure that the Audit and Governance Committee continues to operate effectively and in accordance with recommended best practice.

9. REVIEW OF THE COUNCIL'S SCRUTINY ARRANGEMENTS

Members considered a report that provided information about the Council's scrutiny arrangements.

At Members' request officers explained the resourcing that was in place in respect of scrutiny, including staffing arrangements and the role played by designated lead officers.

Members commented on the need to develop pre-decision scrutiny and provide greater opportunities for input into policies before they were finalised. Members also suggested that the arrangements in respect of call-ins should be given further consideration.

RESOLVED: That the report be noted.

REASON: So that the Committee is well informed when considering the Annual Governance Statement.

10. AUDIT PROGRESS REPORT 2013-14

Members considered a report from Mazars – the Council's external auditors. The report detailed progress in delivering their responsibilities as auditors.

Members were pleased to note that good progress had been made to date on the 2012/13 audit. The work had not identified any significant weaknesses except in relation to reconciliations. These were currently completed on an annual basis, as part of preparing the year end accounts, whereas good practice recommended that they be completed monthly or at least on a quarterly basis. Mazars were, however, satisfied that the compensatory controls that were in place adequately mitigated the perceived risk.

RESOLVED: That the matters set out in the progress report presented by Mazars be noted.

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

11. APPOINTMENT OF INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE

[see also Part B minute]

The Chair gave a verbal update on the appointment of an Independent Member to the Audit and Governance Committee. She reported on the selection process that had taken place. Two applicants had been interviewed by the Chair, Vice-Chair and an officer. It was their unanimous recommendation that Mr Martin Whitely be appointed as an Independent Member of the Audit and Governance Committee.

RESOLVED:

(i) That it be recommended to Council that Mr Martin Whiteley be appointed as an Independent Member of the Audit and Governance Committee.

(ii) That it be recommended to Council that this be a two-year term of office.

REASON: To enable the Audit and Governance Committee to benefit from the skills and experience offered by an Independent Member.

PART B - MATTERS REFERRED TO COUNCIL

12. REVIEW OF THE TERMS OF REFERENCE OF THE AUDIT AND GOVERNANCE COMMITTEE

[see also Part A minute]

Consideration was given to proposed changes to the terms of reference of the Audit and Governance Committee.

The proposed changes were detailed in Annex 2 of the report.

RECOMMENDED: That the revised terms of reference for the Audit and Governance Committee be approved.

REASON: To ensure that the Audit and Governance Committee continues to operate effectively and in accordance with recommended best practice.

13. APPOINTMENT OF INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE

[see also Part A minute]

The Chair gave a verbal update on the appointment of an Independent Member to the Audit and Governance Committee. She reported on the selection process that had taken place. Two applicants had been interviewed by the Chair, Vice-Chair and an officer. It was their unanimous recommendation that Mr Martin Whitely be appointed as an Independent Member of the Audit and Governance Committee.

RECOMMENDED:

(i) Mr Martin Whiteley be appointed as an Independent Member of the Audit and Governance Committee.

(ii) That this be a two-year term of office.

REASON: To enable the Audit and Governance

Committee to benefit from the skills and experience offered by an Independent Member.

Councillor Potter, Chair
[The meeting started at 5.00 pm and finished at 6.50 pm].

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 Agenda Item 4

Audit and Governance Committee 31 July 2013

Report of the Director of CBSS

Audit & Governance Committee Forward Plan to June 2014

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to June 2014.

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. 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. A number of new agenda items have been added to the forward plan since the previous version was presented to this Committee on 9th July 2013. This is to reflect agreement by members and officers at the last Committee meeting to bring further reports to the Committee throughout the year on the significant issues highlighted in the Annual Governance Statement.

4. As part of the Democratic Governance item, a progress report on the preparation of a refreshed constitution is to be brought to each of the upcoming Committee meetings in December, February and April. An item on Protocol for filming, photography and recording at public meetings has been added to the September Agenda. Also added to this meeting is an item to consider proposals for the conduct of Council meetings, including proposals in respect of public participation, questions of Council members and the arrangements for dealing with motions.

5. A report on the review of the Petitions scheme has been added to the Agenda for the December Committee meeting along with a report on

the review of Scrutiny Arrangements. A report on Transparency has also been added to the Agenda for the February meeting.

6. A report to provide an update on information governance incorporating developments around the FOI Process has been added to the Agenda for both the September and April meetings.

7. Three separate reports have been added to the agenda for the December meeting to update members on Partnership Governance and Grant Funding arrangements; Project and Programme Management issues; and Business Continuity issues.

Consultation

8. 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

9. Not relevant for the purpose of the report.

Analysis

10. Not relevant for the purpose of the report.

Council Plan

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

Implications

12.

(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. 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

14.

(a) The Committee's Forward Plan for the period up to June 2014 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:**
Emma Audrain Trainee Cipfa Accountant Customer & Business Support Services	Ian Floyd Director of CBSS Telephone: 01904 551100

Report Approved	√	**Date**	22/07/2013

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 2014

Annex

Audit & Governance Committee Draft Forward Plan to June 2014

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

- **<u>Committee 26th September 2013</u>**

  Protocol for filming, photography and recording at public meetings

  Final Statement of Accounts 2012/13

  Scrutiny of the Treasury Management Annual Report 2012/13 and review of prudential indicators

  Mazars Annual Governance Report 2012/13

  Mazars Draft Annual Audit Letter 2012/13

  Corporate Risk Monitor Quarter 2 (Including directorate risks)

  Follow up of Internal & External Audit Recommendations

  Internal Audit & Fraud Plan Progress Report

  Review of the Terms of Reference of Internal Audit

  Information Governance Progress Report, incorporating developments around the Freedom of Information Process

  Report on proposals of conduct of Council Meetings

  Changes to the Constitution (if any)

- **<u>Committee 11th December 2013</u>**

  Key Corporate Risk Monitor Quarter 3 (Including directorate risks)

  Partnership Governance Progress Report

  Project and Programme Management Progress Report

Business Continuity Progress Report

Annual Audit Letter – Mazaars

Mazars Grant Claims report

Audit and Governance Committee Effectiveness – Action Plan Update

Internal Audit & Fraud Plan Progress Report

Scrutiny of the Treasury Management Monitor 2 Report 2013/14 and Review of Prudential Indicators

Preparation of a refreshed constitution – progress update

Review of the Petitions Scheme

Review of Scrutiny Arrangements

Changes to the Constitution (if any)

- **<u>Committee 12th February 2014</u>**

Key Corporate Risk Monitor Quarter 4 (including directorate risks)

2013/14 Review of the effectiveness of Internal Audit

Scrutiny of the Treasury Management Monitor 3 Report 2013/14 and Review of Prudential Indicators

Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators

Counter Fraud: Risk Assessment and Review of Policies

Internal Audit Plan Consultation

Preparation of a refreshed constitution – progress update

Transparency Report

Mazars reports as per agreed Audit & Inspection plan

Changes to the Constitution (if any)

- **Committee 16th April 2014**

  Approval of Internal Audit Plan

  Internal Audit & Fraud Plan Progress Report

  Follow up of Audit Recommendations

  Information Governance Annual Report

  Preparation of a refreshed constitution – progress update

  Information Governance Progress Report, incorporating developments around the Freedom of Information Process

  Mazars reports as per agreed Audit & Inspection plan

  Changes to the Constitution (if any)

- **Committee June 2014 (Date TBC)**

  Review of effectiveness of Internal Audit

  Annual report of the Head of Internal Audit

  Draft Annual Governance Statement

  Mazars reports as per agreed Audit & Inspection plan

  Changes to the Constitution (if any)

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Audit and Governance Committee 31 July 2013

Report of the Director of Customer and Business Support Services

CYC Audit Progress Report July 2013 – Mazars External Auditors

Summary

1. The paper attached at Annex A from Mazars – the Council's external auditors – reports on progress in delivering their responsibilities as auditors.

Background

2. The report covers:

a) Findings of Fraud and Corruption Assessments
b) An update on key messages for Audit Committees and Audit Firms on audit quality following the Financial Reporting Council's (FRC) recently published Annual report on Audit quality inspections.

Consultation

3. The Plan has been consulted on with the relevant responsible officers within the Customer & Business Support Services Directorate prior to it being reported to those members charged with governance at the council.

Options

4. Not relevant for the purpose of the report.

Analysis

5. Not relevant for the purpose of the report.

Corporate Priorities

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

Implications

7.
    (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

8. By not responding effectively to the matters contained in this report, the council will fail to properly comply with legislative and best practice requirements.

Recommendations

9. Members are asked to:

    a) note the matters set out in the Progress report presented by Mazar's;

    Reason
    To ensure Members are aware of Mazar's progress in delivering their responsibilities as external auditors.

Contact Details

Author:	**Chief Officer Responsible for the report:**
Emma Audrain Trainee Accountant Corporate Finance Telephone: 01904 551170	Ian Floyd Director of CBSS Telephone: 01904 551100
	Report Approved √ **Date** 22-07-2013

Specialist Implications Officers

Wards Affected: Not applicable **All**

For further information please contact the author of the report

Background Papers:
None

Annexes
Mazars CYC Audit Progress Report – July 2013

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City of York Council

Audit Progress report

July 2013

Contents

MAZARS

1. Introduction

The purpose of this paper is to update the Audit and Governance Committee on our progress in meeting our responsibilities as your external auditor. We have also included emerging issues and developments which may be of interest to the Committee and, where relevant, recommendations that you may wish to consider.

If you need any additional information please contact me or your Senior Manager using the contact details at the end of this update.

Finally, please note our website address (www.mazars.co.uk) which sets out the range of work Mazars carries out across the UK public sector. It also details the full extent of services Mazars provides within the UK and abroad.

2. Fraud and Corruption assessments

Under the terms and conditions of our contract with the Audit Commission, we are required to:

- Advise them of any identified frauds over £10,000
- Assess the Council's progress to date in following up data matches highlighted by the National Fraud Initiative (NFI)
- Review the Council's response to the Audit Commission's annual Fraud and Corruption survey.

We have now completed this work. Our findings and assessments are summarised below.

AC requirement	Finding summary	Assessment
Report any proven frauds identified with an individual value in excess of £10,000.	8 HB/CTB cases identified in 2012/13 with an individual value in excess of £10,000. Overpayments deducted from ongoing benefit, and legal action taken in line with Council prosecution policy.	Levels of identified fraud do not represent a significant risk for the purposes of external audit.
Assess the Council's progress to date in following up data matches highlighted by the National Fraud Initiative (NFI).	Follow up work is undertaken by Internal Audit counterfraud specialists , an initial sift has been carried out to prioritise data and work is well in hand to review high priority cases	"Green" assessment for Audit Commission annual report.
Review the Council's response to the Audit Commission's annual Fraud and Corruption survey.	The Council's response confirms that all of the expected counterfraud arrangements are in place and that Internal Audit carry out a comprehensive work programme in this area. No significant frauds have been identified in 2012/13 apart from housing benefit, council tax benefit and tenancy fraud.	This self assessment is consistent with our own knowledge of the Council.

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3. Audit Quality

The Financial Reporting Council (FRC) recently published its 2012/13 annual report on the outcome of its audit quality inspections. The report includes an overall assessment of audit quality together with a number of key messages for audit committees and audit firms. In summary:

- There has been an improvement in the overall standard of audit work.
- The improvement is not even across firms and types of entities.
- Firms need to maintain their focus on professional scepticism and the effectiveness of their independence and ethical policies and procedures.

For 2012/13, Mazars LLP was not subject to the FRC's inspections having been reviewed in 2011/12. The report can be found at http://www.frc.org.uk/Our-Work/Conduct/Audit-Quality-Review/Audit-firm-specific-reports/Audit-firm-specific-reports-2012.aspx

However, there are some specific aspects of the FRC's report that we feel the Audit Committee should consider and note Mazars' audit approach.

FRC issue/recommendation	Audit Committee consideration	Mazars approach
Focus on audit quality - firms should have appropriate controls and procedures to ensure that audit efficiencies are not achieved at the expense of audit quality.	Where significant fee reductions have been proposed or agreed, carefully consider whether the overall level of work to be performed is likely to be sufficient to identify material misstatements and ensure that audit quality is not compromised.	Our audit approach complies with auditing standards and delivers efficiencies through the use of experienced staff, IT audit techniques, effective communication with management and finance staff and focusing on the risks of material misstatement.

MAZARS

Professional scepticism - firms should ensure further improvements and greater consistency in exercising sufficient professional scepticism.	Support and encourage a sceptical approach in the audit of areas of key judgement and ensure that auditors have access to all relevant information.	We have reported in our Audit Strategy Memorandum the areas of key judgements we have applied appropriate challenge to management, notably material accounting estimates.
Auditor independence and ethical issues - firms should review the adequacy of their independence and ethical procedures and the training that they provide to staff at all levels.	Seek additional independence information where appropriate and challenge firms to demonstrate their independence, both in substance and form.	All staff must annually make an independence declaration and attend training on independence and ethics. We share promptly with management and the Audit Committee any perceived or actual threats to our independence and put in place safeguards where appropriate. We report these formally and openly in our Audit Strategy Memorandum and Audit Closure Memorandum.
Audit quality monitoring – firms should reconsider the robustness of their monitoring processes and the extent to which they contribute to an improvement in overall audit quality.	Ask the firm whether their audit has been reviewed by the firm's internal monitoring processes and, if so, what the main lessons learnt were; how the findings compare with the FRC's inspection findings and what actions the firm has taken to address the issues identified.	2012/13 was the first year of the firm's appointment as your auditor. As a Director new to the firm I am subject to a full internal quality monitoring review of 2 of my 10 engagements plus additional reviews of my audit work as it progresses. I will share with you the lessons learned as they arise.

Contact details

If you would like further information on any items in this briefing, please contact me or the Senior Manager.

Steve Nicklin
Director
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CITY OF YORK COUNCIL

Audit & Governance **31 July 2013**

Report of the Cabinet Member for Finance, Performance and Customer Services

Statement of Accounts 2012/13 – Annual Financial Report 2012/13

Summary

1. The pre-audited Statement of Accounts in 2012/13 is part of the wider Annual Financial Report and are authorised in the Statement of Responsibilities by the Chief Finance Officer (CFO). The CFO (the Director of Customer & Business Support Services) signed the draft pre-audit Statement of Accounts for 2012/13 on 30 June 2013. This requirement is in accordance with the revised Accounts and Audit Regulations 2011.

2. In accordance with the Chartered Institute of Public Finance (CIPFA) it is good practice that authorities report the draft pre-audit accounts to Members after they have been signed by the CFO. This allows Members to review the draft, together with the Annual Governance Statement (AGS), before the audit 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 accounts. The Annual Financial Report, which includes the draft pre-audit Statement of Accounts, is attached at Annex B.

4. To assist 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) is attached at Annex A. The presentation provided to the Audit & Governance Committee today will enhance Members' understanding of the Accounts and facilitate robust scrutiny prior to final review and approval of the Statement of Accounts in September 2013.

5. Following the authorisation of the Chief Finance officer on 30 June 2013 the accounts have been available for public inspection since 29 July 2013 and will continue to be available for 20 working days, with 27 August 2013 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 2013.

6. The pre-audit Statement of Accounts 2012/13 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 the accounting standards used across the world making Local Authorities' Accounts more comparable with the private sector and worldwide.

7. There are no significant changes in the form or substance of the Annual Financial Report from 2011/12.

Options

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

Corporate Priorities

9. The Statement of Accounts provides a technical financial summary of the activities of the council and assists in providing the Council with a viable financial position on which to base future budget projections. It is a statutory requirement that the accounts are approved by the Audit & Governance Committee after the audit but before 30 September 2013.

Implications

10. The implications are
    - Financial – The Statement of Accounts show that for 2012/13 there is a provisional under spend of £84k. 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 Finance and Performance Outturn 2012/13 report presented to Cabinet on 16 July 2013. The level of General Reserves is some £6.4m, compared to a recommended minimum level of reserves of £6.1m. 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

11. Areas of risk identified throughout the Final Accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met.

Conclusion

12. 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.

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

14. It is intended that, following a receipt of an unqualified opinion on the accounts from the Auditor, the finalised Statement of Accounts 2012/13 will be published and distributed to all Members and Chief Officers electronically. The 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 2013.

Recommendations

15. It is recommended that the Audit & Governance Committee notes;
    a. the draft pre-audit Statement of Accounts for the financial year ended 31 March 2013 and
    b. the annual governance statement

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

Contact Details

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	Report approved √ Date 22-07-13

Specialist Implications Officer(s) None

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

For further information please contact the author of this report

Annexes

A – Explanation of core statements
B – Draft Statement of Accounts 2012/13

Annex A

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

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.

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.

Annual Governance Statement

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

Statement of Responsibilities

4. This is a simple statement that sets out the different legal responsibilities of the Council and the 'Section 151 Officer' / Chief Finance Officer (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

5. 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

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

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

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

Housing Revenue Account Income and Expenditure

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

Statement of Movement on the Housing Revenue Account Balance

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

Collection Fund

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

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Annual Financial Report

2012/13

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 Council's final accounts for the year ending 31 March 2013 with notes to give further details of the key figures. A summary of the purpose of each statement and an overview of the Council's financial position is shown in this section.

Statement of Responsibilities

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with international financial reporting standards (IFRS), rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve where amounts would only become available to provide services if 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 Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Movement in Housing Revenue Account Reserve

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

Collection Fund

This fund is an agent's statement that reflects the statutory obligation for billing authorities (i.e. City of York Council) to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to the Council, North Yorkshire Police Council, North Yorkshire Fire and Rescue Council, parish councils and 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 COUNCIL'S ACCOUNTS

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

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

The way each of these is funded is also different:

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

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

Despite continuing pressures on public sector expenditure the Council has been able to maintain its good financial health. Growth of £8m was approved in the 2012/13 budget process, although this was accompanied by savings of £11m.

The Comprehensive Income & Expenditure Statement (CIES) position showed a total deficit of £52.1m for 2012/13 (this is an accounting figure and does not affect the underlying budgetary position of the Council), with a CIES deficit on provision of services of £18.0m. This, when combined with the required statutory adjustments included in the Movement in Reserves Statement, resulted in a £2.6m reduction in General Fund earmarked reserves and a reduction in the Schools reserve of £1.5m. The overall movement on both usable and unusable reserves was a reduction of £52.1m.

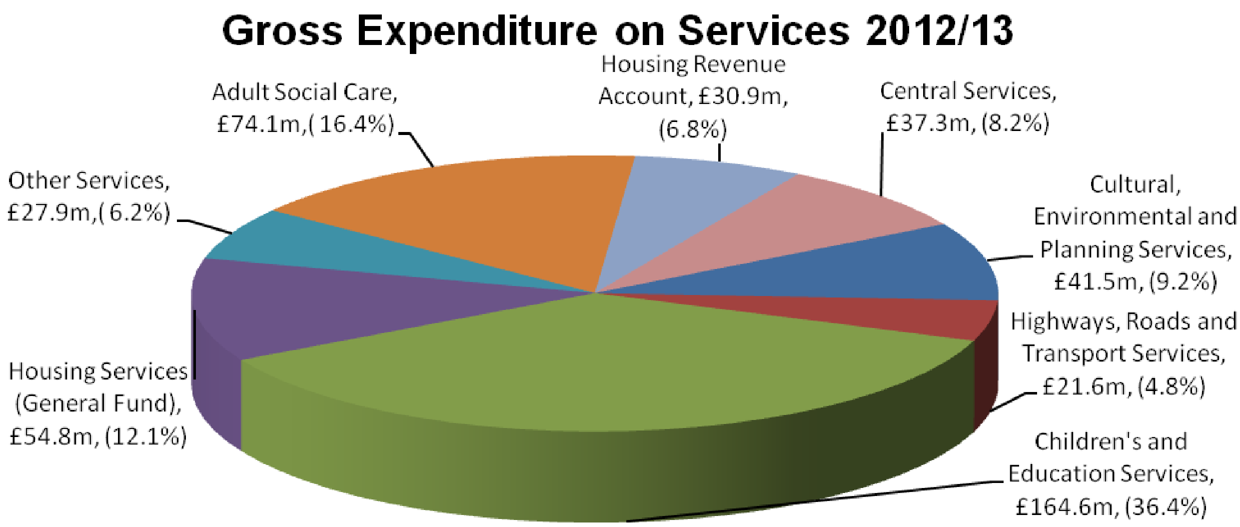
The CIES is the position included in the Statement of Accounts every year and this can be reconciled back to the Council's General Fund budget which is reported quarterly during the financial year. The reconciliation between the CIES deficit on provision of services £52.1m and the General Fund budget £122.2m can be seen in Note 30 to the Statement of Accounts.

The Council's General Fund budget for its own net expenditure was set at £122.2m. To this sum the parish precepts added a further £0.6m.

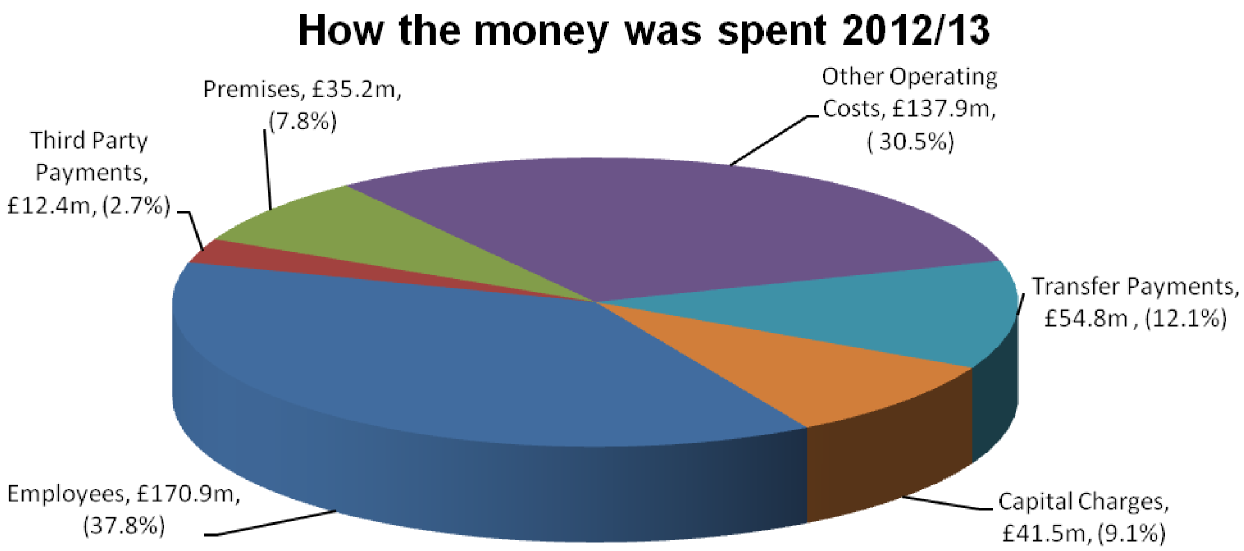
The out-turn position is a net expenditure, including parish precepts, of £122.766m, representing an underspend of £0.084m. Included within the net underspend are several service areas where there have been significant budgetary pressures, for example additional costs have arisen due to increased client numbers in relation to adult care.

These pressures have been mitigated by reduced expenditure/additional income in other areas, and this has been achieved through effective monitoring of the budget throughout the year to ensure that spending has remained within budget across the Council. Full details on the individual service areas position for 2012/13 were reported to Cabinet in July 2013.

The Council's gross expenditure on services, as shown on the Income and Expenditure Account, was £452.7m and the following two diagrams show this firstly on a service by service basis and then by category of expenditure:

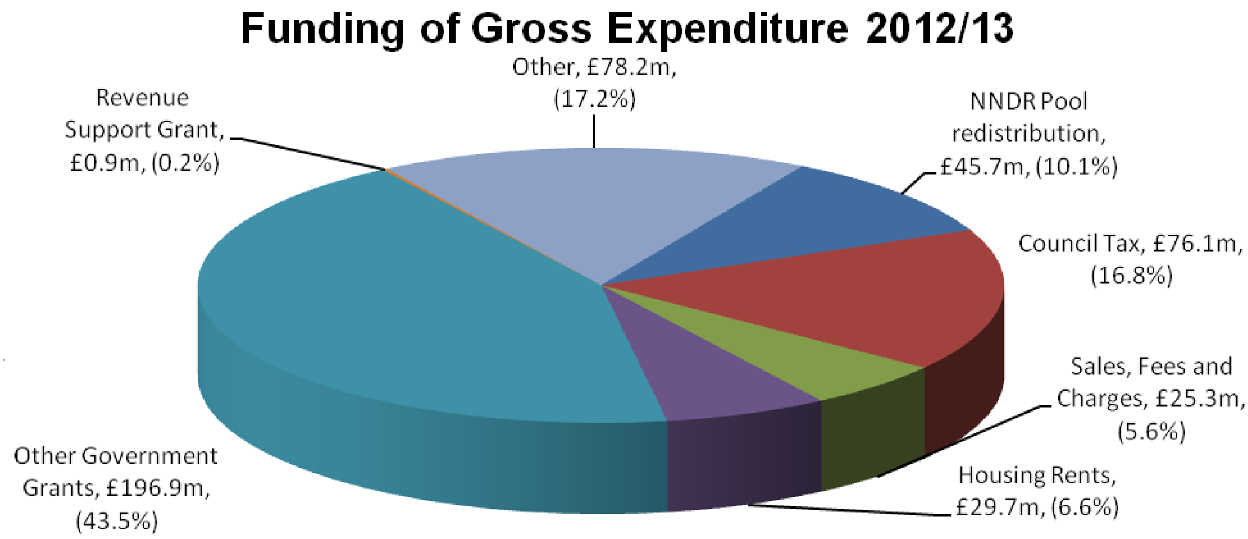


Included within other services is expenditure on court services, corporate and democratic core, non-distributed costs and exceptional items.



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.

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



The diagram above shows General Fund income of £452.7m, £0.084m more than was needed to fund expenditure. The surplus is transferred to general fund balances, which now total £11.9m. However, of this total £5.5m 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 £6.4m.

4. HOUSING REVENUE ACCOUNT (HRA)

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

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

In April 2012 the Localism Bill introduced a significant change to the way that council housing is financed by dismantling the previous system of HRA subsidy and replacing it with a new system of self financing. This resulted in a number of changes which have a significant impact on the Council's HRA business plan and its stock retention strategy and involved the Council borrowing £122m to pay central government. This was a one off payment and in return the Council gets greater independence and responsibility for the management of its housing stock as it now has the ability to actively manage the debt and its financial impact on the HRA.

When the 2012/13 revenue estimates were approved, rents were increased by an average of £4.98 per week or 7.4%, in accordance with the government's guideline increase.

The final outturn is a surplus on the HRA of £12.730m at the year-end (£10.811m at 1st April 2012), which is an increase of £0.890m from that originally budgeted for. The most significant variations have resulted from:

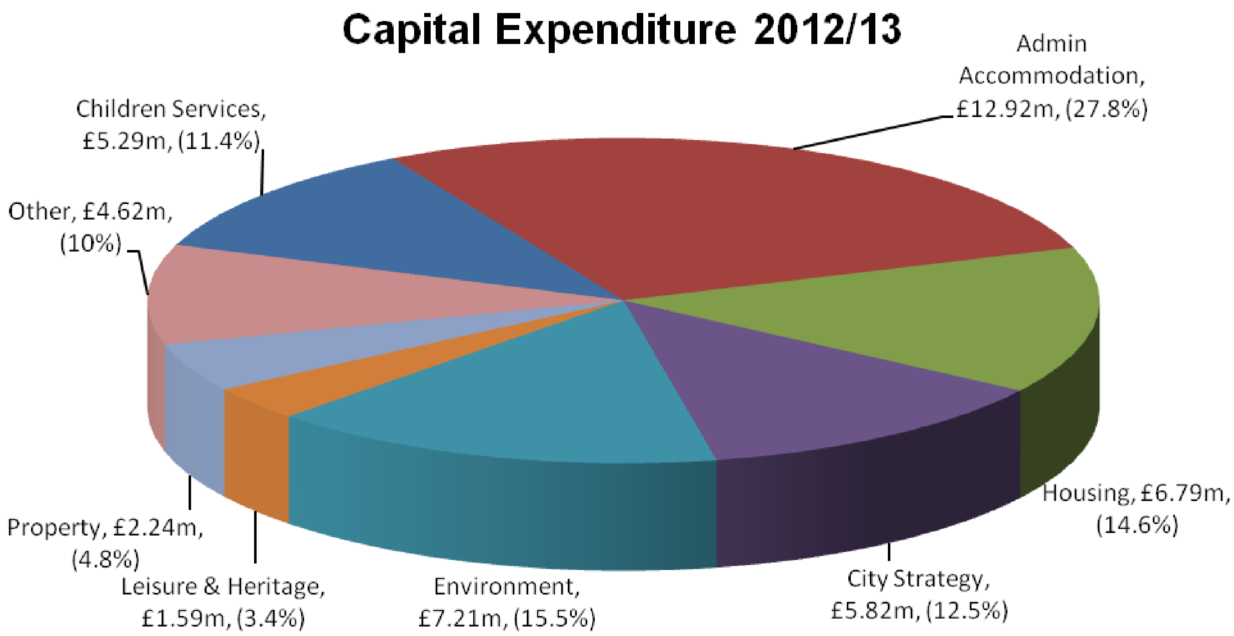
		£000's
(i)	Increase in repair and maintenance costs	(431)
(ii)	Reduced cost of providing temporary and sheltered accommodation	315
(iii)	Reduced costs from departmental and support services, mainly due to staffing	137
(iv)	Lower interest charged on HRA debt	280
(v)	Reduced revenue contribution and reduced capital charges	278
(vi)	Increase in rents due to lower voids	92
(vii)	Increased cash balance	130
(viii)	Reduced insurance costs	51
(ix)	Lower final costs of Discus project	57
(x)	Other minor variations	(19)
		890

5. COLLECTION FUND

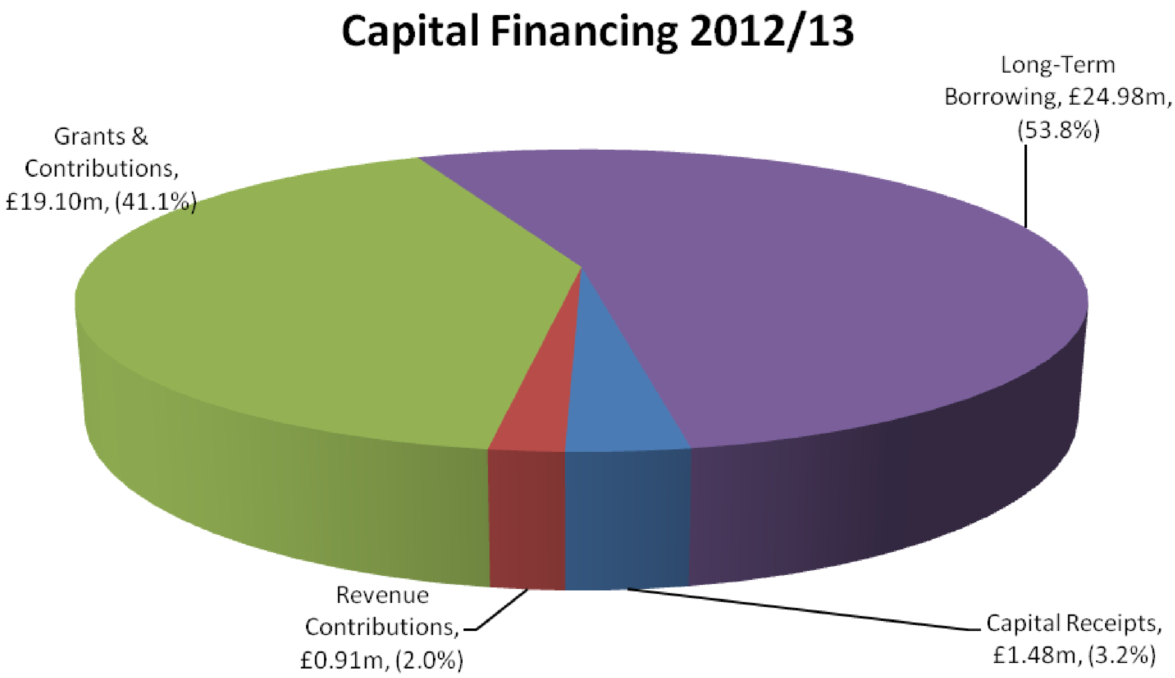
At 31 March 2013 the surplus on the Collection Fund is £2.583k although £0.488k of this is owed to the North Yorkshire PCC and the North Yorkshire Fire and Rescue Authority. 97.9% of the total sum collectable for 2012/13 Council Tax bills was received in the year. It should be noted that the majority of amounts not collected in year are collected in the following financial year. Similarly the recovery on National Non-Domestic Rates, which the Council bill and collect on behalf of the government, was 98.0% of the 2012/13 bills.

6. CAPITAL EXPENDITURE

The original gross expenditure budget was £76.112m (2011/12 £58.029m), however, due to re-programming some of the work, the final budget was £57.281m (2011/12 £57.031m). Total expenditure on capital schemes in 2012/13 was £46.476m gross (2011/12 £49.847m). This does not include £0.256m (2011/12 £0.271m) capital expenditure funded by finance leases. An analysis of where the money was spent in 2012/13 is shown diagrammatically below:



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



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

- The delivery of the Local Transport Plan £1.950m

- The modernisation and repairs to Council properties £6.793m
- Improvements to schools and devolved capital works on a variety of schools £3.884m
- Delivery of the new Administrative Accommodation building £12.918m
- The resurfacing and refurbishment of the Council's roads £2.303m
- The investment in the fleet of refuse collection vehicles of £3.238
- Work on Access York of £1.875m

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 and sustainable within the Prudential Indicators approved by the Council at its meeting during the annual budget process.

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

In February 2012, Budget Council approved indicators for both the authorised limit and the operational boundary. During the year an amendment was agreed to the level of the authorised limit. Both authorisations are set out below:

	Opening Limits £000's	Closing Limits £000's
Authorised Limit	357,200	357,900
Operational Boundary	327,200	327,200
Long Term Debt	261,615	258,615

Although the Council may borrow from a variety of financial institutions, the majority of its long-term debt is borrowed from the Public Works Loan Board (PWLB). During 2012/13 the Council's long-term borrowing movements was as follows:

	2012/13 £000's	2011/12 £000's
Opening Borrowing at 1 April	**262,492**	133,848
Reversal of Interest Owed & Adj Carry Value 2010/11	**(877)**	(783)
Borrowing to fund capital schemes	**0**	133,550
Interest Owed on Long Term Debt at 31st March	**3,798**	1,902
Adjusted Carry Value of Loans due Debt Restructure	**(989)**	(1,025)
Loans maturing in the year	**(3,000)**	(5,000)
Closing Borrowing at 31 March	**261,425**	262,492
Authorised Limit for year	**357,900**	347,000
Operational Boundary for year	**327,200**	327,000

The closing borrowing figure of £261.425 m 12/13 (£262.492m 11/12) is different to note 16 borrowings figure of £261.705m (£262.768 11/12) by £280k, as the former does not include the Coppergate Bond of £179k and the loan to Veritau of £101k.

PWLB debt of £3.0m was repaid in line with the original maturity dates of the loans in May 2012 (£3m). The Council did not draw down any new debt in 12/13. In total at 31 March 2013 the Council's adjusted debt was £261.425 m (2011/12 £262.492m). Consequently, the Council did not exceed either the authorised limit of £357.9m or the operational boundary of £327.2m. The average rate of interest on all long-term loans at 1 April 2012 was 3.881% and at 31 March 2013 was 3.872%.

8. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies for 2012/13.

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

In 2012/13, there was a significant increase in the Council's share of the North Yorkshire Pension Fund deficit. This was due to an in-year actuarial loss.

There has been a significant reduction in the cash held by officers during 2012/13 by £12.379m. The reduction reflects the use of cash balances to fund the capital programme expenditure on a temporary basis. This effectively replaces the draw down of long term debt to fund capital expenditure with a resultant reduction in cash balances.

Three prior year adjustments have been made that serve to increase the value of Property, Plant and Equipment assets by £14k, decrease the opening value of the Revaluation Reserve by £11.360m and increase the value of the Capital Adjustment Account by £11.374m. Note 55 sets out in the detail the revisions and shows the movements on the balance sheet.

Depreciation in 2012/13 was £22.065m (11/12 £17.2m), overall revaluation loss of £19.948m (11/12 revaluation gain £10.4m) and capital expenditure contributing to the asset value by £46.476m (11/12 £49.8m).

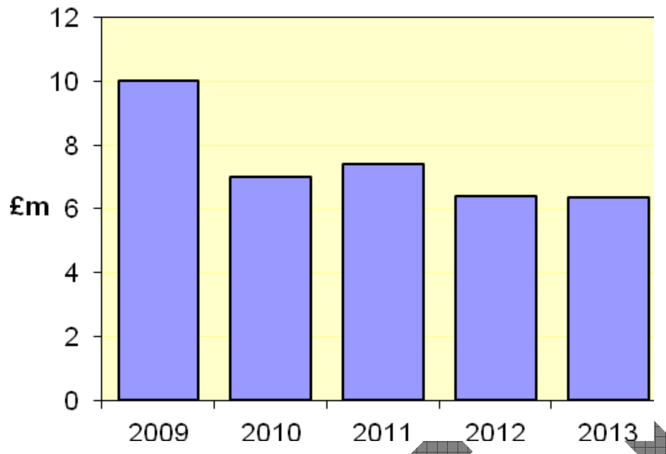
10. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

At the end of the financial year 2012/13 the useable reserves stood at £60.0m, compared to £53.9m at the end of 2011/12. Useable reserves include the Council's General Fund balance stated on the balance sheet at £11.9m, which is the General Fund reserve of £6.4m and the individual school balances of £5.5m. The General Fund reserve remains at a similar level as at the end of 2011/12, whereas schools balances have reduced by £1.5m. In compliance with the Education Reform Act 1988, individual school balances will be carried forward into 2013/14.

The remaining Useable Reserves stand at £48.1m and include the Housing Revenue Account (HRA) reserve, major repairs reserve, capital receipts reserve, and capital grants unapplied and earmarked reserves. These reserves increased by £7.6m with General Fund earmarked reserves decreasing by around £2.6m to support in year revenue expenditure, and capital grants unapplied rising by £2.7m to fund committed capital schemes. This change in reserves is primarily an issue of the timing of when payments will be made. The HRA reserve also increased by £1.9m which is ring fenced to Local Council housing.

The General Fund reserve is carefully monitored to ensure that it is maintained at a minimum prudent level to cover any unforeseen circumstances given the size of the Council's budget. The graph below shows the level of the general fund reserve, excluding the schools' accumulated reserves which are not available for any other use, over the last five years.

Level of General Fund Revenue Reserves at 31 March



As part of setting the annual budget, the Director of Customer and Business Support Services undertakes a risk assessment to calculate a minimum level for the General Fund reserve, and this was incorporated into the Council budget reports. For 2012/13, this was a recommended level of £6.1m.

As mentioned above, the actual level of reserves that can be taken into account for comparison to these levels amount to £6.4m at 31 March 2013. The Council is committed to some large projects which, although provided for, will create significant financial demands and therefore it is considered that £6.4m remains a prudent amount to retain as General Fund reserves. The financial strategy assumes contributions over the coming years to increase reserves, to ensure that the Council is able to meet the significant financial challenges it faces in coming years.

11.FUTURE DEVELOPMENTS

The Council's Medium Term Financial Strategy is set within a robust and well established planning framework and is based on an analysis of the key influences on the financial position and an assessment of the main financial risks facing the Council. This framework has enabled the Council to deliver significant performance improvements in many areas, whilst maintaining effective control and use of its limited financial resources. The Council is however facing significant risks and pressures over the medium term and these are identified in the following key financial challenges:

Reductions and changes to Funding from Central Government

The Government stated its intention to significantly reduce public sector spending commitments via the 2010 Spending Review. The 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 were consolidated into the Local Government Resource Review, a wide ranging assessment of the financing of local authorities across the UK, the results of which were published in summer 2011. Resulting from this, the two main issues for Local Authorities to deal with from 2013/14 are the localisation of Business Rates and Council Tax support. The continued development of the Financial Strategy will ensure that the Council prepares effectively for these challenges. The 2013 Spending Review announced on 26th June 2013 indicated significant further reductions in Central Government funding to Local Authorities.

Economic Downturn

This includes:
- Pressures resulting from the impact on the performance of the Council's investments, an area which has traditionally provided strong support to the revenue budget
- higher demands for services as the economic situation directly impacts on Citizens and business

Waste Management

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

Service Pressures

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

Pension Fund Deficit

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 Council's revenue budget.

Capital Programme

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

Efficiency Programme

The Council'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 Council will need to consider both efficiency and overall levels of service provision.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and the recently published addendum. A copy of the code is in the council's Constitution and on the council's website. This statement explains how the council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

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

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

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

The governance framework comprises the systems and processes, culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts for 2012/13.

3. **The Council's Governance Framework**

The requirement to have a robust governance framework and sound system of internal control covers all of the council's activities. The internal control environment within the council consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of the governance framework within the council consist of strategic planning processes, political and managerial structures and processes, management and decision making processes, policies and guidance, financial management, compliance arrangements, risk management, internal audit, counter fraud activities, performance management, consultation and communication methods and partnership working arrangements.

Strategic Planning Processes

The council has in place a strategic planning process, informed by community and member consultation, that reflects political and community objectives and acts as the basis for corporate prioritisation. The council's Council Plan expresses the council's priorities until 2015 and priorities and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

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

The council implemented new scrutiny arrangements during 2009/10 and continues to seek to develop these arrangements.

There is an Audit and Governance Committee which acts as the responsible body charged with governance on behalf of the Council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment, it oversees the financial reporting process and approves the Final Statement of Accounts.

The council has established new arrangements for dealing with ethical standards issues following the abolition of the previous statutory regime. A Joint Standards Committee comprising of members of the City Council and Parish Councils is responsible for promoting good ethical governance within the organisation and within local Parish Councils. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a Member of either, the City of York Council, or the parish councils within its administrative boundary. The council has appointed independent persons to assist in making decisions on complaints and in promotion of high standards generally. In addition, the Chair of the Committee must be one of the independent members.

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

Management and Decision Making Processes

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

Corporate management and leadership at officer level is lead by CMT, and is supported and developed through the Corporate Leadership Group.(CMT plus Assistant Directors). Decisions are operated in accordance with the Council's constitution.

Policies and Guidance

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

- The council's Constitution
- Codes of Conduct for Council Members and Council Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules
- Member and Officer Schemes of delegation
- Registers of Council Members' interests, gifts and hospitality
- Registers of Council Officers' interests, gifts and hospitality
- Corporate policies, for example those relating to Whistle blowing, the Prosecution of Fraud and Corruption and dealing with complaints
- Asset Management Plan
- Strategic Risk Register
- The Council's Business Model (2009 version).

Many codes and protocols form part of the constitution and are monitored for effectiveness by the Officer Governance Group (see paragraph 3.19 below). Amendments are normally scrutinised by the Audit & Governance Committee prior to approval by full Council.

Financial Management

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

The council's financial management arrangements conform to 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.

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.

The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk register is used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the Council have also received training, guidance and support in risk management principles. These risk management arrangements and the Corporate Risk Register containing the Council's key strategic risks are monitored by CMT and the Audit & Governance Committee.

Internal Audit and Fraud

The council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2011. The service in 2012/13 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 2012/13. This includes establishing the Business Intelligence Hub, within the Office of the Chief Executive. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and financial based monitoring. During 2012/13 each directorate reported finance and performance monitoring progress to members through the established Scrutiny arrangements. Corporate joint finance and performance reporting to CMT (monthly) and Executive (quarterly) takes place at a corporate level.

Finance and Performance monitoring is reported regularly at CMT and Cabinet, and there is ongoing regular discussion of financial performance at CMT to ensure that the Council is able to manage the major savings programmes.

Consultation and Communication Methods

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

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform stakeholders and services users of the previous year's achievements and outcomes
- the annual report on the performance of the scrutiny function
- opportunities for the public to engage effectively with the council including attending meetings
- regular residents' surveys
- publications such as Your Voice and Your Ward
- involvement in devolved budget decision-making at ward level
- budget and other consultation processes including the on-line 'You Choose' budget survey.
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

The overall governance framework established by the council contributes to effective partnership and joint working arrangements. In addition, the council is seeking to build on existing protocols for partnership working that ensures that the responsibilities are clearly defined to ensure that the relationship works effectively, for the benefit of service users. Further development of this work is covered in the section on Significant Governance Issues below.

4. **Review of Effectiveness**

The council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control has been undertaken. This review has been co-ordinated by the Officer Governance Group, which comprises the Director of Customer & Business Support Services (the Section 151 Officer) and the Assistant Director of Customer & Business Support Services - Governance & ICT (the Monitoring Officer), and the Head of Internal Audit (Veritau Ltd). The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual directorates and across the council

- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the 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
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2011/12 Annual Governance Statement.

5. **Significant Governance Issues**

The financial pressures facing the Council naturally represent a potential risk to the Council's overall Governance arrangements. Savings have had to be made in many areas that form a part of the Governance Framework, including reductions in finance, ICT, performance, ward committees, Democratic services, performance, and internal audit, and significant further savings across all areas will be required. Whilst crucial elements of the framework will be prioritised, there will be need to keep under review the overall impact of budget reductions to ensure that the overall Governance Framework remains effective.

In considering the significant internal control issues contained within the 2011/12 AGS, it is noted that the following enhancements have been achieved and are now not considered significant governance issues:

- ***Further improvements to officer and member decision-making processes in light of the recent significant organisational changes (CBSS***) - For example, Individual Cabinet Member decision making has been streamlined so that meetings are no longer held for decisions where there is no real public interest. The scheme of delegations has been altered to reflect new departmental structures and the Council's constitution reflects new public health responsibilities.
- ***Compliance with Financial Regulations and Contract Procedure Rules to ensure lawful, effective and efficient use of the councils resources in relation to procuring goods and services; in particular the raising of purchase orders for all relevant items of expenditure (CBSS***) - For example, the pilot for No PO no Pay has been extended and introduced council-wide meaning any invoices that are now received that don't have a valid Purchase order are returned to the supplier unpaid. The number of users of the Purchasing system has also been rationalised to enable a smaller more skilled level accessing the system.

In addition to the above, a number of issues referred to in the 2011/12 AGS have been partially actioned in 2012/13 and will be further progressed during 2013/14 and beyond (through the named lead area) and the role of the Committee is also identified/recommended .

- ***Embedding of project and programme management*** - Embedding of the processes is necessary across all projects in terms of managing project risks particularly in light of the number of new projects due to take place across the council in the near future (Office of the Chief Executive). It is recommended that a future agenda item for the Committee covers this.
- ***Information Governance including compliance with the requirements of the Information Governance Strategic Framework, including ensuring that information security requirements are adhered to (CBSS)*** - It is recommended that a 6 monthly report on information governance be presented to the Committee

- ***A refocus on Business Continuity, in particular a focus on the Council move to the new offices (West Offices Project Plan)*** - It is recommended that this be included as a future agenda item.

There has been a refocus on Partnerships Governance, which was included in the statement last year:

- ***Partnership Governance including the shared use of resources and Grant Funding arrangements*** - While the Council has strong strategic partnership arrangements, further work is needed to embed corporate controls over operational partnerships to ensure risks are well managed and partnership arrangements represent good value for money. Progress is being made in terms of grant funding with a Scrutiny review of Grants underway and additional legal agreements being put into place for all new grant arrangements. It is recommended that the Committee await the scrutiny review and then consider further actions as required.

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 2012/13 for evidence of improvement:

The Role of the Audit Committee in Democratic Governance

- During the year the Audit Committee have considered matters of Democratic Governance, and the role of the Committee in this area. Related to this, there have been some instances where process in relation to the Councils Democratic procedures have been challenged, and the legislation in this area has also been subject to change, for example in relation to access to information. Members have already started to consider potential improvements to both the Scrutiny Process and the conduct of the Council meeting. This will feed into a planned redrafting of the constitution.

- As such, it is considered that the Audit Committee should receive/review a number of reports related to Democratic Governance during the year. An internal audit review is currently being implemented, and this may further inform in relation to matters. Therefore, whilst this matter may not usually fall into the category of significant control weaknesses, given the matters that have been raised during the year, it is felt that there should be more prominence given to democratic governance issues through this Committee, and therefore this is included as one of the items to be progressed during the year, with a view to the Committees forward plan including a number of items related to Democratic Governance.

Freedom of Information Process

- During the year the Council has had to deal with a growing number of freedom of information requests, many of which are becoming increasingly complex in nature. As a result of this at times there have been some delays. In response to this, action is underway to address this issue with an internal audit review of system processes planned. It is recommended the Committee consider any findings associated with this review.

ANNUAL GOVERNANCE STATEMENT

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
K England
Chief Executive

Signed Dated
Cllr J Alexander
Leader of the Council

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES

1. THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

2. THE DIRECTOR OF CUSTOMER AND BUSINESS SUPPORT SERVICES RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Director of Customer and Business Support Services has:
- selected suitable accounting policies and then applied them consistently
- made 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 2013 and its income and expenditure for the year ended 31 March 2013.

Signed ....   Dated

I.M. Floyd B. Sc. (Hons), CPFA
Director of Customer and Business Support Services

4. APPROVAL OF THE ACCOUNTS

I certify that the Statement of Accounts has been approved by a resolution of the Audit & Governance Committee of City of York Council in accordance with the Accounts and Audit Regulations 2003 (as amended)

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

On behalf of the Audit and Governance Committee

Signed ....   Dated

Cllr R Potter
Chair, Audit and Governance Committee

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2012/13 Gross Exp. £000's	2012/13 Income £000's	2012/13 Net Exp. £000's	2011/12 (Restated) Gross Exp. £000's	2011/12 (Restated) Income £000's	2011/12 (Restated) Net Exp. £000's
Service Costs							
Central Services to the Public		**37,277**	**(21,623)**	**15,654**	21,864	(17,100)	4,764
Cultural Services		**12,363**	**(2,408)**	**9,955**	16,328	(4,165)	12,163
Environmental Services		**21,505**	**(5,439)**	**16,066**	22,430	(6,110)	16,320
Planning Services		**7,664**	**(2,818)**	**4,846**	6,894	(2,736)	4,158
Children's and Education Services		**164,615**	**(124,394)**	**40,221**	195,453	(143,255)	52,198
Highways, Roads and Transport Services		**21,581**	**(10,613)**	**10,968**	20,801	(10,215)	10,586
Local Authority Housing - revaluation losses: loss on dwellings		**-**	**-**	**-**	7,039	-	7,039
Local Authority Housing - settlement payment to Government for HRA self-financing		**-**	**-**	**-**	121,550	-	121,550
Local Authority Housing - Other		**30,893**	**(37,903)**	**(7,010)**	19,972	(30,862)	(10,890)
Housing Services (General Fund)		**54,806**	**(47,482)**	**7,324**	54,118	(47,289)	6,829
Adult Social Care		**74,118**	**(22,133)**	**51,985**	79,903	(23,450)	56,453
Corporate and Democratic Core		**2,792**	**(26)**	**2,766**	3,592	(50)	3,542
Non-Distributed Costs - change in inflation factor for retirement benefits		**892**	**-**	**892**	1,470	(1,514)	(44)
Non-Distributed Costs - Other		**121**	**(13)**	**108**	68	(15)	53
Exceptional Items		**20**	**(131)**	**(111)**	8	(36)	(28)
Cost of Services		**428,647**	**(274,983)**	**153,664**	**571,490**	**(286,797)**	**284,693**
Other Operating Expenditure	(9)	**2,274**	**(2,872)**	**(598)**	4,254	(3,578)	676
Financing and Investment Income and Expenditure	(10)	**21,741**	**(1,320)**	**20,421**	14,493	(3,037)	11,456
Taxation and Non-Specific Grant Income	(11)	**-**	**(155,492)**	**(155,492)**	-	(154,084)	(154,084)
(Surplus)/Deficit on Provision of Services		**452,662**	**(434,667)**	**17,995**	**590,237**	**(447,496)**	**142,741**
Surplus/loss arising on the revaluation of property, plant and equipment assets	(26)	**323**	**-**	**323**	(36,383)	-	(36,383)
Surplus/loss arising on the revaluation of available-for-sale financial assets		**-**	**-**	**-**	-	-	-
Actuarial (gains)/losses relating to pensions		**33,743**	**-**	**33,743**	30,833	-	30,833
Other Comprehensive Income and Expenditure		**34,066**	**-**	**34,066**	**(5,550)**	**-**	**(5,550)**
Total Comprehensive Income and Expenditure		**486,728**	**(434,667)**	**52,061**	**584,687**	**(447,496)**	**137,191**

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	Major Repairs Reserve £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	**Total Usable Reserves £000's**	**Unusable Reserves** £000's	**Total Authority Reserves £000's**
Balance at 31 March 2011		**(14,711)**	**(16,400)**	**(10,399)**	**(2,120)**	**(666)**	**(990)**	**(1,314)**	**(46,600)**	**(433,245)**	**(479,845)**
Movement in Reserves during 2011/12											
Surplus /(Deficit) on Provision of Services		24,237	-	118,504	-	-	-	-	**142,741**	-	**142,741**
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	**-**	(5,550)	**(5,550)**
Total Comprehensive Expenditure and Income		**24,237**	**-**	**118,504**	**-**	**-**	**-**	**-**	**142,741**	**(5,550)**	**137,191**
Adjustments between accounting basis & funding basis under regulations	7	(27,630)		(119,274)	-	92	(1)	(3,282)	**(150,095)**	150,095	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(3,393)**	**-**	**(770)**	**-**	**92**	**(1)**	**(3,282)**	**(7,354)**	**144,545**	**137,191**
Transfers to/from Earmarked Reserves	8	4,663	(4,663)	358	(358)	-	-	-	**-**	-	**-**
Increase/Decrease in Year		**1,270**	**(4,663)**	**(412)**	**(358)**	**92**	**(1)**	**(3,282)**	**(7,354)**	**144,545**	**137,191**
Balance at 31 March 2012 carried forward		**(13,441)**	**(21,063)**	**(10,811)**	**(2,478)**	**(574)**	**(991)**	**(4,596)**	**(53,954)**	**(288,700)**	**(342,654)**
Balance at 1 April 2012		**(13,441)**	**(21,063)**	**(10,811)**	**(2,478)**	**(574)**	**(991)**	**(4,596)**	**(53,954)**	**(288,700)**	**(342,654)**
Movement in Reserves during 2012/13											
Surplus /(Deficit) on Provision of Services		21,131	-	(3,136)	-	-	-	-	**17,995**	-	**17,995**
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	**-**	34,066	**34,066**
Total Comprehensive Expenditure and Income		21,131	-	(3,136)	-	-	-	-	**17,995**	34,066	**52,061**
Adjustments between accounting basis & funding basis under regulations	7	(17,016)	-	(1,675)	-	(2,087)	(545)	(2,756)	**(24,079)**	24,079	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		4,115	-	(4,811)	-	(2,087)	(545)	(2,756)	**(6,084)**	58,145	**52,061**
Transfers to/from Earmarked Reserves	8	(2,594)	2,594	2,892	(2,892)	-	-	-	**-**	-	**-**
Increase/Decrease in Year		1,521	2,594	(1,919)	(2,892)	(2,087)	(545)	(2,756)	**(6,084)**	58,145	**52,061**
Balance at 31 March 2013 carried forward		**(11,920)**	**(18,469)**	**(12,730)**	**(5,370)**	**(2,661)**	**(1,536)**	**(7,352)**	**(60,038)**	**(230,555)**	**(290,593)**

	2012/13	2011/12
	£000	£000
Amount of General Fund Balance held by governors under schemes to finance schools	**(5,540)**	(7.046)
Amount of General Fund Balance generally available for new expenditure	**(6,380)**	(6.395)
Total General Fund Balance	**(11,920)**	(13,441)

BALANCE SHEET

	Note	**31 March 2013 £000's**	31 March 2012 Restated £000's
Property, Plant and Equipment	(12)	**697,373**	692,640
Investment Property	(14)	**32,999**	38,700
Intangible Assets	(15)	**1,970**	2,311
Heritage Assets	(13)	**38,757**	38,757
Long - Term Investments	(39)	**1,215**	1,215
Long - Term Debtors		**5,641**	4,468
LONG - TERM ASSETS		**777,955**	778,091
Short-Term Investments	(16)	**8,000**	10,000
Assets Held for Sale	(22)	**1,755**	1,335
Inventories	(17)	**411**	458
Short-Term Debtors	(19)	**27,100**	24,757
Cash and Cash Equivalents	(21)	**9,080**	21,459
CURRENT ASSETS		**46,346**	58,009
Short-Term Borrowing	(16)	**(8,900)**	(10,002)
Provisions due to be settled within 12 months	(24)	**(5,583)**	(5,821)
Short-Term Creditors	(23)	**(33,532)**	(33,278)
Other Short-Term Liabilities	(23)	**(375)**	(714)
CURRENT LIABILITIES		**(48,390)**	(49,815)
Long-Term Creditors		**(16)**	(28)
Provisions	(24)	**(4,890)**	(2,768)
Long-Term Borrowing		**(252,805)**	(252,766)
Other Long-Term Liabilities	(16)	**(5,784)**	(6,135)
Capital Grants Receipts in Advance		**0**	0
Liability related to Defined Benefit Pension Scheme		**(221,824)**	(181,934)
LONG-TERM LIABILITIES		**(485,318)**	(443,631)
NET ASSETS		**290,593**	342,654
RESERVES			
Usable Reserves	(25)		
Capital Receipts Reserve		**1,536**	991
General Fund Balance		**11,920**	13,441
Housing Revenue Account Reserve		**12,730**	10,811
Major Repairs Reserve		**2,661**	574
Capital Grants Unapplied		**7,352**	4,596
Earmarked Reserves		**23,839**	23,541
		60,038	53,954
Unusable Reserves	(26)		
Revaluation Reserve		**116,649**	119,128
Capital Adjustment Account		**342,745**	358,716
Available-for-sale Financial Instruments Reserve		**0**	0
Financial Instruments Adjustment Account		**(1,938)**	(2,058)
Pensions Reserve		**(221,824)**	(181,934)
Collection Fund Adjustment Account		**2**	169
Employee Benefit Adjustment Account		**(5,079)**	(5,321)
		230,555	288,700
TOTAL RESERVES		**290,593**	342,654

CASH FLOW STATEMENT

	Note	2012/13	2011/12 Restated
		£000's	£000's
Net (Surplus)/Deficit on the provision of Services		**17,994**	154,115
Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements	(27)	**(52,876)**	(64,656)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities	(27)	**19,855**	24,035
Net Cash Flows from Operating Activities		**(15,027)**	113,494
Investing Activities	(28)	**24,486**	26,762
Financing Activities	(29)	**2,920**	(141,310)
Net (Increase)/Decrease in Cash and Cash Equivalents		**12,379**	(1,054)
Cash and Cash Equivalents at the beginning of the reporting period		**(21,459)**	(20,405)
Cash and Cash Equivalents at the end of the reporting period		**(9,080)**	(21,459)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

I. General

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, 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 Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

III. Cash and Cash Equivalents

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

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

IV. Exceptional Items

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

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

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

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

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

VI. Charges to Revenue for Non-Current Assets

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

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

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

VII. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Council are members of 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 Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was 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 Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employers.
- The assets of the NYPF attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into 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 Council, 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 Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the NYPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

VIII. Events After the Balance Sheet Date

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

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

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

IX. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. 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 Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. There were no amounts in foreign currency outstanding at the year-end.

XI. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

XII. Heritage Assets

The Council's Heritage Assets are grouped into four main areas:
(a) Heritage properties
(b) Art Collection
(c) Mansion House Collection and Civic Regalia
(d) Museum Collections

All categories of heritage assets increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, further detail is provided below.
The accounting policies in relation to intangible heritage assets are not included in this document as no intangible heritage assets have been identified. All heritage assets are tangible.

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

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

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

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

Art Collection - including paintings (both oil and watercolour) and sketches, is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations were last updated over 10 years ago and are deemed adequate to be maintained at this level for current insurance valuation purposes, therefore been included on the balance sheet on this basis. The art collection is deemed to have indeterminate life and a high residual value, hence the Council does not consider it appropriate to charge depreciation.

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

Mansion House Collection and Civic Regalia – are recorded in the balance sheet using the insurance valuation. This collection was last revalued in 2007 by a fine art external valuation expert

and is deemed to be an appropriate valuation at the current time. The Regalia and items in the Mansion House are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation. The policy for acquisitions, made by purchase or donation, is the same as for the art collection.

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

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

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

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

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

XIII. Intangible Assets

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

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

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

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

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

XIV. Interests in Companies and Other Entities

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

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

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

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

Veritau
Since 1 April 2009, internal audit, counter-fraud and information governance services have been provided by Veritau Limited. The company is jointly owned by City of York Council and North Yorkshire County Council, with each council holding 50% of the shares.

XV. Inventories and Long Term Contracts

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

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

XVI. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General

Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XVII. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

XVIII. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in 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.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

Componentisation

All Property assets containing a building are split into two components - Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set, below which this additional review will not be done. Only buildings with a valuation greater than £1m will be considered for componentization, which accounts for approximately 80% of depreciation charged to the Comprehensive Income & Expenditure Account for buildings. The cost of the component should be at least 20% of the value of the building.

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

Impairment

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

XX. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge 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 Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

Landfill Allowance Schemes

Landfill allowances, whether allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another Waste Disposal Council (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.

Contingent Liabilities

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

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

Contingent Assets

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

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

XXII. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Earmarked Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and that do not represent usable resources for the Council. The earmarked reserves held by the Council are detailed in notes 23 and 24 to the Core Statements. The major ones are:

The Major Repairs Allowance (MRA), previously paid as part of HRA subsidy, provided councils with the resources needed to maintain the value of their housing stock over time. Councils are required to set up a **Major Repairs Reserve** (regulation 6(4A) of the Accounts and Audit Regulations 1996), and to transfer into it a sum not less than the MRA. From 1.4.12 and the introduction of self financing, the council can continue to use MRA as a proxy for depreciation during the transitional period of 5 year. These funds are then available to councils for capital expenditure on HRA assets. They will have the flexibility to carry over any unspent MRA funds from one year to the next. The HRA may also benefit from any short-term investment of unspent funds.

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

In April 2012 the Localism Bill introduced a significant change to the way that council housing is financed by dismantling the previous system of HRA subsidy and introducing self-financing. As part of the self financing HRA business plan a reserve has been created for **HRA investment** in new-build/redevelopment opportunities.

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

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.

XXIII. Revenue Expenditure Funded from Capital under Statute

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

XXIV. VAT

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

XXV. Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy

is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 (the Code) requires the council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. The following standards apply:

IAS 19 - Employee Benefits - This standard was amended in 2011 and the changes which relate to the creation of some new classes of components of defined benefit costs and the re-measurement of the net defined benefit liability are likely to have a material impact on the accounts. The pension fund actuaries have calculated that if the revised standard had been in place for 2012/13 then the expenses recognised in the CIES would have increased by £5.1m. As this expense is notional and is reversed out via the movement in reserves statement it would have no effect on the balance sheet.

IAS 1 - Presentation of Financial Statements - This standard was amended in 2011 and the changes which relate to the presentation of gains and losses on revaluations currently shown within Other Comprehensive Income and Expenditure. As these changes are presentational there is no impact on the reported amounts.

Changes to other standards including IFRS 7 - Financial Instruments and IAS12 - Income Taxes are unlikely to have any impact on the accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

NOTES TO THE CORE FINANCIAL STATEMENTS

The items in the Council's Balance Sheet at 31 March 2013 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 uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Property, Plant and Equipment and Investment Properties	Assets are re-valued on a five yearly cycle resulting in a gain or a loss. The current economic climate makes it uncertain as to the value of assets. A desk top review occurs to ensure that the value of assets remains current.	If the economic market improves, then the value of assets rise and the carrying amount of the assets increase. Alternatively if revaluation losses occur the carrying amount of the assets fall.
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 pension's 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 £8.3m

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Comprehensive Income and Expenditure Statement shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. There are no specific material items to report in 2012/13. For 2011/12, material items were the revaluation loss on dwellings; the revaluation settlement payments to the Government for HRA self-financing and Non-Distributed Costs – change in inflation factor for retirement benefits.

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 2013. 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 2013, 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 2013 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

- On 1 April 2013, the localised Business Rates system came into force. As part of this, the Council becomes liable for a portion of outstanding rating appeals. On the NNDR1 form submitted to Central Government in forming the 2013/14 annual budget, a total estimated appeal liability of £6.099m was calculated. Of this, Central Government is liable for £3.050m (50%), North Yorkshire Fire and Rescue Authority £0.061m (1%) and the council the remaining £2.988m (49%).

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The movement in reserves statement includes the totals shown in this note.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2012/13	General Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(12,998)	-	(8,223)	-	-	-	**21,221**
Revaluation losses on Property Plant and Equipment	(13,434)	-	(1,918)	-	-	-	**15,352**
Movements in the market value of Investment Properties	(4,171)	-	-	-	-	-	**4,171**
Amortisation of intangible assets	(762)	-	-	-	-	-	**762**
Capital grants and contributions applied	13,608	-	1,031	-	-	-	**(14,639)**
Movement in the Donated Assets Account	-	-	-	-	-	-	**-**
Revenue expenditure funded from Capital under statute	(3,434)	-	-	-	-	-	**3,434**
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(1,337)	-	(829)	-	-	-	**2,166**
Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:							
Statutory provision for the financing of capital investment	7,484	-	-	-	-	-	**(7,484)**
Capital expenditure charged against the General Fund and HRA balances	-	-	907	-	-	-	**(907)**
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,834	-	-	-	-	(2,834)	**-**
Appliation of grants to capital financing transferred to the Capital Adjustment Account	(78)	-	-	-	-	78	**-**
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	1,085	-	1,374	-	(2,459)	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	1,085	-	**(1,085)**
Contribution from the Capital Receipts Reserve toward administrative costs of non-current asset disposals	-	-	-	-	-	-	**-**

NOTES TO THE CORE FINANCIAL STATEMENTS

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	(829)	-	829	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	**-**
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	**-**
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	-	6,693	(6,693)	-	-	**-**
Non dwelling depreciation reversed to the MRR	-	-	257	(257)	-	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	4,863	-	-	**(4,863)**
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	121	-	-	-	-	-	**(121)**
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	14,839	-	377	-	-	-	**(15,216)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,823)	-	(540)	-	-	-	**21,363**
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(167)	-	-	-	-	-	**167**
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance 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	217	-	25	-	-	-	**(242)**
Total Adjustments:	**(17,016)**	**-**	**(1,675)**	**(2,087)**	**(545)**	**(2,756)**	**24,079**

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments between Accounting Basis and Funding Basis under Regulations – 2011/12

2011/12 (Restated)

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(11,554)	-	(7,359)	-	-	-	**18,913**
Revaluation losses on Property Plant and Equipment	(25,356)	-	2,756	-	-	-	**22,600**
Movements in the market value of Investment Properties	(937)	-	-	-	-	-	**937**
Amortisation of intangible assets	(733)	-	-	-	-	-	**733**
Capital grants and contributions applied	16,834	-	402	-	-	-	**(17,236)**
Movement in the Donated Assets Account	-	-	-	-	-	-	**-**
Revenue expenditure funded from Capital under statute	(9,031)	-	-	-	-	-	**9,031**
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	(2,636)	-	(1,016)	-	-	-	**3,652**
Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:							
Statutory provision for the financing of capital investment	4,011	-	(121,550)	-	-	-	**117,539**
Capital expenditure charged against the General Fund and HRA balances	10	-	1,868	-	-	-	**(1,878)**
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,684	-	(402)	-	-	(3,282)	**-**
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	2,625	-	1,366	-	(3,991)	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	3,577	-	**(3,577)**
Contribution from the Capital Receipts Reserve toward administrative costs of non-current asset disposals	-	-	-	-	-	-	**-**

NOTES TO THE CORE FINANCIAL STATEMENTS

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	(412)	-	412	-	**-**
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	-	-	5,185	(5,185)	-	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,278	-	-	**(5,278)**
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	113	-	-	-	-	-	**(113)**
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	14,875	-	427	-	-	-	**(15,302)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,774)	-	(506)	-	-	-	**18,280**
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	(916)		-	-	-	-	**916**
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance 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	(845)	-	(33)	-	-	-	**878**
Total Adjustments:	**(27,630)**	**-**	**(119,274)**	**93**	**(2)**	**(3,282)**	**150,095**

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 2012/13.

	Transfers Out During Year £000's	Transfers In During Year £000's	Balance at 31-Mar-13 £000's	Balance at 31-Mar-12 £000's
General Fund				
Investment Reserves	-	-	(1,208)	(1,208)
Venture Fund	-	(281)	(2,359)	(2,078)
Developers Contributions Unapplied	1,056	(1,396)	(4,830)	(4,490)
Insurance Fund	127	(55)	(1,144)	(1,216)
Miscellaneous	7,363	(4,561)	(8,928)	(12,071)
HRA				
53rd Week Rent	108	-	485	377
HRA Investment Reserve	-	(3,000)	(5,855)	(2,855)
	8,654	(9,293)	(23,839)	(23,541)

9. OTHER OPERATING EXPENDITURE

	2012/13 £'000's	2011/12 £'000's
Parish council precepts	616	602
Levies	-	-
Payments to the Government Housing Capital Receipts Pool	829	413
Gains/losses on the disposal of non-current assets	(2,043)	(339)
Total	(598)	676

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/13 £'000's	2011/12 £'000's
Interest payable and similar charges	10,253	6,380
Pensions interest cost and expected return on pensions assets	6,933	5,395
Interest receivable and similar income	(695)	(765)
Income and expenditure in relation to investment properties and changes in their fair value	4,171	937
Other investment income	(242)	(491)
Total	20,420	11,456

NOTES TO THE CORE FINANCIAL STATEMENTS

11. TAXATION AND NON SPECIFIC GRANT INCOME

	2012/13 £'000's	2011/12 £'000's
Council tax income	**(76,127)**	(73,818)
Non domestic rates	**(45,672)**	(38,017)
Non-ringfenced or government grants	**(18,466)**	(26,887)
Capital grants and contributions	**(15,227)**	(15,362)
Total	**(155,492)**	(154,084)

12. PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation (GCA)									
At 1 April 2012	299,729	302,485	16,565	105,964	-	3,711	38,786	**767,240**	15,154
Category Transfer	-	(2,372)	-	-	-	2,372	-	**-**	
Adj for assets removed from FAR as fully depreciated in 11/12	-	(96)	(1,829)	-	-	(93)	-	**(2,018)**	
Revised 1 April 2012	**299,729**	**300,017**	**14,736**	**105,964**	**-**	**5,990**	**38,786**	**765,222**	**15,154**
Additions	6,742	12,762	6,466	4,338	-	-	12,547	**42,855**	13
Acc Dep & Imp WO to GCA	(44,392)	(4,444)	-	-	-	(110)	-	**(48,946)**	**-**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	497	(881)	-	-	-	61	-	**(323)**	**-**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,978)	(13,376)	-	-	(75)	-	-	**(15,429)**	**-**
Derecognition - Disposals	(829)	-	-	-	-	-	-	**(829)**	**-**
Derecognition - Other	-	-	-	-	-	-	-	**-**	**-**
Assets reclassified (to)/from Held for Sale	-	(300)	-	-	-	(1,455)	-	**(1,755)**	**-**
Assets reclassified (to)/from Investment Property	-	155	-	-	75	1,295	-	**1,525**	**-**
Other movements in Cost or Valuation	-	28,555	203	2,123	-	(2,168)	(28,713)	**-**	**-**
At 31 March 2013	**259,769**	**322,488**	**21,405**	**112,425**	**-**	**3,613**	**22,620**	**742,320**	**15,167**
Accumulated Depreciation & Impairment									
At 1 April 2012	(36,426)	(17,167)	(8,899)	(11,904)	-	(204)	-	**(74,600)**	(777)
Category Transfer	-	98	-	-	-	(98)	-	-	-
Adj for assets removed from FAR as fully depreciated in 11/12	-	96	1,829	-	-	93	-	**2,018**	-
Revised 1 April 2012	**(36,426)**	**(16,973)**	**(7,070)**	**(11,904)**	**-**	**(209)**	**-**	**(72,582)**	**(777)**
Depreciation Charge for 2012/13	(7,966)	(7,441)	(2,843)	(3,062)	-	-	-	**(21,312)**	(245)
Acc. Depreciation WO to GCA	44,392	4,444	-	-	-	110	-	**48,946**	**-**
Assets reclassified (to)/from Investment Property	-	1	-	-	-	-	-	**1**	**-**
Other movements in Depreciation and Impairment	-	(44)	(1)	-	-	44	1	**-**	**-**
At 31 March 2013	**-**	**(20,013)**	**(9,914)**	**(14,966)**	**-**	**(55)**	**1**	**(44,947)**	**(1,022)**
Net Book Value									
At 31 March 2013	259,769	302,475	11,491	97,459	-	3,558	22,621	**697,373**	14,145
At 31 March 2012	263,303	285,318	7,666	94,060	-	3,507	38,786	**692,640**	14,377

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in **2011/12:**

RESTATED

	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation (GCA)									
At 1 April 2011	291,333	284,369	14,527	98,528	-	4,565	28,993	**722,315**	14,796
Additions	8,391	4,694	1,048	6,421	-	-	20,286	**40,840**	13
Acc Dep & Imp WO to GCA	-	(4,849)	-	-	-	(59)	-	**(4,908)**	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	8,406	46,883	-	-	-	712	-	**56,001**	1,116
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(7,039)	(36,131)	-	-	-	(1,507)	-	**(44,677)**	(771)
Derecognition - Disposals	(1,016)	-	-	-	-	-	-	**(1,016)**	-
Derecognition - Other								**-**	-
Assets reclassified (to)/from Held for Sale	(346)	-	-	-	-	-	-	**(346)**	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	**-**	-
Other movements in Cost or Valuation		7,519	990	1,015			(10,493)	**(969)**	-
At 31 March 2012	**299,729**	**302,485**	**16,565**	**105,964**	**-**	**3,711**	**38,786**	**767,240**	**15,154**
Accumulated Depreciation & Impairment									
At 1 April 2011	(31,367)	(16,364)	(6,022)	(9,093)	-	(187)	-	**(63,033)**	(517)
Prior Year Adjustment	-	14	-	-	-	-	-	**14**	-
Revised 1 April 2011	**(31,367)**	**(16,350)**	**(6,022)**	**(9,093)**	**-**	**(187)**	**-**	**(63,019)**	**(517)**
Depreciation Charge 2011/12	(5,059)	(5,666)	(2,877)	(2,811)	-	(76)	-	**(16,489)**	(260)
Acc Depreciation WO to GCA	-	4,849	-	-	-	59	-	**4,908**	-
At 31 March 2012	**(36,426)**	**(17,167)**	**(8,899)**	**(11,904)**	**-**	**(204)**	**-**	**(74,600)**	**(777)**
NET BOOK VALUE									
At 31 March 2012	263,303	285,318	7,666	94,060	-	3,507	38,786	**692,640**	14,377
At 31 March 2011	259,966	268,005	8,505	89,435	-	4,378	28,993	**659,282**	14,279

Depreciation

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

- Council Dwellings – 32 years (in line with MRA figure)
- Other Land and Buildings – 30-50 years
- Vehicles, Plant, Furniture & Equipment – 7-10 years
- Infrastructure – 40 years

Capital Commitments

- At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost c£3.797m, this includes £1.160m in relation to West Offices/the new Administrative Accommodation building. Similar commitments as 31 March 2011 were c£6.900m.

Effects of Changes in Estimates

In 2012/13, the authority made two material changes to its accounting estimates for Property, Plant and Equipment:

- Following a review of asset lives against individual assets in 2012/13, some asset lives have changed from those used in previous years. In accordance with the Code of Practice, this change in accounting estimate takes affect on the date of change and does not require restatement of previous years.
- In previous years, depreciation has been calculated on a reducing balance basis, but following the move to a new system for the accounting fixed asset register, depreciation is now being

calculated on a straight line basis. For assets which have not had their asset lives changed in 2012/13, the opening Net Book Value (NBV) for 2012/13 and the remaining asset life for 2012/13 have been used as the figures on which depreciation is calculated on the new system. For assets which have had their asset lives changed, the revised remaining asset life for 2012/13 will be used along with the opening NBV for 2012/13. This accounting treatment agrees with the Code of Practice.

Comparative Notes

The format of the tables in this note has changed to include Gross Book Value.

Included within the Vehicles, Plant, Furniture & Equipment column of the tables are the figures for leased assets. The Net Book Value for leased assets has been restated to correctly reflect the latest asset values held on the Authorities accounting system.

The 2011/12 table has also been restated due to a prior year adjustment of £14k. This was required to correct miscalculated depreciation charges for three assets which resulted in them showing negative balances on the fixed asset register.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The last full valuation of council dwellings was done in 2010/11 and the actual valuation figure is shown in the table below. Desktop reviews are done on the interim years, and the valuation from the 2012/13 desktop review for council dwellings was £259,768k

The individual assets in the category other land and buildings / surplus assets are only re-valued once every five years. If any assets have been re-valued more frequently, then they may appear twice in the table below.

	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	-	-	21,405	112,425	-	133,830
Valued at Fair Value as at:						
31-Mar-13		79,798			235	80,033
31-Mar-12	-	230,658	-	-	4,720	235,378
31-Mar-11	259,768	62,706	-	-	168	322,642
31-Mar-10	-	41,149	-	-	17,330	58,479
31-Mar-09	-	32,419	-	-	3,296	35,715
Total Cost or Valuation	259,768	446,730	21,405	112,425	25,749	866,077

13. HERITAGE ASSETS

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

	Heritage Properties	Art Collection	Civic Regalia	Mansion House Collection	Castle Museum Collections	TOTAL
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
1 April 2011	**1,054**	**30,405**	**145**	**6,229**	**924**	**38,757**
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations		-	-	-	-	-
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services		-	-	-	-	-
Depreciation		-	-	-	-	-
31 March 2012	**1,054**	**30,405**	**145**	**6,229**	**924**	**38,757**
Cost or Valuation						
1 April 2012	1,054	30,405	145	6,229	924	38,757
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
31 March 2013	**1,054**	**30,405**	**145**	**6,229**	**924**	**38,757**

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

Heritage Asset Category	Valuation Date	Valuation Method	External Valuer	Significant Limitations
Heritage property	01/4/2011	Fair value market value or replacement cost (if no market value exists)	Internal – qualified property valuer	None
Art Collection	01/04/1999	Insurance valuation	Unknown	Date of valuation is still deemed current for insurance purposes due to unique specific nature
Civic Regalia and Mansion House Collection	05/02/2007	Antiques & Fine Art Valuer – Adam N Schoon	External	None
Castle Museum Collection	01/04/1999	Insurance Valuation	Unknown	Valuation is deemed as reliable for balance sheet purposes

Heritage Properties

The Council's valuer, values assets in accordance with the property RICS guidance and for heritage assets where a market value exists, the assets are valued at fair value market value. Where no market value exists, the value stated is replacement cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

All valuations are recorded on a valuation certificate and no impairment / revaluation loss has been recorded for any heritage asset.

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

(e) Medieval City Walls and Bars
(f) Yorkshire Museum and Gardens and Hospitium
(g) Abbey Walls – Marygate and Bootham
(h) Roman Multangular Tower and adjoining Walls

Art Collection
The Council's collection of art is located at the City Art Gallery and is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated periodically and the current valuation is deemed adequate for inclusion within the Accounts.

Mansion House Collection and Civic Regalia
An external Antiques & Fine Art valuer carried out a full valuation of the Mansion House and Civic Regalia in February 2007. This valuation remains current market value and is included at the Balance Sheet date. The valuation details all contents of the Mansion House and details all items individually including furniture, pictures, works of art, ceramics, glass, clocks / barometers, porcelain etc.

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

Museum Collections
Both Castle Museum and Yorkshire Museum are incorporated into Museums Trust which is a separate charitable organisation. The Museums collections have been considered as part of the Council's heritage assets as the ownership / responsibility for the collections is with the Council. Castle Museum has a relatively low insurance valuation included on the Balance Sheet as the nature of the museum is that of a social history collection and therefore many items are of low value.

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

Additions/ Disposal of Heritage Assets
There were no additions or disposals of heritage Assets in 2012/13 or 2011/12.

14. INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2012/13 £000's	2011/12 £000's
Commercial Rental income from investment property	**3,649**	3,627
Commercial Direct operating expenses arising from investment property	**(551)**	(523)
Net Gain/ (loss)	**3,098**	3,104

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2012/13 £000's	2011/12 £000's
Balance at start of the year	**38,700**	43,026
Additions	**22**	4
Disposals	**(2)**	(2,625)
Net gain or loss on Fair Value	**(4,196)**	(937)
Transfers:		
to/ from Inventories	**-**	-
to/ from Property, Plant & Equipment	**(1,525)**	232
to/ from Heritage Assets	**-**	-
to/ from Assets Held for Sale	**-**	(1,000)
Other changes	**-**	-
Balance at end of year	**32,999**	38,700

15. INTANGIBLE ASSETS

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis and the amortisation charge in 2012/13 was £762k (2011/12 was £733k).

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2012/13 Internally Generated Assets	2012/13 Other Assets	2012/13 Total	2011/12 Internally Generated Assets	2011/12 Other Assets	2011/12 Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
- Gross carrying amounts		9,384	9,384	-	8,502	8,502
- Adjustment for assets now fully amortised		(5,432)	(5,432)			
Category Adjustments				-	737	737
- Revised Gross carrying amounts		3,952	3,952		9,239	9,239
- Accumulated amortisation		(7,073)	(7,073)	-	(6,340)	(6,340)
Adjustment for assets now fully amortised		5,432	5,432			
- Revised Accumulated amortisation		(1,641)	(1,641)		(6,340)	(6,340)
Net carrying amount at the start of the year	-	2,311	2,311	-	2,899	2,899
Additions:						
- Internal development	-	-	-	-	-	-
- Purchases	-	421	421	-	145	145
- 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	-	(762)	(762)	-	(733)	(733)
Other changes	-	-	-	-	-	-
Net carrying amount at the end of year	-	1,970	1,970	-	2,311	2,311
Comprising:						
- Gross carrying amounts	-	4,373	4,373	-	9,384	9,384
- Accumulated amortisation	-	(2,403)	(2,403)	-	(7,073)	(7,073)
	-	1,970	1,970	-	2,311	2,311

There are 6 items of capitalised software that are individually material to the financial statements:

	Carrying Amount 2012/13 £000's	Carrying Amount 2011/12 £000's	Remaining Amortisation Period
Electronic Data Management & Workflow	232	309	4 years
Office Upgrade 2010-11 (1)	179	239	4 years
Mobile Working - Installation	155	207	4 years
Voice & Data - Licences & Hardware	143	190	4 years
Electronic Data Management Interface Software	228	380	4 years
Office Upgrade 2010-11 (2)	298	-	7 years

16. FINANCIAL INSTRUMENTS

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

Categories of financial Instruments

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

	Long-Term		Short-Term	
		Restated		Restated
	31-Mar-13	31-Mar-12	**31-Mar-13**	31-Mar-12
	£000's	£000's	**£000's**	£000's
Investments				
Loans and receivables		-	**8,000**	10,000
Available-for-sale financial assets		-		-
Unquoted equity investment at cost	**1,215**	1,215		-
Financial assets at fair value through profit and loss		-		-
Total Investments	**1,215**	1,215	**8,000**	10,000
Debtors				
Loans and receivables	**5,641**	4,468	**27,100**	24,756
Financial assets carried at contract amounts		-		-
Total Debtors	**5,641**	4,468	**27,100**	24,756
Borrowings				
Financial Liabilities at amortised cost	**(252,805)**	(252,766)	**(8,900)**	(10,002)
Financial Liabilities at fair value through profit and loss		-		-
Total Borrowings	**(252,805)**	(252,766)	**(8,900)**	(10,002)
Other Long Term Liabilities				
PFI liabilities	**(5,603)**	(5,754)		
Finance lease liabilities	**(181)**	(381)	**(375)**	(714)
Total other long term liabilities	**(5,784)**	(6,135)	**(375)**	(714)
Creditors				
Financial liabilities at amortised cost		-		-
Financial liabilities carried at contract amount	**(16)**	(28)	**(33,532)**	(33,278)
Total Creditors	**(16)**	(28)	**(33,532)**	(33,278)

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.

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-13		31-Mar-12	
	Carrying amount £000's	**Fair value £000's**	Carrying amount £000's	Fair Value £000's
PWLB debt	**(241,224)**	**(279,656)**	(242,290)	(270,802)
Non-PWLB debt	**(20,481)**	**(22,305)**	(20,478)	(23,220)
Total debt	**(261,705)**	**(301,961)**	(262,768)	(294,022)
Long term creditors	**(16)**	**(16)**	(28)	(28)
Total Financial liabilities	**(261,721)**	**(301,977)**	(262,796)	(294,050)

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

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

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

	31-Mar-13		31-Mar-12	
	Carrying amount £000's	**Fair value £000's**	Restated Carrying amount £000's	Restated Fair Value £000's
Money market loans < 1yr	**12,071**	**12,071**	26,319	26,319
Money market loans > 1yr			-	-
Bonds			-	-
Long term trade debtors	**1,559**	**1,559**	1,686	1,686
Total Loans and receivables	**13,630**	**13,630**	28,005	28,005

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

NOTES TO THE CORE FINANCIAL STATEMENTS

investment rates at each Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

17. INVENTORIES

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Total	
	2012/13 '£000's	2011/12 '£000's	**2012/13 '£000's**	2011/12 '£000's	**2012/13 '£000's**	2011/12 '£000's	**2012/13 '£000's**	2011/12 '£000's
Balance Outstanding at 1 April	**453**	490	**-**	-	**5**	5	**458**	495
Purchases	**223**	404	**-**	-	**-**	-	**223**	404
Recognised as an Expense in theYear	**(265)**	(387)	**-**	-	**(5)**	2	**(270)**	(385)
Written Off Balances	**-**	(56)	**-**	-	**-**	-	**-**	(56)
Reversals of Write Offs in Previous Years	**-**	-	**-**	-	**-**	-	**-**	-
Balance Outstanding at 31 March	**411**	451	**-**	-	**-**	7	**411**	458

18. CONSTRUCTION CONTRACTS

At 31 March 2013 the Council has no construction contracts in progress that requires revenue to be recognised in the accounting period. Accordingly no contingent assets or liabilities are required to be recorded.

19. DEBTORS

	Balance at 31-Mar-13 £000's	Balance at 31-Mar-12 £000's
Central Government Bodies	**5,387**	3,891
Other Local Authorities	**2,189**	356
NHS Bodies	**1,783**	802
Public Corporations	**2,914**	42
Other Entities and Individuals	**19,311**	24,542
	31,584	29,633
Provision for Bad and Doubtful Debts	**(4,484)**	(4,876)
Total Debtors	**27,100**	24,757

NOTES TO THE CORE FINANCIAL STATEMENTS

20. LONG TERM DEBTORS

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-13 £000's	Balance at 31-Mar-12 £000's
Employee Loans	**122**	**(134)**	**217**	229
Council House Mortgages	**-**	**(8)**	**5**	13
Housing Act Advances	**-**	**-**	**13**	13
Prepayment - PFI scheme	**-**	**(79)**	**897**	976
PFI - Residual Value Asset	**82**	**-**	**442**	360
PFI - Sculpting Prepayment	**232**	**-**	**2,444**	2,212
Yorwaste Loan	**1,000**	**-**	**1,000**	-
Other	**2**	**(44)**	**623**	665
	1,438	**(265)**	**5,641**	4,468

21. CASH AND CASH EQUIVALENTS

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

	Balance at 31-Mar-13 £000's	Balance at 31-Mar-12 £000's
Cash Held by the Authority	**8,157**	9,653
Short Term Deposits	**4,071**	16,319
Bank Current Accounts	**(3,148)**	(4,513)
Total Cash and Cash Equivalents	**9,080**	21,459

NOTES TO THE CORE FINANCIAL STATEMENTS

22. ASSETS HELD FOR SALE

	Current **2012/13** **£000's**	2011/12 £000's
Balance outstanding at start of year	**1,335**	-
Assets newly classified as held for sale:		
- Property, Plant and Equipment	**1,755**	346
- Investment Properties		1,000
- Intangible Assets	**-**	-
- Other assets/ liabilities in disposal groups	**-**	-
Revaluation losses		(11)
Revaluation gains	**-**	-
Impairment losses	**-**	-
Assets declassified as held for sale:		
- Property, plant and Equipment	**-**	-
- Intangible Assets	**-**	-
- Other assets/ liabilities in disposal groups	**-**	-
Assets sold	**(1,335)**	-
Transfers from non-current to current	**-**	-
[Other movements]	**-**	-
Balance outstanding at year-end	**1,755**	1,335

23. CREDITORS

	Balance at 31-Mar-13 £000's	Balance at 31-Mar-12 £000's
Central Government Bodies	**(8,382)**	(7,001)
Other Local Authorities	**(2,489)**	(525)
NHS Bodies	**(290)**	(265)
Public Corporations	**(27)**	(5)
Other Entities and Individuals	**(22,343)**	(25,483)
Total Creditors	**(33,532)**	**(33,278)**
Other Short-Term Liabilities	**(375)**	(714)
Total Short-Term Liabilities	**(33,907)**	**(33,992)**

NOTES TO THE CORE FINANCIAL STATEMENTS

24. PROVISIONS

	Employee Absences £000's	Insurance Fund £000's	Equal Pay £000's	Business Rates £000's	Council Tax £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2012	(5,321)	(1,648)	(1,345)	-	-	(275)	(8,589)
Additional provisions made in 2012/13	(5,079)	(475)	8	(1,500)	(500)	(230)	(5,776)
Amounts Used In 2012/3		347				208	(1,445)
Unused amounts reversed in 2012/13	5,321					16	5,337
Unwinding of discounting in 2012/13						-	-
Balance at 31 March 2013	**(5,079)**	**(1,776)**	**(1,337)**	**(1,500)**	**(500)**	**(281)**	**(10,473)**

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

	Employee Absences £000's	Insurance Fund £000's	Equal Pay £000's	Business Rates £000's	Council Tax £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2012	(5,321)	(274)	-	-	-	(226)	(5,821)
Additional provisions made in 2012/13	(5,079)	(345)				(6)	(5,430)
Amounts Used In 2012/13		347					347
Unused amounts reversed in 2012/13	5,321						5,321
Unwinding of discounting in 2012/13							-
Balance at 31 March 2013	**(5,079)**	**(272)**	**-**	**-**	**-**	**(232)**	**(5,583)**

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

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

Equal Pay Claims
The provision is in respect of potential payments to employees dependent upon the outcome of current and possible future legal action.

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

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

Other Provisions
All other provisions are individually insignificant.

25. USABLE RESERVES

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

26. UNUSABLE RESERVES

	New Balance at 2012/13 £000's	Balance at 2011/12 £000's
Revaluation Reserve	**116,649**	119,128
Available for Sale Financial Instruments Reserve	**-**	-
Capital Adjustment Account	**342,745**	358,716
Financial Instruments Adjustment Account	**(1,938)**	(2,058)
Deferred Capital Receipts Reserve		-
Pensions Reserve	**(221,824)**	(181,934)
Collection Fund Adjustment Account	**2**	169
Unequal Pay Back Pay Account		-
Accumulated Absences Account	**(5,079)**	(5,321)
Total Unusable Reserves	**230,555**	288,700

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

In 2012/13 two Prior Year Adjustments relating to 2011/12 were made which affect the Revaluation Reserve. The first totalling £9.386m was to adjust the reversal of revaluation losses brought forward and associated depreciation. The second totalling £1.974m was to write out a revaluation gain against a revaluation loss. These adjustments have resulted in the 2011/12 figures being restated. Further information can be found in note 55.

	2012/13		**2011/12 Restated**	
	£000's	**£000's**	**£000's**	**£000's**
Balance at 1 April		**(119,128)**		**(83,517)**
Upward revaluation of assets	(19,933)		(60,133)	
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	20,256		23,751	
(Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services		323		(36,382)
Difference between fair value depreciation and historical cost depreciation	2,156		744	
Accumulated gains on assets sold or scrapped			-	
Amount written off to the Capital Adjustment Account		2,156		744
Properties RR movement with CAA			-	27
Balance at 31 March		**(116,649)**		**(119,128)**

NOTES TO THE CORE FINANCIAL STATEMENTS

Available for Sale Financial Instruments Reserve

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2012/13 £000's	2011/12 Restated £000's
Balance at 1st April	**(358,716)**	**(503,332)**
Prior year adjustments (including Heritage Assets)		**-**
Revised Balance at 1 April	**(358,716)**	**(503,332)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	21,221	18,836
Revaluation losses on Property, Plant and Equipment	15,352	22,600
Amortisation of intangible assets	762	733
Revenue expenditure funded from capital under Statute	3,434	9,031
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	2,166	3,652
	42,935	54,852
Adjusting amounts written out of the Revaluation Reserve	(2,156)	(744)
Net written out amount of the cost of non-current assets consumed in the year	**40,779**	**54,108**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,085)	(3,577)
Use of the Major Repairs Reserve to finance new capital expenditure	(4,863)	(5,278)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(14,640)	(17,235)
Application of grants to capital financing from the Capital Grants Unapplied Account		-
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,484)	(4,011)
Statutory provision for the financing of the HRA subsidy	-	121,550
Capital expenditure charged against the General Fund and HRA balances	(907)	(1,878)
	(28,979)	89,571
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	4,171	937
Balance at 31 March	**(342,745)**	**(358,716)**

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. [The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the liability balance on the Account at 31 March 2012 will be £1.938m (2.060m 2011/12) charged to the General Fund over the next 12 years.

	2012/13		2011/12	
	£000's	**£000's**	£000's	£000's
Balance at 1st April		**(2,173)**		(2,173)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement			**182**	
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements			**(69)**	
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				-
Balance at 31st March		**(2,173)**		(2,173)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefit earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31-Mar-13	31-Mar-12
	£000's	£000's
Balance at 1 April	**181,934**	**148,073**
Acturial gains or losses on pensions assets and liabilities	**33,743**	**30,883**
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	**21,363**	**18,280**
Employer's pensions contributions and direct payments to pensioners payable in the year.	**(15,216)**	**(15,302)**
Balance at 31 March	**221,824**	**181,934**

Collection Fund Adjustment Account

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

	31-Mar-13	31-Mar-12
	£000's	£000's
Balance at 1 April	**(169)**	(1,085)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**167**	916
Balance at 31 March	**(2)**	**(169)**

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.

	2012/13		2011/12	
	£000's	**£000's**	£000's	£000's
Balance at 1 April		**5,321**		**4,442**
Steelement or cancellation of accrual made at the end of the preceding year	**(5,321)**		(4,442)	
Amounts accrued at the end of the current year	**5,079**		5,321	
		-242		879
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		**0**		-
Balance at 31 March		**5,079**		**5,321**

27. CASHFLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Balance at 31-Mar-13	Balance at 31-Mar-12 Restated
	£000's	£000's
Interest received	**(923)**	(787)
Interest paid	**6,777**	6,288
Dividends received	**(248)**	(226)

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	31-Mar-13 £000's	31-Mar-12 Restated £000's
Depreciation, Impairment and Amortisation of fixed assets	**(37,517)**	(61,902)
Increase in Impairment for bad debt provision		-
Increase/(decrease) in stocks and works in progress	**(47)**	(37)
Increase/(decrease) in debtors	**516**	3,572
(Increase)/decrease in creditors	**889**	3,126
Pension Liability		
Net Charge to the CIES	**15,216**	15,302
Employers contributions to pension funds and direct payments to pensioners	**(21,363)**	(18,280)
Carrying amount of non-current assets sold	**(2,167)**	(3,652)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		
Provisions	**(1,884)**	(1,775)
Movements in the value of investment properties	**(4,196)**	(937)
Movements in the value of Finance Leases and PFI	**(115)**	(73)
Movement in the MRR	**(2,087)**	
Movement in the FIAA	**(121)**	
Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements	**(52,876)**	(64,656)

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

	31-Mar-13 £000's	31-Mar-12 Restated £000's
Purchase of short-term and long-term investments	-	-
Proceeds from short-term and long-term investments	-	-
Grants applied to the financing of capital expenditure	**17,396**	20,044
Proceeds from sale of property, plant and equipment, investment property and intangible assets	**2,459**	3,991
Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities	**19,855**	24,035

28. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	Balance at 31-Mar-13 £000's	Balance at 31-Mar-12 £000's
Purchase of property, plant and equipment, investment property and intangible assets	**44,341**	50,797
Purchase of short-term and long-term investments	**-**	-
Other payments for investing activities	**-**	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(2,459)**	(3,991)
Proceeds from short-term and long-term investments		-
Other receipts from investing activities	**(17,396)**	(20,044)
Net cash flows from investing activities	**24,486**	26,762

NOTES TO THE CORE FINANCIAL STATEMENTS

29. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	Balance at 31-Mar-13 £000's	Balance at 31-Mar-12 £000's
Cash receipts of short-term and long-term borrowing	**-**	(133,550)
Other receipts from financing activities	**(1,120)**	(14,051)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**1,040**	1,291
Repayments of short-term and long-term borrowing	**3,000**	5,000
Other payments for financing activities	**-**	-
Net cash flows from financing activities	**2,920**	(141,310)

30. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

The income and expenditure of the Council's principal (directorates) recorded in the budget reports for the year is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13	Adults, Children & Education £000's	City Strategy £000's	Communities & Neighbourhoods £000's	Customer & Business Support Services £000's	Office of the Chief Executive £000's	Corporate £000's	Total £000's
Employees	38,397	14,680	21,461	19,486	1,846	1,150	97,020
Supplies & Services	69,965	3,243	12,354	7,594	1,174	12,798	107,128
Internal Charges	-	-	-	-	-	65,597	65,597
Other Expenses	134,172	30,957	21,461	65,575	795	(38,347)	214,613
Total Expenditure	**242,534**	**48,880**	**55,276**	**92,655**	**3,815**	**41,198**	**484,358**
Fees, Charges & Other Income	(34,359)	(20,091)	(19,842)	(9,413)	(285)	(17,000)	(100,990)
Government Grants	(122,788)	(5,833)	(8,829)	(56,331)	(10)	(1,830)	(195,621)
Internal Charges	(13,433)	(5,122)	(8,600)	(24,308)	(1,854)	(12,280)	(65,597)
Total Income	**(170,580)**	**(31,046)**	**(37,271)**	**(90,052)**	**(2,149)**	**(31,110)**	**(362,208)**
Net Expenditure	**71,954**	**17,834**	**18,005**	**2,603**	**1,666**	**10,088**	**122,150**

2011/12	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	42,105	9,602	33,448	13,661	1,924	1,618	102,358
Supplies & Services	69,514	4,816	10,570	8,417	427	6,386	100,130
Internal Charges	-	-	-	-	-	62,884	62,884
Other Expenses	139,728	21,764	35,494	58,701	292	(14,001)	241,978
Total Expenditure	**251,347**	**36,182**	**79,512**	**80,779**	**2,643**	**56,887**	**507,350**
Fees, Charges & Other Income	(35,705)	(16,842)	(35,471)	(3,348)	(49)	(36,666)	(128,081)
Government Grants	(129,014)	(2,451)	(4,430)	(54,399)	-	(2,542)	(192,836)
Internal Charges	(13,415)	(9,124)	(8,502)	(18,472)	(1,909)	(11,462)	(62,884)
Total Income	**(178,134)**	**(28,417)**	**(48,403)**	**(76,219)**	**(1,958)**	**(50,670)**	**(383,801)**
Net Expenditure	**73,213**	**7,765**	**31,109**	**4,560**	**685**	**6,217**	**123,549**

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.

	2012/13 £000	2011/12 £000
Net Expenditure in Directorate Analysis	**122,150**	123,549
Net expenditure of services and support services not included in the Analysis	**(122,477)**	(123,022)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**27,323**	30,371
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(9,002)**	111,844
Cost of Services in Comprehensive Income and Expenditure Statement	**17,994**	**142,742**

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

2012/13

	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	97,020				(242)		**96,778**
Other Service Expenses	310,538	(3,516)	(8,391)				**298,631**
Support Service Recharges	65,597			(65,597)			**-**
Depreciation, Amortisation & Impairment		41,506					**41,506**
Interest Payments	10,374	(121)					**10,253**
Precepts & Levies						616	**616**
Payments to Housing Capital Receipts Pool	829						**829**
Gain Or Loss On Disposal Of Fixed Assets		4,010					**4,010**
Total Expenditure	**484,358**	**41,878**	**(8,391)**	**(65,597)**	**(242)**	**616**	**452,623**
Fees, Charges & Other Service Income	(165,892)	2,674	(612)	65,597			**(98,233)**
Surplus Or Deficit On Associates & Joint Ventures							**-**
Interest & Investment Income	(695)						**(695)**
Income From Council Tax		167				(76,294)	**(76,127)**
Government Grants & Contributions	(195,621)	(17,396)				(46,557)	**(259,574)**
Total Income	**(362,208)**	**(14,555)**	**(612)**	**65,597**	**-**	**(122,851)**	**(434,629)**
Surplus Or Deficit On The Provision Of Services	**122,150**	**27,323**	**(9,002)**	**-**	**(242)**	**(122,235)**	**17,994**

NOTES TO THE CORE FINANCIAL STATEMENTS

2011/12

	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	102,358				878		**103,236**
Other Service Expenses	335,238	(7,421)	108,569				**436,386**
Support Service Recharges	62,884			(62,884)			**-**
Depreciation, Amortisation & Impairment		43,184					**43,184**
Interest Payments	6,458	(113)					**6,345**
Precepts & Levies						602	**602**
Payments to Housing Capital Receipts Pool	412						**412**
Gain Or Loss On Disposal Of Fixed Assets		73					**73**
Total Expenditure	**507,350**	**35,723**	**108,569**	**(62,884)**	**878**	**602**	**590,238**
Fees, Charges & Other Service Income	(190,225)	14,245	3,275	62,884			**(109,821)**
Surplus Or Deficit On Associates & Joint Ventures							**-**
Interest & Investment Income	(740)						**(740)**
Income From Council Tax		916				(74,734)	**(73,818)**
Government Grants & Contributions	(192,836)	(20,513)				(49,768)	**(263,117)**
Total Income	**(383,801)**	**(5,352)**	**3,275**	**62,884**	**-**	**(124,502)**	**(447,496)**
Surplus Or Deficit On The Provision Of Services	**123,549**	**30,371**	**111,844**	**-**	**878**	**(123,900)**	**142,742**

31. ACQUIRED AND DISCONTINUED OPERATIONS

All Council operations are categorised as continuing operations.

NOTES TO THE CORE FINANCIAL STATEMENTS

32. TRADING OPERATIONS

The Council had no external trading operations in 2011/12. From June 2012 a limited company established by the council has been in operation, trading mainly with schools. The Council has established 15 internal trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

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

33. AGENCY SERVICES

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

The Council provides payroll services for three schools (which includes 2 Academy schools), one college, City of York Trading, one District Council, and various small organisations mostly in the voluntary and sports sectors. These contracts are detailed in the table:

	2012/13 £000's	2011/12 £000's
Expenditure incured providing Payroll Services	**23**	22
Fee income earned	**(37)**	(36)
Net Position	**(14)**	(14)

34. ROAD CHARGING SCHEMES

There were no schemes under the Transport Act 2000 in 2012/13, but these will continue to be considered by the Council in future years.

35. POOLED BUDGETS

There were no pooled budgets in 2012/13, but these will continue to be considered by the Council in future years.

36. MEMBERS' ALLOWANCES

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

	2012/13 £000's	2011/12 £000's
Allowances	**552**	548
Expenses	**9**	10
Total	**561**	558

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012/13 will be released to the press during the summer and will identify that the Council spent £561k (2011/12 £558k) on members' allowances and expenses. Members receive payments that reflect the special responsibilities of the individual Member, together with a basic allowance. Other allowances received include those for telephones, internet and dependent care. Expenses are made up of travel and subsistence costs. The level of the basic and responsibility allowances are set by the Council after recommendations are received from the Executive, having regard to the review undertaken by the Council's independent remuneration panel. In addition to the allowances and expenses the Council has incurred a cost of £41k (2011/12 £40k) for members pensions contributions.

37. OFFICERS REMUNERATION

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

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

	Notes	Salary (incl. fees & Allowances) £000's	Expense Allowances £000's	Compensation for loss of office £000's	Total Remuneration excluding Pension contributions 2011/12 £000's	Pension contributions £000's	Total Remuneration including Pension contributions 2011/12 £000's
Chief Executive		136	-	-	136	27	163
Director of Adults, Children & Education	1	108	-	-	108	20	128
Director of Communities & Neighbourhoods		103	-	-	103	20	123
Director of Customer & Business Support Services		103	-	-	103	20	123
Director of City Strategy	2	27	-	-	27	4	31
Director of City and Environmental Services	3	36	-	-	36	7	43
Assistant Director Legal Governance & IT		73			73	14	87
Head of Strategy Partnerships and Communication		57			57	-	57
		643	-	-	643	112	755

Note 1 - Director of Adults, Children and Education left the Council on the 31st March 2013.
Note 2 - Director of City Strategy left the Council on 10th June 2012.
Note 3 - Director of City and Environmental services commenced on 5th November 2012.

NOTES TO THE CORE FINANCIAL STATEMENTS

The remuneration paid to the Council's senior employees in 2011/12 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 2011/12 £000's	Pension contrib-utions £000's	Total Remuner-ation including Pension contrib-utions 2011/12 £000's
Chief Executive		133	-	-	133	25	158
Director of City Strategy		102	-	-	102	20	122
Director of Adults, Children & Education	1	102	-	-	102	20	122
Director of Communities & Neighbourhoods	2	102	-	-	102	20	122
Director of Customer & Business Support Services	3	102	-	-	102	20	122
Assistant Director Legal Governance & IT	4	73	-	-	73	14	87
		614	-	-	614	119	733

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

	2012/13 Number of employees					2011/12 Number of employees			
Remuneration Band	**Officers Current**	**Officers Left during year**	**Teachers Current**	**Teachers left during year**	**Total**	Officers Current	Officers Left during year	Teachers Current	Total
£50,000 - £54,999	**28**	**1**	**37**	**1**	**67**	28	1	27	56
£55,000 - £59,999	**4**	**-**	**21**	**3**	**28**	6	-	23	29
£60,000 - £64,999	**-**	**-**	**10**	**-**	**10**	1	-	10	11
£65,000 - £69,999	**1**	**-**	**4**	**1**	**6**	10	-	7	17
£70,000 - £74,999	**11**	**-**	**3**	**-**	**14**	4	-	3	7
£75,000 - £79,999	**-**	**-**	**6**	**-**	**6**	-	-	5	5
£80,000 - £84,999	**-**	**-**	**1**	**-**	**1**	-	-	1	1
£85,000 - £89,999	**-**	**-**	**1**	**-**	**1**	-	-	2	2
£90,000 - £94,999	**-**	**-**	**2**	**-**	**2**	-	-	1	1
	44	**1**	**85**	**5**	**135**	49	1	79	129

NOTES TO THE CORE FINANCIAL STATEMENTS

The numbers of exit packages and total cost of redundancies is collated in bands of £20k as set out in the table below:

Exit package cost band (including special payments	Number of redundancies		Total cost of exit packages in each band	
	2012/13	2011/12	**2012/13 £000's**	2011/12 £000's
£0- £20,000	**150**	240	**983**	1,380
£20,001 - £40,000	**19**	25	**485**	695
£40,001 - £60,000	**4**	3	**190**	145
£60,001 - £80,000		1		62
Total	**173**	269	**1,658**	2,282

38. EXTERNAL AUDIT COSTS

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

	2012/13 £000's	2011/12 £000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	**122**	206
Fees payable to the Audit Commission in respect of statutory inspection		-
Fees payable to the Audit Commission for the certification of grant claims and returns	**14**	49
Fees payable in respect of other services provided by the appointed auditor	**4**	5
	140	260

NOTES TO THE CORE FINANCIAL STATEMENTS

39. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of the DSG is recouped to by the Department to fund academy schools in the Council's area.

The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011.
The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.
Details of the deployment of the DSG receivable for 2012/13 are as follows:

	Central Expend-iture £000's	Individual Schools Budget £000's	DSG Total £000's
Final DSG for 2012/13 before Academy recoupment			106,889
Academy figure recouped for 2012/13			(7,934)
Total DSG after Academy recoupment for 2012/13			98,955
Brought forward from 2011/12			387
Carry forward to 2013/14 agreed in advance			-
DSG resources available for distribution in 2012/13	12,159	87,183	99,342
In year adjustments	-	-	
Final resources available for distribution in 2012/13	12,159	87,183	99,342
Less actual central expenditure	(12,403)		(12,403)
Less actual ISB deployed to schools		(87,571)	(87,571)
Plus Local Authority contribution for 2012/13	-	-	-
Carry forward to 2013/14	(244)	(388)	(632)

NOTES TO THE CORE FINANCIAL STATEMENTS

40. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2012/13 £000's	2011/12 £000's
Credited to Taxation and Non Specific Grant Income		
Demand on Collection Fund	**(76,127)**	(73,818)
Non-Domestic Rates Redistribution	**(45,671)**	(38,017)
Revenue Support Grant	**(885)**	(11,751)
Area Based Grant	**-**	-
Other general grants	**(15,751)**	(13,867)
Capital Grants	**(15,227)**	(15,362)
Contributions	**-**	(1,269)
New Homes Bonus	**(1,830)**	(714)
TOTAL	**(155,491)**	(154,798)
Credited to Services		
Homelessness	**-**	-
Dedicated Schools Grant Base	**(99,974)**	(98,523)
Other Standard Fund Grants	**-**	(431)
DfT	**(1,005)**	(497)
DEFRA	**-**	(120)
DAAT main grant	**-**	(1,555)
Yorkshire Forward	**-**	(155)
Social Care Reform Grant	**-**	(55)
Access to Work	**(170)**	(186)
Campus Grant	**-**	(33)
Young Peoples Substance Misuse	**-**	(75)
YPLA	**-**	(6,931)
SFA/EFA	**(6,117)**	(1,392)
Leeds City Region	**-**	(79)
Other Grants	**(638)**	(4,990)
DWP Council Tax, Housing Benefit & Admin Grant	**(55,948)**	(54,118)
Troubled Families	**(125)**	-
Pupil Premium	**(2,398)**	-
Additional Grant for Schools	**(203)**	-
PFI Revenue Support	**(1,186)**	-
Skills Funding Agency	**(1,365)**	
Education Funding Agency	**(297)**	
TOTAL	**(169,426)**	(169,140)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

NOTES TO THE CORE FINANCIAL STATEMENTS

	31-Mar-13 £000's
Current Liabilities	
Grants Receipts in Advance (Capital Grants)	
BBAF grant (capital)	(1,505)
Miscellaneous other grants (capital)	(26)
S106 Contributions with conditions	(237)
TOTAL	**(1,768)**
Grants Receipts in Advance (Revenue Grants)	
BBAF grant (revenue)	(980)
Joseph Rowntree Housing Trust s278 Derwenthorpe	(386)
Troubled Families	(280)
University of York s278 East Campus	(78)
Linden Homes (North) Ltd s278 Ouseacres	(13)
English Heritage Characterisation Project	(12)
Education Misc Grants	(78)
ASB	(137)
DLS	(13)
LLDD	(9)
DOH Drug and Alcohol Action Team	205
TOTAL	**(1,781)**

	31-Mar-12 £000's
Current Liabilities	
Grants Receipts in Advance (Capital Grants)	
S106 Contributions with conditions	**(275)**
TOTAL	**(275)**
Grants Receipts in Advance (Revenue Grants)	
DOH Drug and Alcohol Action Team	**(370)**
Education Misc Grants	**(168)**
DCLG New Homes Bonus Scheme	**(148)**
SFA Work Based Training	**(128)**
Young Peoples Learning Agency	**(56)**
Miscellaneous other grants	**(51)**
TOTAL	**(921)**

41. RELATED PARTIES

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 40.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 36.

During 2012/13, works and services to the value of £443k were commissioned from companies in which a total 2 members had an interest in. Contracts were entered into in full compliance with the council's standing orders

Company name	No of Members that holds an interest	Value of works commissioned by the Council £000's	Value outstanding as at 31 March 2013 £000's
York Wheels	1	90	0
Yorkshire Energy Partnership Board	1	353	0

The Council have not paid any significant grants to voluntary organisations which members had positions on the governing body that were outside of their responsibilities of carrying out Council business.

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

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

Officers

During 2012/13 no works and services of a significant value were commissioned from companies in which officers had an interest in outside of their Council responsibilities. All contracts were entered into in full compliance with the council's standing orders

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

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

Entities Controlled or Significantly Influenced by the Council

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

NOTES TO THE CORE FINANCIAL STATEMENTS

For detailed information relating to Yorwaste Limited and Veritau Limited please see Long Term Investments note

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

Science City York is a company limited by guarantee and is a non profit organisation. There is no share capital but the Council being a member is liable to contribute £1 in the event of the company being wound up. The members also include the University of York. There are two transactions between Science City York and the Council each year. Loan interest is paid to the Council on the £50k loan and a service level agreement is set up where by the Council gives a grant to Science City York of £100k. The Chief Executive of City of York Council – Kersten England – is a member of the board.

In May 2011, a subsidiary of Science City York was set up called SCY Enterprises Ltd. This is a wholly owned subsidiary of Science City York.

City of York Trading was incorporated as a private company on the 18th November 2011 and the company is 100% owned by the Council. 2012/13 is the first year of operation.

LONG TERM INVESTMENTS

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

Yorwaste
The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% share-holding in Yorwaste Limited. The majority shareholder is North Yorkshire County Council who hold the remaining 77.73%. The Company's profit and loss account is not included as part of the Comprehensive Income & Expenditure Account, however dividend income of £nil (£245k 2011/12) is included as part of the Council's income for Cultural, Environmental and Planning Services. Similarly, the Company's assets and liabilities are not in the Consolidated Balance Sheet.

The Council has a contract with Yorwaste Limited for waste disposal services. Contract prices are negotiated on an arms length commercial basis. The total value of services received in the year was £5.05m (£5.335m 2011/12) including Landfill Tax, and at 31 March 2013 there was a creditor balance of £0.247m excluding vat (£0.487m excluding vat 2011/12).

In addition the Council provides services to Yorwaste Limited that totalled £0.364m (£0.356m during 2011/12. There was a debtor outstanding at 31 March 2013 of £0.115m (£nil 2011/12).

York Science Park
City of York Council has owned shares in the company since 23 December 1999 and the nominal value of the shares is £1. The Council now holds 200 shares which represent less than 20% of the total share capital at £1.157m. The Council received no dividends or profits from York Science Park and holds no liability. There were no significant monetary transactions between the Council and the company during 2011/12.

Veritau
Since 1 April 2009, internal audit, counter-fraud and information governance services have been provided by Veritau Limited. The company is jointly owned by City of York Council and North Yorkshire County Council, with each Council holding 50% of the shares.

The Council has a contract with Veritau Limited for the provision of internal audit, counter-fraud and information governance services. Contract prices are negotiated on an arms length commercial basis.

NOTES TO THE CORE FINANCIAL STATEMENTS

The total value of services received in year was £657k (£657k in 11/12) and Veritau Limited paid the Council £14k (£12k in 2011/12). As at 31 March 2013 there was a creditor balance of £0k (£30k 2011/12) and a debtor balance of £2k (£2k 2011/12).

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

42. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/13	2011/12
	£000's	£000's
Opening Capital Financing Requirement	**300,086**	160,397
Capital Investment		
Property, Plant and Equipment	**42,600**	40,667
Investment Properties	**22**	4
Intangible Assets	**421**	145
Revenue Expenditure Funded from Capital under Statute	**3,434**	9,031
Leases / PFI	**23**	271
HRA Self Financing payment	**-**	121,550
Sources of Finance		
Capital Receipts	**(1,484)**	(3,577)
Government grants and other contributions	**(19,104)**	(22,513)
Direct revenue contributions	**(907)**	(1,878)
MRP (Minimum Revenue Repayment)	**(3,202)**	(4,011)
Movement in Year	**21,803**	139,689
Closing Capital Financing Requirement	**321,889**	300,086
Explanations of movement in year		
Increase in underlying need to borrow (supported by government financial assistance)	**8,833**	6,961
Increase in underlying need to borrow (unsupported by government financial assistance)	**16,148**	14,918
Assets acquired under finance leases/PFI	**23**	271
HRA Self Financing payment	**-**	121,550
MRP/ loans fund principal	**(3,202)**	(4,011)
Increase/ (decrease) in Capital Financing Requirement	**21,802**	139,689

The Capital Financing Requirement increased in 2012/13 in line with a number of capital schemes funded primarily by use of Council prudential borrowing.

43. LEASES

Council as Lessee

Finance Leases

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

	2012/13 £000's	2011/12 Restated £000's
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	480	852
	480	852

The 31st March 2012 figure has been restated to reflect the re-categorisation of specific service contracts that involve the use of an asset.

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

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

	2012/13 £000's	2011/12 £000's
Finance lease liabilities (net present value of minimum lease payments)		
- Current	376	714
- Non-current	181	381
Finance costs payable in future years	46	85
Minimum lease payments	603	1,180

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

	Minimum lease payments		Finance lease liabilities	
	2012/13 £000's	2011/12 £000's	2012/13 £000's	2011/12 £000's
Not later than one year	414	770	375	714
Later than one year and not later than five years	189	410	181	381
Later than five years	-	-	-	-
	603	1,180	556	1,095

Due to the short-term nature of the leases entered into by the Council, no contingent rents were payable by the Council in 2012/13 (2011/12 £0).

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

Operating Leases

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	31-Mar-13	31-Mar-12
	£000's	£000's
Not later than one year	**1,111**	1,584
Later than one year and not later than five years	**2,426**	2,150
Later than five years	**2,672**	2,996
	6,209	6,730

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:

	2012/13	2011/12
	£000's	£000's
Minimum lease payments	**1,618**	2,168
Contingent rents	**81**	81
	1,699	2,249

Council as Lessor

Finance Leases
The Council acts as lessor for a small number of property leases, with start dates between 1967 and 1994 and remaining lease terms of between 3 and 25 years. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end.

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

	2012/13	2011/12
	£000's	£000's
Finance lease debtor (net present value of minimum lease payments)		
- Current	**10**	10
- Non-current	**398**	408
Unearned finance income	**419**	450
Unguaranteed residual value of property		-
Gross Investment in the lease	**827**	868

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

	Gross Investment in the Lease		Minimum Lease payments	
	2012/13	2011/12	**2012/13**	2011/12 Restated
	£000's	£000's	**£000's**	£000's
Not later than one year	**41**	41	**10**	10
Later than one year and not later than five years	**155**	157	**42**	41
Later than five years	**632**	670	**356**	367
	828	868	**408**	418

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 2012/13 contingent rents of £124k were receivable by the Council (2011/12 £124k).

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

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

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

	2012/13	2011/12 Restated
	£000's	£000's
Not later than one year	**1,925**	1,933
Later than one year and not later than five years	**5,038**	5,474
Later than five years	**10,340**	10,671
	17,303	18,078

The 31st March 2012 figure has been restated to reflect the re-categorisation of specific service contracts that involve the use of an asset.

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 2012/13 contingent rents of £734k were receivable by the Council (2011/12 £768k). The contingent rent figure includes the fee in relation to York Race course which is dependant on the number of race days held in any given year.

44. PFI AND SIMILAR CONTRACTS

The Council has one PFI scheme for the provision of 3 primary schools with Sewell Education (York) Ltd and 2011/12 was the seventh 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 Council's Balance Sheet along with a liability for the financing provided by the PFI operator. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year and also relate to the repayment of the liability and finance costs associated with the asset. A prepayment of £4.032m was made prior to service commencement. Under the terms of the contract the Council has granted Sewell a licence for use of the land for 30 years.

Property Plant and Equipment

The asset used to provide the services at one of the schools is recognised on the Council's Balance Sheet. Movements in the value over the year are detailed in the analysis of the movement on the

Property, Plant and Equipment balance in Note 12. The other 2 schools are voluntary aided where the asset does not revert back to the Council at the end of the contract. These assets are not included on the face of the Balance Sheet and the associated costs have been removed.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2013 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000's	Finance Payment £000's	Liability Repayment £000's	Total Payments £000's
Within 1 Yr	547	416	235	1,198
Between 2 Yrs and 5 Yrs	2,302	1,527	910	4,739
Between 6 Yrs and 10 Yrs	3,245	1,575	1,070	5,890
Between 11 Yrs and 15 Yrs	3,797	1,246	935	5,978
Between 16 Yrs and 20 Yrs	3,789	1,179	1,295	6,264
Between 21 Yrs and 25 Yrs	2,087	711	1,181	3,980
	15,767	6,654	5,627	28,049

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

45. IMPAIRMENT LOSSES

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

46. CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during 2012/13.

47. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £1,658k (£2,282k in 2011/12 restated). See Note 37 for the number of exit packages and total cost per band. This sum is payable to officers across all of the Council's directorates.

48. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13 the Council paid £6.378m (2011/12 £6.382m) to CTP in respect of teachers' retirement benefits, which represents 14.1% (2011/12 14.0%) of teachers' pensionable pay.

In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement which are not the responsibility of the CTP. These amounted to £711k (2011/12 £692k) and are fully accrued in the pensions liability described in the figures that follow in Note 49.

49. DEFINED BENEFIT PENSION SCHEMES

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

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

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

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

Transactions relating to post-employment benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme

	2012/13		2011/12	
	£000's	**£000's**	£000's	£000's
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service cost	**13,538**		12,929	
Past service cost			-	
Settlements and Curtailments	**892**		(44)	
		14,430		12,885
Financing and Investment Income and Expenditure				
Interest cost	**23,094**		23,471	
Expected return on assets in the scheme	**(16,161)**		(18,076)	
		6,933		5,395
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services		**21,363**		18,280
Other Post Employment Benefit Charged to Comprehensive I&E statement				
Actuarial gains and losses	**33,743**			30,883
Movement in Reserves statement				
Reversal of net charges made to the Surplus or Defecit for the Provision of Services for post employment benefits in accordance with the Code	**(21,363)**			(18,280)
Actual amount charged against the General Fund Balance for pensions in the year:				
Empoyers' contributions payable to scheme	**15,216**			15,302

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 loss of £33.743m (2011/12 loss of £30.883m) 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 £156.544m.

The NYPF, which is a Local Government Pension Scheme, is a defined benefit scheme, since the Council's liabilities to its current and former employees can be identified within the fund, and the Council will be liable to meet these, irrespective of the future performance of the fund. 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-Mar-13 Local Government Pension Scheme £000's	**Unfunded Teachers Scheme £000's**	As at 31-Mar-12 Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's
Balance at 1 April	**458,631**	**11,684**	414,656	11,113
Current service cost	**13,538**	**-**	12,929	-
Interest cost	**22,573**	**521**	22,890	581
Contributions by scheme participants	**4,651**		4,824	-
Actuarial (gains)/losses	**63,400**	**1,543**	16,649	380
Benefits/transfers paid	**(14,079)**	**(711)**	(12,880)	(692)
Past service costs	**-**	**-**	-	-
Curtailments	**809**	**83**	1,165	302
Settlements	**-**	**-**	(1,602)	-
Balance at 31 March	**549,523**	**13,120**	458,631	11,684

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

	As at 31-Mar-13 Local Government Pension Scheme £000's	**Unfunded Teachers Scheme £000's**	As at 31-Mar-12 Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's
Balance at 1 April	**(288,381)**	**-**	(277,696)	-
Expected rate of return	**(16,161)**		(18,076)	-
Actuarial (gains)/losses	**(31,200)**		13,854	-
Employer contributions	**(14,505)**	**(711)**	(14,610)	(692)
Contributions by scheme participants	**(4,651)**		(4,824)	-
Benefits/transfers paid	**14,079**	**711**	12,880	692
Settlements			91	
Balance at 31 March	**(340,819)**	**-**	(288,381)	-

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 £47.362m (2011/12 gain of £4.222m).

Scheme History

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000's	£000's	£000's	£000's	£000's
Present Value of Liabilities					
Local Government Pension Scheme	287,911	420,933	414,656	458,631	549,523
Unfunded Teachers Pensions	8,880	10,663	11,113	11,684	13,120
Fair Value of Assets					
Local Government Pension Scheme	(145,849)	(241,618)	(277,696)	(288,381)	(340,819)
(Surplus)/Deficit in the Scheme					
Local Government Pension Scheme	142,062	179,315	136,960	170,250	208,704
Unfunded Teachers Pensions	8,880	10,663	11,113	11,684	13,120
Total Scheme (Surplus)/Deficit	150,942	189,978	148,073	181,934	221,824

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £221.824m (2011/12 £181.934m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £14m.

Basis for Estimating Assets and Liabilities

In calculating the Council's assets and liabilities Mercer Human Resource Consulting Ltd., an independent firm of actuaries who are the fund's actuaries, had to make a number of assumptions about events and circumstances in the future. This means that the results of actuarial calculations are subject to uncertainties within a range of possible values. The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer, with the estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

NOTES TO THE CORE FINANCIAL STATEMENTS

	As at 31-Mar-13	As at 31-Mar-12
Post Retirement Mortality Assumptions		
Non-retired members (retiring in the future in normal health)	S1PA CMI 2009 1.25% Tables	SPA02 CMI 2009 1% Tables
Current pensioners (retired in normal health)	S1PA CMI 2009 1.25% Tables	SPA02 CMI 2009 1% Tables
Life expectancy		
Of a male future pensioner aged 65 in 20 years time	**24.4**	23.6 yrs
Of a female future pensioner aged 65 in 20 years time	**27.2**	26.4 yrs
Of a male current pensioner aged 65	**22.6**	22.2 yrs
Of a female current pensioner aged 65	**25.3**	24.8 yrs
Commutation of pension for lump sum at retirement		
Take maximum cash	**50%**	**50%**
Take 3/80ths cash	**50%**	**50%**

The following shows the inflation factors used:

	As at 31-Mar-13	**As at 31-Mar-13**	**As at 31-Mar-12**	**As at 31-Mar-12**
	% pa LGPS	**% pa UTS**	**% pa LGPS**	**% pa UTS**
Rate of Inflation	**2.4**	**2.4**	**2.50**	**2.30**
Rate of increase in salaries	**4.15**	**N/A**	**4.25**	**N/A**
Rate of increase in pensions	**2.4**	**2.4**	**2.50**	**2.30**
Discount rate	**4.2**	**3.7**	**4.90**	**4.60**

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:

	As at 31-Mar-13 %	As at 31-Mar-12 %
Equities	**64.0**	70.8
Government Bonds	**13.1**	20.2
Other Bonds	**10.1**	8.2
Property	**3.7**	-
Cash/liquidity	**0.4**	0.8
Other	**8.7**	-
	100.0	100.0

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	As at 31-Mar-13 % pa	As at 31-Mar-12 % pa
Equities	**7.00**	**7.00**
Government Bonds	**2.80**	**3.10**
Other Bonds	**3.90**	**4.10**
Property	**5.70**	**N/A**
Cash/liquidity	**0.50**	**0.50**
Other	**7.00**	**N/A**
Expenses deduction (p.a.)	**0.37**	***0.37***

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				
	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between expected and actual return on assets	(63.1)	31.3	3.8	(4.8)	9.2
Experience gains and losses on liabilities	-	-	2.9	-	-

	Unfunded Teachers Pensions				
	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	-	-	(8.9)	-	-

50. CONTINGENT LIABILITIES

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

The contract includes provision whereby compensation could be payable by the County Council up to a maximum of £5m to the Contractor in specific circumstances should the contract not proceed to financial close. The City of York Council will be liable to pay North Yorkshire County Council 21% of any compensation payable under the Joint Waste Management Agreement. Whilst planning consent was granted on 14th February 2013, the consent is subject to Judicial Review. The outcome of that will not be known until later in the year. Subject to planning consent being confirmed a decision on financial close will then follow.

The Council recognises the risk of potential liability is recognised and the Council accepts that should it not proceed to financial close as described above City of York Council will need to identify funds to cover any compensation due. It is, however, anticipated that this situation is very unlikely.

Municipal Mutual Insurance Ltd. - Prior to 1992, the council's public liability and employers' liability insurance were supplied by Municipal Mutual Insurance Ltd. In 1992 the company ceased to accept new business and entered a run off period. In 1994, a Scheme of Agreement under the Companies Act 1985 was put in place, under which if the company became at risk of insolvency, it would be able to claw back the necessary percentage of the claims it had paid out since the commencement of the Scheme of Agreement. The council had been advised that a court ruling on 28 March 2012 in relation to employers' liability for occupational disease claims such as asbestos was likely to have adversely affected the financial position of Municipal Mutual Insurance Ltd to the extent that a claw back of claims has become likely and it was estimated that CYC would potentially be liable for £418,226.95. In April 2013 the Council was advised that the MMI Scheme of Arrangement had been triggered and a Levy rate of 15% is required, a total of £63,000. The Levy Notice will be issued at some point during 2013.

51. CONTINGENT ASSETS

No contingent assets have been identified.

52. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following 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 Budget Council in February 2012 and is available on the Council website. The key issues within the strategy were:

- The revised Authorised Limit for the 2012/13 was set at £357.9m. This figure is the maximum limit of external borrowings or other long term liabilities.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The Operational Boundary for 2012/13 was set at £327.2m. 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 110% and –10% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are contained within this note.

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

Credit Risk

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

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

The Council uses the creditworthiness service provided by 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 2012/13 was approved by Budget Council in February 2012 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12.071m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2013 that this was likely to crystallise.

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

	Amount at 31-Mar-13 £000's	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31-Mar-13 %	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-13 £000's	Estimated Maximum Exposure at 31-Mar-12 £000's
Deposit with banks and financial institutions (Maturities <1yr therefore fair value is carrying amount	12,071	0.00	0.00	0	0
Bonds	0	0.00	0.00	0	0
Customers	27,100	1.67	1.67	453	825
	39,171			**453**	**825**

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

The Council does not generally allow credit for its trade debtors, such that £4.362m of the £27.100m balance is past its due date for payment. The past its due date amounts can be analysed by age as follows:

	31-Mar-13 £000's	31-Mar-12 £000's
Less than three months	**1792**	886
three to six months	**304**	462
Six months to one year	**707**	665
More than one year	**1559**	1,686
Total	**4,362**	3,698

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	31-Mar-13 £000's	31-Mar-12 £000's
Analysis of loans by maturity:		
Interest Due within one year	**(3,800)**	(1,902)
Maturing within one year	**(5,100)**	(8,100)
Maturing in 1 - 2 years	**(4,500)**	-
Maturing in 2 - 5 years	**(19,179)**	(13,676)
Maturing in 5 - 10 years	**(37,700)**	(38,000)
Maturing in more than 10 years (average maturity 20 years)	**(192,415)**	(202,115)
Carrying Value Adjustment	**989**	1,025
Total	**(261,705)**	(262,768)

All trade and other payables (£33.907m) are due to be paid in less than one year and are not shown in the table above.

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

	Interest Rates Payable	**31-Mar-13 £000's**	31-Mar-12 £000's
Total Outstanding			
Public Works Loan Board (PWLB)	2.500% to 4.750%	**(238,615)**	(241,615)
PWLB (Carrying Value Adjustment)		**989**	1,025
Royal Exchange Trust Co. Ltd	7.155%	**(10,000)**	(10,000)
Local Bonds		**(179)**	(176)
Short Term Loans		**(100)**	(100)
Dexia Bank LOBO	3.880%	**(5,000)**	(5,000)
RBS Bank LOBO	3.600%	**(5,000)**	(5,000)
Interest Owed on Long Term Debt at 31st March		**(3,800)**	(1,902)
Total		**(261,705)**	(262,768)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Approved Min Limit 31-Mar-13 %	Approved Max Limit 31-Mar-13 %	**Authority Actual at 31-Mar-13 £000's**	**Authority Actual at 31-Mar-13 %**	Authority Actual at 31-Mar-12 £000's	Authority Actual at 31-Mar-12 %
Less than 1 year	0%	30%	**(8,900)**	**4%**	(10,002)	4%
Between 1 and 2 years	0%	30%	**(4,500)**	**2%**	-	0%
Between 2 and 5 years	0%	40%	**(19,179)**	**7%**	(13,676)	5%
Between 5 and 10 years	0%	40%	**(37,700)**	**14%**	(38,000)	14%
More than 10 years	30%	90%	**(192,415)**	**73%**	(201,090)	77%
Total			**(262,694)**		(262,768)	

Market Risk

Interest Rate Risk

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

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

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

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

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

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

	31-Mar-13 £000's	31-Mar-12 £000's
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	**69**	192
Impact on Surplus or Deficit on the Provision of Services	-	-
Increase in government grant receivable for financing costs	-	-
Impact on Income and Expenditure Account	**69**	192
Share of overall impact credited to the HRA	**10**	29
Decrease in fair value of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services or other CIES)	**12,297**	12,462

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

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

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

53. TRUST FUNDS:

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

	Expenditure During Year £000's	**Income During Year £000's**	**Balance at 31-Mar-13 £000's**	Balance at 31-Mar-12 £000's
Strensall & Towthorpe Village Trust	**27**	**-**	**(8)**	(35)
Haughton/Gardiner Trust	**-**	**(1)**	**(55)**	(54)
Staff Lottery	**-**	**(8)**	**(47)**	(39)
Edward Lamb Automoton Clock Legacy	**-**	**-**	**(24)**	(24)
Edmund Wilson Trust	**-**	**-**	**(21)**	(21)
Other Funds	**10**	**(5)**	**(114)**	(119)
	37	**(14)**	**(269)**	(292)

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

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

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

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

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

54. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

A five year summary of transactions detailing the
(a) cost of acquiring assets,
(b) value of heritage assets acquired by donation,
(c) impairment recognised,
(d) carrying amount of heritage assets disposed of and the proceeds received
have been reviewed for the heritage assets included on the face of the balance sheet. For 3 categories: art, museum, mansion house and civic regalia collections - no transactions of this nature have occurred.

For heritage properties, these movements can be seen in note 13, included in the balance brought forward for 2011/12.

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

55. PRIOR PERIOD ADJUSTMENT - NON CURRENT ASSETS, REVALUATION RESERVE AND CAPITAL ADJUSTMENT ACCOUNT: CHANGE TO THE 2011/12 FINANCIAL STATEMENTS RESTATED IN 2012/13

The Council has reviewed the accounting treatment for non-current assets, Revaluation Reserve and Capital Adjustment Account which has resulted in 3 Prior Period Adjustments. An explanation of the differences between the amounts presented in the 2011/12 financial statements and the equivalent amounts presented in the 2012/13 financial statements is set out in the following tables and notes that accompany the tables.

Prior Period Adjustment 1 - An adjustment has been made in respect of the non-current asset values that served to increase the value of Property, Plant and Equipment by £14k with a corresponding adjustment of the same value to the Capital Adjustment Account. This restatement addresses historical discrepancies in the depreciation values charged against Property, Plant and Equipment assets.

Prior Period Adjustment 2 – A second adjustment has been made in respect of the reversal of revaluation losses brought forward along with associated depreciation adjustment that serves to increase the Capital Adjustment Account and decrease the Revaluation Reserve by a net £9.386m. The £9.386m is comprised of £9.780m of revaluation reversal and -£0.394m of associated depreciation reversal. This restatement addresses the prior absence of accumulated revaluation losses brought forward dating back to 2007/08.

Prior Period Adjustment 3 – The final adjustment has been made in relation to the amendment of revaluation gains and losses that manifests itself as a decrease in the revaluation reserve and a

corresponding increase in the Capital Adjustment Account by £1.974m respectively. This restatement addresses historical variances in the way the revaluation values were held on the old fixed asset register.

Effect on Opening Balance Sheet 31 March 2012

The resulting restated Balance Sheet for 31 March 2012 is provided on page 15 as part of the core statements. The adjustments that have been made to that Balance Sheet over the version published in the 2011/12 Statement of Accounts is as follows:

The 3 prior period adjustments as set out above serve to increase the Property, Plant and Equipment value by £14k, reduce the Revaluation Reserve by £11.360m and increase the Capital Adjustment Account by £11.374m. It should be noted that the £11.360m is a movement between unusable reserves and does not impact on the Council tax payer.

NOTES TO THE CORE FINANCIAL STATEMENTS

11/12 Balance Sheet - Restated	ORIGINAL 31 March 2012 £000's	Prior Period Adjustment	RESTATED 31 March 2012 £000's	As per Core Statement 31 March 2012 Restated £000's
Property, Plant and Equipment	692,626	14	692,640	692,640
Investment Property	38,700	-	38,700	38,700
Intangible Assets	2,311	-	2,311	2,311
Heritage Assets	38,757	-	38,757	38,757
Long - Term Investments	1,215	-	1,215	1,215
Long - Term Debtors	4,468	-	4,468	4,468
LONG - TERM ASSETS	778,077	14	778,091	778,091
Short-Term Investments	10,000	-	10,000	10,000
Assets Held for Sale	1,335	-	1,335	1,335
Inventories	458	-	458	458
Short-Term Debtors	24,757	-	24,757	24,757
Cash and Cash Equivalents	21,459	-	21,459	21,459
CURRENT ASSETS	58,009	-	58,009	58,009
Short-Term Borrowing	(10,002)	-	(10,002)	(10,002)
Provisions due to be settled within 12 months	(5,821)	-	(5,821)	(5,821)
Short-Term Creditors	(33,278)	-	(33,278)	(33,278)
Other Short-Term Liabilities	(714)		(714)	(714)
CURRENT LIABILITIES	(49,815)	-	(49,815)	(49,815)
Long-Term Creditors	(28)	-	(28)	(28)
Provisions	(2,768)	-	(2,768)	(2,768)
Long-Term Borrowing	(252,766)	-	(252,766)	(252,766)
Other Long-Term Liabilities	(6,135)	-	(6,135)	(6,135)
Capital Grants Receipts in Advance	-	-	-	-
Liability related to Defined Benefit			-	-
Pension Scheme	(181,934)	-	(181,934)	(181,934)
LONG-TERM LIABILITIES	(443,631)	-	(443,631)	(443,631)
NET ASSETS	342,640	14	342,654	342,654
RESERVES				
Usable Reserves				
Capital Receipts Reserve	992	-	992	991
General Fund Balance	13,441	-	13,441	13,441
Housing Revenue Account Reserve	10,811	-	10,811	10,811
Major Repairs Reserve	574	-	574	574
Capital Grants Unapplied	4,596	-	4,596	4,596
Earmarked Reserves	23,541	-	23,541	23,541
	53,955	-	53,955	53,954
Unusable Reserves				
Revaluation Reserve	130,489	(11,360)	119,129	119,128
Capital Adjustment Account	347,342	11,374	358,716	358,716
Available-for-sale Financial Instruments Reserve	-	-	-	-
Financial Instruments Adjustment Account	(2,060)	-	(2,060)	(2,058)
Pensions Reserve	(181,934)	-	(181,934)	(181,934)
Collection Fund Adjustment Account	169	-	169	169
Employee Benefit Adjustment Account	(5,321)	-	(5,321)	(5,321)
	288,685	14	288,699	288,700
TOTAL RESERVES	342,640	14	342,654	342,654

NOTES TO THE CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement 11/12

Prior Period Adjustment – The restatement of non current assets resulted in changes to the way assets were supported by the revaluation reserve and capital adjustment account. Therefore revaluation gain of the asset is recognised in the CIES as income of £14k.

11/12 CIES - Restated	ORIGINAL Net Exp. £000's	Prior Period Adj	RESTATED Net Exp. £000's	As per 12/13 Core Statement Net Exp. £000's
Service Costs				
Central Services to the Public	5,598	(834)	4,764	4,764
Cultural Services	13,251	(1,088)	12,163	12,163
Environmental Services	16,320		16,320	16,320
Planning Services	4,158		4,158	4,158
Children's and Education Services	60,545	(8,347)	52,198	52,198
Highways, Roads and Transport Services	10,586		10,586	10,586
Local Authority Housing - revaluation losses:				-
loss on dwellings	7,039		7,039	7,039
Local Authority Housing - settlement payment to				-
Government for HRA self-financing	121,550		121,550	121,550
Local Authority Housing - Other	(10,880)	(10)	(10,890)	(10,890)
Housing Services (General Fund)	6,843	(14)	6,829	6,829
Adult Social Care	57,534	(1,081)	56,453	56,453
Corporate and Democratic Core	3,542		3,542	3,542
Non-Distributed Costs - change in inflation factor				-
for retirement benefits	(44)		(44)	(44)
Non-Distributed Costs - Other	53		53	53
Exceptional Items	(28)		(28)	(28)
Cost of Services	296,067	(11,374)	284,693	284,693
Other Operating Expenditure	676		676	676
Financing and Investment Income and Expenditure	11,456		11,456	11,456
Taxation and Non-Specific Grant Income	(154,084)		(154,084)	(154,084)
(Surplus)/Deficit on Provision of Services	154,115	(11,374)	142,741	142,741
Surplus/loss arising on the revaluation of property, plant and equipment assets	(47,743)	11,360	(36,383)	(36,383)
Surplus/loss arising on the revaluation of available-for-sale financial assets	-		-	-
Actuarial (gains)/losses relating to pensions	30,833		30,833	30,833
Other Comprehensive Income and Expenditure	(16,910)	11,360	(5,550)	(5,550)
Total Comprehensive Income and Expenditure	137,205	(14)	137,191	137,191

NOTES TO THE CORE FINANCIAL STATEMENTS

Movement in Reserves Statement – Total Reserves 2011/12

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2012 are shown as a result of the prior period adjustment changes.

11/12 MIR - Restated	Note	General Fund Balance £000's	Earmarked GF Reserves £000's	Housing Revenue Account £000's	Earmarked HRA Reserves £000's	Major Repairs Reserve £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	**Total Usable Reserves** £000's	**Unusable Reserves** £000's	**Total Authority Reserves** £000's
Balance at 31 March 2011		**(14,711)**	**(16,400)**	**(10,399)**	**(2,120)**	**(666)**	**(990)**	**(1,314)**	**(46,600)**	**(433,245)**	**(479,845)**
Movement in Reserves during 2011/12											
Surplus /(Deficit) on Provision of Services		35,600	-	118,514	-	-	-	-	154,114	-	154,114
- Prior Period Adj		(11,363)		(10)					(11,373)		(11,373)
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	-	(16,910)	(16,910)
- Prior Period Adj		-	-	-	-	-	-	-	-	11,360	11,360
									-		-
Total Comprehensive Expenditure and Income		24,237	-	118,504	-	-	-	-	142,741	(5,550)	137,191
Adjustments between accounting basis & funding basis under regulations	7	(38,993)	-	(119,284)	-	92	(1)	(3,282)	(161,468)	161,468	-
- Prior Period Adj		11,363		10					11,373	(11,373)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(3,393)	-	(770)	-	92	(1)	(3,282)	(7,354)	144,545	137,191
Transfers to/from Earmarked Reserves	8	4,663	(4,663)	358	(358)	-	-	-	-	-	-
Increase/Decrease in Year		1,270	(4,663)	(412)	(358)	92	(1)	(3,282)	(7,354)	144,545	137,191
Balance at 31 March 2012 carried forward		**(13,441)**	**(21,063)**	**(10,811)**	**(2,478)**	**(574)**	**(991)**	**(4,596)**	**(53,954)**	**(288,700)**	**(342,654)**

SUPPLEMENTARY STATEMENTS

HOUSING REVENUE ACCOUNT

MOVEMENT IN THE HOUSING REVENUE ACCOUNT RESERVE

	Note	**2012/13 £000's**	2011/12 £000's
Income			
Dwellings Rents	(3)	**(29,663)**	(27,571)
Non-dwelling rents		**(611)**	(602)
Charges for Services and Facilities		**(867)**	(901)
Contributions Towards Expenditure		**(361)**	(401)
HRA Subsidy receivable		**-**	(43)
Transfer from General Fund		**-**	-
Total Income		**(31,502)**	(29,518)
Expenditure			
Repairs and maintenance		**6,725**	6,137
Supervision and management		**7,211**	6,987
Rents, Rates, Taxes and Other Charges		**166**	165
Negative Housing Revenue Account subsidy payable	(5)	**-**	7,697
Depreciation and Impairment of non-current assets	(9)	**10,244**	4,614
Debt Management Costs		**52**	8
Movement in the allowance for bad debts	(4)	**155**	68
Sums directed by the Secretary of State that are expenditure in accordance with the Code			-
Exceptional Items			121,550
Total Expenditure		**24,553**	147,226
Net Cost of Services included in the Comprehensive Income and Expenditure Statement		**(6,949)**	117,708
Share of Corporate Costs			
HRA share of Corporate and Democratic Core		**70**	127
HRA share of other amounts included in the Council Net Cost of Services but not allocated to specific services		**21**	(10)
Net Cost of HRA Services		**(6,858)**	117,825
HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
Payments to the Government Housing Capital Receipts pool		**829**	412
(Gain) or loss on sale of HRA non-current assets		**(1,014)**	(350)
Interest payable and similar charges		**4,660**	835
Interest and investment income		**(290)**	(221)
Pensions interest cost and expected return on pensions assets	(7)	**167**	140
Capital grants and contributions receivable		**(562)**	
(Surplus)/Deficit on Provision of Services		**(3,068)**	118,641

MOVEMENT IN THE HOUSING REVENUE ACCOUNT RESERVE

	2012/13		2011/12	
	£000's	**£000's**	£000's	£000's
Balance on the HRA at the end of the previous year		**(10,811)**		(10,398)
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	**(3,068)**		118,641	
Adjustments between accounting basis & funding basis under regulations				
HRA share of Corporate Democratic Core	**(70)**	**-**	(127)	
Depreciation and impairment charges	**(10,244)**		(7,316)	
Revaluation charges	**103**		2,702	
Capital grants applied in year	**1,031**	**-**	402	
Non-current assets written off	**(829)**	**-**	(1,016)	
Capital Expenditure funded by the HRA	**907**	**-**	1,868	
Income from non-current asset sales	**1,374**	**-**	1,366	
Transfer from Capital Receipts Reserve	**(829)**		(412)	
Transfer to Capital Receipts Reserve				
Depreciation costs met by MRR	**6,950**		5,185	
Retirement benefits	**377**		427	
Pension payments	**(540)**		(506)	
Applied grants transferred to CAA	**-**		(402)	
Transfer from Capital Adjustment Account			(121,550)	
Accumulated absences	**25**	**-**	(33)	
Net Increase/Decrease before Transfers to or from reserves	**(4,813)**	**-**	(771)	
Transfers to/(from) reserves	**2,894**		358	
(Increase)/Decrease in Year on the HRA		**(1,919)**		(413)
Balance on the HRA at the end of the current year		**(12,730)**		(10,811)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. SIGNIFICANCE OF THE STATUTORY HOUSING REVENUE ACCOUNT

There is a surplus of £3.068m (2011/12 deficit of £118.641m) on the Housing Revenue Account Income and Expenditure Account this increases to a surplus of £1,919k(2011/12 £413k) for the year on the Statutory Housing Revenue Account. This is explained as follows.

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

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

2. LEGISLATIVE BACKGROUND

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

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

3. GROSS RENTS

Gross rent income is the total amount due for the year after allowance for voids of £165k (2011/12 £181k) which represents 0.56% (2011/12 0.66%) of the gross rent income including charges for services. Average rents in March 2012 were £66.97 (2011 £62.92) a week. In April an increase of 7.4% (2011 6.4%) was applied increasing the average rent at that time by £4.98 (2011/12 £4.05).

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.

	2012/13 £000's	2011/12 £000's
Rents due from Tenants	**(11,602)**	(10,572)
Rents remitted by Rent Rebates through the Housing Benefit System	**(18,061)**	(16,999)
Total Rent Income	**(29,663)**	(27,571)

The Council was responsible for managing 7,900 (2011/12 7,902) dwellings at 31 March. In addition to this total are 207 (2011/12 260) properties that the Council manages on behalf of a Housing Association and 78 properties on behalf of private landlords through the social lettings agency, Yorhome, although these properties are not part of the HRA stock.

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

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	835	764	1,606
Houses and Bungalows	16	2,130	1,532	675	4,353
	21	2,679	3,027	2,175	7,902

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

	2012/13			2011/12		
	Houses/ Bungalows	**Flats**	**Total**	Houses/ Bungalows	Flats	Total
Operational Stock						
Balance at 1 April	**4,353**	**3,549**	**7,902**	4,375	3,551	7,926
Sales	**(16)**	**(8)**	**(24)**	(4)	(2)	(6)
New Builds/Conversions	**22**		**22**			
Awaiting Demolitions			**-**	(18)	-	(18)
Dwellings declared surplus			**-**	-	-	-
Dwellings reprovided with Housing Association			**-**	-	-	-
Re-categorisation						
To General Fund			**-**	-	-	-
To HRA non-housing stock	**-**		**-**	-	-	-
Balance at 31 March	**4,359**	**3,541**	**7,900**	4,353	3,549	7,902

4. PROVISIONS 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 2012/13 rent arrears as a proportion of gross rent income have decreased from 3.04% of the amount due to 2.64%. The rent arrears figures are as follows:

		2012/13 £000's	2011/12 £000's
Arrears at 31 March	- Current tenants	**497**	497
	- Former tenants	**328**	401
Amounts Written Off during the Year		**177**	218
Increased/(Reduced) Provision during the Year		**130**	63
Provision for Bad and Doubtful Debts		**620**	679

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

	2012/13 %	2011/12 %
Dwelling rent arrears as a % of gross rent debit		
- Current tenants	**1.59**	1.68
- Former tenants	**1.05**	1.36
	2.64	3.04

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

	2012/13 £000's	2011/12 £000's
Arrears at 31 March		26
Amounts Written Off during the Year		16
Increased/(Reduced) Provision during the Year		5
Provision for Bad and Doubtful Debts		16

5. SUMS DIRECTED BY THE SECRETARY OF STATE/HOUSING REVENUE ACCOUNT SUBSIDY

In April 2012 the Localism Bill introduced a significant change to the way that council housing is financed by dismantling the previous system of HRA subsidy. HRA subsidy was based on a notional account with the deficit on the account being the entitlement to subsidy and a surplus meaning that the Council was in a 'negative subsidy' status and must pay the surplus to the Secretary of State. This payment is longer required. The notional account was:

	2012/13 £000's	2011/12 £000's
Expenditure		
Management and Maintenance		12,853
Capital Financing Charges		1,074
Other Items	-	-
MRA		5,185
	-	19,112
Income		
Rent Income		(26,837)
Interest		(1)
	-	(26,838)
Prior Year Adjustment		29
Negative HRA subsidy payable	-	(7,726)

Subsidy Receivable 2011/12

During the year the Council received a subsidy of £44k to fund additional interest paid on the self financing loan (£121.550m) for 3 days (29th to 31st March).

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.

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:

NOTES TO THE HOUSING REVENUE ACCOUNT

	2012/13		2011/12	
	£000's	**£000's**		£000's
Income and Expenditure Account Entries				
Net Cost of HRA Services				
Current service cost	**352**		376	
Past service cost			-	
Curtailment Cost	**21**		(10)	
		373		366
Financing and Investment Income and Expenditure				
Interest cost	**587**		666	
Expected return on assets in the scheme	**(420)**		(526)	
		167		140
Net Charge to the Income and Expenditure Account		**540**		506
Statement of Movement on the Housing Revenue Account Balance Entries				
Reversal of net charges made for retirement benefits Contribution to/(from) Pensions Reserve		**377**		427
Actual amount charged to the Housing Revenue Account for Pensions in the year		**(540)**		(506)

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

	2012/13	2011/12
	£000's	£000's
Dwellings	**7,966**	5,059
Other Land and Buildings	**256**	288
Infrastructure	**1**	-
	8,223	5,347
Depcn adj for reversal of revaluation loss - Dwellings	**2,809**	1,969
	11,032	7,316
Reversal of Revaluation loss/Impairment	**(788)**	(2,702)
	10,244	4,614

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

	2012/13	2011/12
	£000's	£000's
Depreciation on other HRA assets		(257)
Depreciation on dwellings higher than MRA	**(4,082)**	(1,843)
Total Transfer from MRR	**(4,082)**	(2,100)

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:

NOTES TO THE HOUSING REVENUE ACCOUNT

	2011/12 £000's	2010/11 £000's
Balance at 1 April	**(667)**	(803)
Depreciation on HRA dwellings	**(5,059)**	(7,349)
Depreciation on other HRA assets	**(288)**	(204)
Depcn adj for reversal of revaluation loss - Dwellings	**(1,969)**	-
Transfer to HRA during the financial year	**2,131**	2,310
Capital expenditure on houses within the HRA charged to the reserve	**5,278**	5,379
Balance at 31 March	**(574)**	(667)

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:

2012/13 Movement of Fixed Assets

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Commu-nity Assets £000's	Surplus £000's	Assets under Cons-truction £000's	**Total Property, plant & Equipment £000's**	PFI Assets included in Property, plant & equipment £000's
Cost or Valuation (GCA)									
At 1 April 2012	299,729	9,251	-	17	-	-	-	**308,997**	-
Category Transfer	-	(2,372)	-	-	-	2,372	-	**-**	-
Revised 1 April 2012	299,729	6,879	-	17	-	2,372	-	**308,997**	-
Additions	6,742	-	-	-	-	-	-	**6,742**	-
Acc Dep & Imp WO to GCA	(44,392)	(318)	-	-	-	-	-	**(44,710)**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	497	502	-	-	-	-	-	**999**	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,978)	58	-	-	(75)	-	-	**(1,995)**	-
Derecognition - Disposals	(829)	-	-	-	-	-	-	**(829)**	-
Derecognition - Other	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Investment Property	-	5	-	-	75	-	-	**80**	-
Other movements in Cost or Valuation	-	760	-	-	-	(2,368)	-	**(1,608)**	-
At 31 March 2013	259,769	7,886	-	17	-	4	-	**267,676**	-
Accumulated Depreciation & Impairment									
At 1 April 2012	(36,426)	(167)	-	(2)	-	-	-	**(36,595)**	-
Category Transfer	-	98	-	-	-	(98)	-	**-**	-
Revised 1 April 2012	(36,426)	(69)	-	(2)	-	(98)	-	**(36,595)**	-
Depreciation Charge for 2012/13	(7,966)	(258)	-	-	-	-	-	**(8,224)**	-
Acc. Depreciation WO to GCA	44,392	318	-	-	-	-	-	**44,710**	-
Other movements in Depreciation and Impairment	-	-	-	-	-	98	-	**98**	-
At 31 March 2013	-	(9)	-	(2)	-	-	-	**(11)**	-
Net Book Value									
At 31 March 2013	259,769	7,877	-	15	-	4	-	**267,665**	-
At 31 March 2012	263,303	9,084	-	15	-	-	-	**272,402**	-

The table shows an overall depreciation charge for the HRA of £8,224k during 2012/13. Note 8 shows a higher depreciation charge of £11,032k. The difference of £2,809k is the increased depreciation that occurs as a result of the reversal of the revaluation losses in previous years in the 2012/13 accounts due to a revaluation occurring in 2012/13 and therefore the loss can be reversed. When the revaluation loss is reversed, this leads to a higher depreciation charge. This is in accordance with the CIPFA Code of practice.

2011/12 Movement of Fixed Assets

RESTATED	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Commu-nity Assets £000's	Surplus £000's	Assets under Cons-truction £000's	**Total Property, plant & Equipment £000's**	PFI Assets included in Property, plant & equipment £000's
Cost or Valuation (GCA)									
At 1 April 2011	291,333	7,584	-	17	-	-	-	**298,934**	-
Additions	8,391	-	-	-	-	-	-	**8,391**	-
Acc Dep & Imp WO to GCA	-	(914)	-	-	-	-	-	**(914)**	-
Revaluation increases/(decreases) recognised in the Revaluation	8,406	(809)	-	-	-	-	-	**7,597**	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,039)	(492)	-	-	-	-	-	**(7,531)**	-
Derecognition - Disposals	(1,016)	-	-	-	-	-	-	**(1,016)**	-
Derecognition - Other	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale	(346)	-	-	-	-	-	-	**(346)**	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	**-**	-
Other movements in Cost or Valuation	-	3,882	-	-	-	-	-	**3,882**	-
At 31 March 2012	299,729	9,251	-	17	-	-	-	**308,997**	-
Accumulated Depreciation & Impairment									
At 1 April 2011	(31,367)	(793)	-	(2)	-	-	-	**(32,162)**	-
Depreciation Charge for 2011/12	(5,059)	(288)	-	-	-	-	-	**(5,347)**	-
Acc. Depreciation WO to GCA	-	914	-	-	-	-	-	**914**	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	**-**	-
At 31 March 2012	(36,426)	(167)	-	(2)	-	-	-	**(36,595)**	-
Net Book Value									
At 31 March 2012	263,303	9,084	-	15	-	-	-	**272,402**	-
At 31 March 2011	259,966	6,791	-	15	-	-	-	**266,772**	-

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 from 2010/11 are included at 31% of the open market valuation. The Council recognises council dwellings at a value of £259.769m (2011/12 £263.303m) on the balance sheet. At vacant possession the same dwellings would have a value of £812.688m (2011/12 £813.339m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £552.919m (2011/12 £550.036m).

NOTES TO THE HOUSING REVENUE ACCOUNT

11. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The capital expenditure to be financed in 2012/13 is £6.792m (2011/12 £8.391m). The analysis of the expenditure and the sources of financing used are set out in the following table:

	2012/13				2011/12			
	Dwellings £000's	**Infra-structure £000's**	**Equipment £000's**	**Total £000's**	Dwellings £000's	Infra-structure £000's	Equipment £000's	Total £000's
Total capital expenditure	**6,759**	**-**	**33**	**6,792**	8,391	-	-	8,391
Financing								
Borrowing	**-**	**-**	**-**	**-**	-	-	-	-
Capital Receipts	**(460)**	**-**	**-**	**(460)**	(843)	-	-	(843)
Major Repairs Reserve	**(4,863)**	**-**	**-**	**(4,863)**	(5,278)	-	-	(5,278)
Grants	**(562)**	**-**	**-**	**(562)**	(402)	-	-	(402)
Revenue Contributions	**(874)**	**-**	**(33)**	**(907)**	(1,868)	-	-	(1,868)
	(6,759)	**-**	**(33)**	**(6,792)**	(8,391)	-	-	(8,391)

12. CAPITAL RECEIPTS

In accordance with Part 1 of the Local Government Act 2003 housing capital receipts are subject to capital pooling requirements. A proportion of dwelling receipts can be retained with the remainder paid to the Government. However, 100% of the value of land sales may be retained if it is to be used for affordable housing. The receipts received can be analysed as follows:

	2012/13			2011/12		
	Council Dwellings £000's	**Land £000's**	**Total £000's**	Council Dwellings £000's	Land £000's	Total £000's
Sales proceeds	**(1,438)**	**(399)**	**(1,837)**	**(542)**	**(814)**	(1,356)
less: administrative costs	**31**		**31**	**2**	**-**	2
Net proceeds	**(1,407)**	**(399)**	**(1,806)**	**(541)**	**(814)**	(1,355)
Right to buy discount repaid			**-**	**(5)**	**-**	(5)
Mortgage principal repaid	**(6)**		**(6)**	**(6)**	**-**	(6)
	(1,413)	**(399)**	**(1,812)**	(552)	(814)	(1,366)
of which:						
Usable	**(584)**	**(399)**	**(983)**			**(954)**
Payable to Housing Pooled Capital Receipts	**(829)**		**(829)**			**(412)**
	(1,413)	**(399)**	**(1,812)**			(1,366)

NOTES TO THE HOUSING REVENUE ACCOUNT

13. INVESTMENT PROPERTIES

There are no restrictions on the Council’s ability to realise the value inherent in its investment property or on the Council’s right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £000's	2011/12 £000's
Balance 1 April	**3,392**	3,392
Additions:		
Acquisitions	**-**	-
Enhancements	**-**	-
Disposals	**-**	-
Net gain or loss on Fair Value	**(25)**	
Transfers:		
From Held for Sale	**-**	-
To / From Property, Plant & Equipment	**(890)**	-
Other changes	**-**	-
Balance 31 March	**2,477**	3,392

COLLECTION FUND

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

	Note	2012/13		2011/12	
		£(000)	**£(000)**	£(000)	£(000)
Income					
Council Tax Income	(2)		**(83,533)**		(81,483)
Transfer from General Fund:					
Council Tax Benefit			**(10,090)**		(10,230)
Income from business ratepayers	(3)		**(92,634)**		(90,383)
Total Income			**(186,257)**		(182,096)
Expenditure					
Precepts and Demands					
North Yorkshire Police Authority		**13,791**		13,713	
North Yorkshire Fire and Rescue Authority		**4,187**		4,163	
City of York Council		**76,294**		73,735	
			94,272		91,611
Business Rates					
Payment to National Pool		**92,337**		90,089	
Costs of Collection		**296**		294	
			92,633		90,383
Council Tax Provision for uncollectable accounts and outstanding appeals			**(442)**		(1)
Contribution from previous years' Collection Fund surpluses					
North Yorkshire Police Authority					56
North Yorkshire Fire and Rescue Authority					186
City of York Council					1,000
Total Expenditure			**186,463**		183,235
(Surplus)/Deficit for the year			**206**		1,139

COLLECTION FUND BALANCE

	Note	2012/13 £(000)	2011/12 £(000)
(Surplus)/Deficit for the Year on the Income and Expenditure Account		**206**	1,139
Collection Fund surplus brought forward		**(209)**	(1,348)
Collection Fund surplus carried forward	(4)	**(3)**	(209)

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 Council, North Yorkshire Fire and Rescue Council, 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 2012/13 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	8.11	8.05	£776.81
A	up to		£40,000	6/9	5,793.05	5,752.31	£932.17
B	£40,000	to	£52,000	7/9	16,003.99	15,891.43	£1,087.54
C	£52,000	to	£68,000	8/9	19,620.29	19,482.30	£1,242.90
D	£68,000	to	£88,000	9/9	11,097.93	11,019.88	£1,398.26
E	£88,000	to	£120,000	11/9	7,891.58	7,836.08	£1,708.98
F	£120,000	to	£160,000	13/9	4,250.97	4,221.07	£2,019.71
G	£160,000	to	£320,000	15/9	2,318.57	2,302.26	£2,330.43
H	over		£320,000	18/9	117.26	116.44	£2,796.52
TOTAL					67,101.75	66,629.81	

In addition, the government makes a contribution for properties classed as "Crown" properties in lieu of paying Council Tax. These contributed £457k (2011/12 £436k) 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 £402k (2011/12 £222k) 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 decreased by £442k (increase in 2011/12 of £1k).

NOTES TO THE COLLECTION FUND

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

	2012/13 £(000)	2011/12 £(000)
Crown Contribution	**(457)**	(436)
Charge (66,629.81 x £1,398.26)	**(93,166)**	(91,277)
	(93,623)	(91,713)

where the charge total comprises:

Income due from Chargepayers, including Crown properties	**(83,533)**	(81,483)
Council Tax Benefit	**(10,090)**	(10,230)

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 2013 was 236,854,187 (2011/12 243,514,429) and the rate for 2012/13 was 45.8p (2011/12 43.3p), with a reduction to 45.0p (2011/12 42.6p) 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 Council 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:

	2012/13		2011/12	
	£(000)	**£(000)**	£(000)	£(000)
Rates payable for year (236,854,187 x 45.8 p)		**(108,479)**		(105,442)
Less: Transitional Relief and part occupancy	**4,076**		3,878	
Charitable Relief	**8,194**		7,967	
Adjustments re previous years rates	**(184)**		(197)	
Other adjustments including making provision for bad debts, interest payments made and small business relief	**3,759**		3,411	
		15,845		15,059
		(92,634)		(90,383)

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

	2012/13 £'s	2011/12 £'s
City of York Council	**(2,096)**	(169,220)
North Yorkshire Police Authority	**(374)**	(30,836)
North Yorkshire Fire and Rescue Authority	**(114)**	(9,361)
	(2,584)	(209,417)

GLOSSARY

GLOSSARY

Accounting Concepts

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

Accounting Period

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

Accounting Policies

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

Accruals

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

Actuarial Gains and Losses

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

Agency

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

Amortisation

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

Appropriation of Land or Buildings

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

Asset

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

Assets Under Construction

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

Authorised Limit

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

GLOSSARY

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 Council

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

Cipfa Accounting Code of Practice

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

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 Council, and the NNDR collected is paid to the Government.

Commutation Option

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

Community Assets

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

Community Charge

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

Consistency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Council Tax

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

Creditors

Amounts owed by the Council for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

Current Assets

GLOSSARY

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 Council for goods or services provided within the accounting period but not received at the balance sheet date.

Deferred Consideration

Expenditure which is determined precisely at the time of the acquisition of an asset, but where the payment is delayed for a defined period.

Deferred Credits

Amounts due to the Council from the sale of fixed assets that are not receivable immediately on sale, but will be received in instalments over agreed periods of time.

Deferred Debtors

Amounts due to the Council that are not expected to be repaid in full within the next accounting period.

Deferred Liabilities

These are liabilities which, by arrangement, are payable beyond the next year, either at some point in the future or by an annual sum over a period of time.

Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

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 Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Expected Rate of Return on Pension Assets

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

Extraordinary Items

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

Fees and Charges

Income arising from the provision of services.

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

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

Financial Year

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

GLOSSARY

Fixed Assets

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

General Fund

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

Going Concern

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

Government Grants

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

Housing Revenue Account (HRA)

A separate account to the General Fund recording all the transactions relating to the provision of council houses.

Impairment

A reduction in the value of a fixed asset below its current value on the Council's balance sheet.

Income and Expenditure Account

The Income and Expenditure Account combines the income and expenditure relating to all the Council's functions including the General Fund and the Housing Revenue Account.

Infrastructure Assets

These are fixed assets that are inalienable, i.e. expenditure on assets that cannot be sold, but where there is economic benefit over more than one year to the Council. Examples of infrastructure are highways and footpaths.

Intangible Fixed Asset

These are assets which do not have a physical substance, e.g. computer software, but which yield benefits to the Council, and the services it provides, for a period of more than one year.

Interest Cost

This relates to a defined benefit pension scheme. The expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)
Accounting standards set by the International Accounting Standards Board. The standards provide guidance and advice for the preparation of financial statements.

GLOSSARY

Investment

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the

investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.

Investment Properties

An interest in land and/or buildings where construction work and development has been completed and which is held for its investment potential, any rental income being negotiated at arms length.

Landfill Allowance Trading Scheme

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

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

Lenders Option Borrowers Option (LOBO)

A LOBO loan is a loan that permits the lender to nominate a revised interest rate payable on the debt at periodic dates and also gives the borrower the option as to whether to pay the revised rate or repay the debt in its entirety.

Liability

An account due to an individual or organisation that will be paid at some future date.

Liquid Resources

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

Long-Term Contracts

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

Minimum Revenue Provision (MRP)

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

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 Andrew Docherty, Assistant Director IT & Governance..

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Non-Operational Assets

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

Operational Assets

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

Operational Boundary

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

PA92

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

Past Service Cost

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

Post Balance Sheet Events

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

Precept

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

Precepting Council

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

Prior Year Adjustments (or Prior Period Adjustments)

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

Provisions

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

Prudence

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

Prudential Indicators

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

Public Works Loan Board (PWLB)

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

Realisable Value

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

Related Party

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

Reserves

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

Residual Value

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

Retirement Benefits

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

GLOSSARY

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 Council's revenue expenditure.

Scheme Liabilities

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

Section 151 Officer (S151)

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves. In York the Section 151 Officer is Ian Floyd, Director of Customer and Business Support Services.

Settlement

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

Stocks

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

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.

GLOSSARY

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 Council.

Unapportionable Central Overheads

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

Useful Life

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

Vested Rights

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

Work in Progress

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

CITY OF YORK COUNCIL

Audit & Governance Committee **31 July 2013**

Report of the Assistant Director CBSS (Finance, Asset Management & Procurement)

Key Corporate Risk Monitor One 2013/14

Summary

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) an update on the key corporate risks, and to highlight in more detail any emerging risk issues with a view to members considering any further information they would wish to receive on these matters.

Background

2. The risk management process at York ensures that all key and emerging risks are reported regularly to A&G and on at least a quarterly basis. The purpose of this paper is to provide assurance that the council identifies, understands and effectively manages its key risks. The detailed corporate risk register containing the key high and critical corporate risks is provided to A&G members in advance of the committee meeting.

Current Risk Issues

3. The council is entering a critical period in terms of financial risk. The results of the spending review for 2013 have now been announced and as predicted there is a 10% reduction in overall local government spending. In York this will be equivalent to a £5m - £6m reduction in 2015/16. This is to be managed against a backdrop of inflationary and demographic pressures on the Adult Social Care budget and the localisation of Council Tax Support and Business Rates increasing financial pressure hindering our ability to continue to deliver all council services.

Highways Risk Management

4. As part of the CES restructure, the Highways department was reviewed with a view to identifying any efficiency savings which might be achieved. One saving that was identified was the reduction in highways inspectors from 4 to 3 in the first year and then a further cut from 3 to 2 in the second year. Also, with the inspectors providing all information required in connection with the insurance claim.

5. Historically, highways claims make up approximately 85% on average of all the public liability claims received per year.

6. In line with the Highways Act 1980, a highway authority are afforded a statutory defence under section 58 if they can demonstrate that the authority has in place a reasonable system of inspection and repair. As a result of this defence we have been able to repudiate approximately 96% of claims resulting in a minimum saving of £300k per annum (based on an average cost per claim of £1,500) as well as ensuring that any defects on the highway are identified and made safe.

7. This saving means that we are able to subsidise the public liability premiums from the claims provision in the sum of £105k annually. Also, as we are seen as a "hard target" by the claimant solicitor community we do not see the significant number of claims that other authorities have to deal with

8. Unfortunately, as a result of the reduction in staffing resource, the inspections are failing to comply with the timetable that is set. The consequence of this is that we may no longer be able to rely on the inspections as a defence if we cannot demonstrate that we are complying with our own policy.

9. The risks associated with our inability to comply with the policy are increased claims settlement costs, a greater number of claims being submitted and the highway infrastructure deteriorating further.

10. In addition, the way in which claims are processed is changing with effect from the 31st July with the introduction of

the extended portal for public and employer's liability claims. This creates some very tight timescales that must be complied with. Should we fail to comply with the timescales the result will be increased legal costs set against the fact that we can no longer recover our costs even if we are successful in the defence of claims.

Critical key corporate risks

11. The position of the councils two critical key corporate risks as at the end of June are set out below:

KCR0019 Safeguarding

Safeguarding (Eoin Rush)

"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 year include, implementation of the Keeping Families Together; Keeping Families Safe vision for children's social care, apply the learning from the CYSCB peer review and refresh the city wide information sharing lists with all schools."

KCR 0022 Financial Pressures

Reduction in Revenue Budgets (Ian Floyd)

"The requirement to respond to the public sector spending reductions/deal with demographic cost pressures, presents a financial challenge the scale of which the Council has never experienced. Reductions of some £40m from 2011-14 are required, and further savings will be needed in the future. Whilst long term financial planning provides a key control, critical to the organisation being able to manage this risk effectively lies in identifying and achieving the savings identified in service reviews and through making difficult choices in the way services are delivered. Achievement of the savings will also require both a full commitment across the organisation and a robust approach to the ongoing monitoring of the savings programme."

Whole Risk Diagnostic

12. Further to Monitor 4, the work on the Whole Risk Diagnostic has now been completed and we have been provided with a report in draft format. The report will be presented by the authors, Zurich Municipal to Audit and Governance on the 16th September 2013.

13. There appears to be some extremely helpful suggestions that have been made in relation to the current risk management process that is in place at City of York Council and how this might be revitalised and improved to ensure that it is more actively used in decision making and business processes.

Directorate Risk Reports

14. The risks in respect of the Office of the Chief Executive are attached to this paper at Annex A. Officers from this Directorate are in attendance to answer any queries you have in respect of the risks contained within the annex.

15. The timetable for risk reports from the other council directorates is set out below:

A&G Committee Date	Directorate
26 September 2013	Customer and Business Support Services
11 December 2013	Communities and Neighbourhoods
	City and Environmental Services
12 February 2014	Adults, Children and Education

Options

16. Not applicable.

Council Plan 2011 - 2015

17. The effective consideration and management of risk within all of the council's business processes helps support achieving

'a confident collaborative organisation' and aid the successful delivery of the five priorities.

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

18. 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

19. A&G are asked to:

(a) Consider and comment on the issues set out in this paper.

<u>Reason</u>
To provide assurance that the authority is effectively understanding and managing its key risks.

Contact Details

Author:	**Chief Officer Responsible for the report:**
Lisa Nyhan Corporate Transactional and Business Services Manager Phone No. 01904 552953	Tracey Carter Assistant Director Customer and Business Support Services (Finance, Asset Management and Procurement)
	Report Approved √ **Date** 22-07-13

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 One 2013/14.

Annexes

Annex A – Office of the Chief Executive Risk Report

Annex A

Office of the Chief Executive Risk Report

Communications

Poor, unclear and untimely response to emerging issues
Risk - We respond inadequately, inaccurately or in an untimely manner to high-profile local issues.
Impact - (a) Reputational damage (b) Relationships with citizens, communities and businesses could be affected, making it harder to deliver some of the council priorities.
Mitigation (a) The OCE restructure strengthens the management of the communications team (b) The communications team has a 24hr cover arrangement (c) Projects with a significant impact on the city have communications plans and support from the communications team.
Rating – 12 (Medium)

Policy and strategy

Lack of responsiveness to outside factors that affect policy development
Risk – We fail to respond to changes in legislation and policy at a local, regional, national and international level
Impact – (a) illegal practice (b) financial issues related to breaches in legislation, policy, inconsistent or inefficient operation of the council
Mitigation – (a) ensure that presence on local and regional policy groups to discuss responses to policy and legislative issues (b) horizon scanning to ensure the council is aware of emerging issues and ready to respond (c) work with specialists across directorates to ensure that responses are consistent and not conflicting (d) ensure emerging challenges are successfully communicated to members and staff (e) ensure sufficient quality and capability is built into the policy team
Rating – 14 (Medium)

Insufficient interpretation of policy would lead to poor strategy development and operational delivery
Risk – Emerging policy is misinterpreted and the impact on the council is misjudged leading to reputational and financial issues and poor strategy development
Impact – (a) financial issues (b) strategy development takes the council away from appropriate direction of travel (c) council prioritise in wrong

areas and fail to deliver for citizens (d) strategy is created this is misaligned with our ability to deliver operationally.
Mitigation – (a) ensure sufficient quality and capability is built into the policy team (b) ensure groups are formed to scrutinise policy and ensure attendance of specialists both internal and external to the council (c) ensure that the strategy formation is aligned with capacity and capability to deliver and initiate service transformation where required.
Rating - 13 (Medium)

Partnerships

Weak partnership working at local, regional and national level will create barriers in terms of working as an efficient council.
Risk – Lack of connections with businesses and industry, customer groups and forums, educational sector, voluntary sector, other LAs and government agencies, etc, will lead to: failure to pick up peer knowledge and industry direction and experience; failure to influence key organisations and agencies in order to resolve critical issues and develop high priority work; failure to be present and to negotiate to ensure council priorities are met.
Impact – (a) No benefit of shared experience (b) Reduced credibility for the council in local, regional and national forums (c) inability to negotiate the best deal for the city (d) gap in knowledge of emerging work and issues.
Mitigation – (a) Ensure that the council is keyed into critical networks in the city (b) Ensure that the council knows its customer and partners though relationship management and business and customer intelligence (c) Ensure that the appropriate members and officers are positioned in the right partnerships to enable the best deal for the city.
Rating – 14 (Medium)

Economic development

Inability to support growth of business and jobs in the City
Risk – Insufficient support for business growth and the creation of jobs in leads to a decline in these areas and failure to achieve council's top priority.
Impact – (a) Decline in business start ups (b) Decline in business sustainability (c) Increase in unemployment (d) increase in unemployment in critical demographic groups

Mitigation - (a) Work with business and business forums to ensure that best available support is provided (b) Ensure that the jobs and skills markets are development to ensure the best resource is available to enable businesses to thrive
Rating – 14 (Medium)

Performance

Failing to deliver the Council plan and council priorities
Risk – We do not complete the actions for delivering the Council Plan.
Impact – We will not achieve our ambitions for the city.
Mitigation - (a) We have an agreed Policy and Performance Framework which sets out a performance-based approach to service planning and delivery (b) Service planning procedures and practices across the organisation are being harmonised based upon best practice (c) Service Plans are linked to the Council Plan to connect service activity with Council Plan priorities (d) There is a common governance and monitoring framework covering all the priority areas.
Rating – 14 (Medium)

Insufficient resource for transformation work
Risk – Lack of resources or skills within the business units or central services (e.g. Procurement, HR, ICT, Legal etc) to manage or support transformation and change
Impact – (a) Projects over-run so we miss in-year savings targets (b) Reduced benefits from projects because of poor implementation or additional costs (c) Reduced savings because of the need to buy-in more staff or staff with the necessary skills.
Mitigation – (a) The Lean Programme will spread skills in managing projects and change to business units (b) OCE will provide a centre of expertise to advise business units which are making changes or going through transformation (c) New Service Planning guidance includes the need for services to forecast their demand for support from central services (d) The holistic framework for monitoring provides an overall view of resource demands enabling gaps to be identified and addressed quickly.
Rating - 19 (High)

Inappropriate use of data
Risk – We fail to use the data in the hub to inform and direct policy and planning.

Impact - Council priorities will not meet the true needs of the city and its citizens.
Mitigation – (a) The principles of the new performance framework have been widely publicised to senior management (b) The Intelligence team are working more closely with the CANs/CES and ACE Performance teams to develop common approaches to data collection and performance monitoring to bring all performance data into the Hub (c) The Intelligence team and Corporate Finance team work together on the quarterly and annual reports to present a comprehensive picture of the state of the council (d) The new structure for OCE brings monitoring of economic data into the central Intelligence team (e) The OCE restructure also strengthens the Intelligence team.
Rating – 14 (Medium)

Not getting best value from comparator data
Risk – Need to establish effective benchmarking data and procedures to replace the previous old Audit Commission regime of comparative quartiles.
Impact – (a) Without comparisons it is difficult to put performance into context and to make good value for money assessments (b) Could make it difficult to respond adequately to challenges to services and assess proposals for alternative delivery of services.
Mitigation – (a) The Intelligence team work closely with finance managers to establish effective driver and cost data (b) We subscribe to CIPFA and APSE toolkits which provide comparison data for some service areas (c) We are investigating other sources of comparator data from the LGA and commercial suppliers.
Rating – 15 (Medium)

Agenda Item 8

Audit and Governance Committee 31 July 2013

Report of the Head of Internal Audit

Direct Payments Update Report

Summary

1 This report provides an update on action taken by officers to address weaknesses identified in monitoring direct payments during a 2011/12 audit. It follows a previous update provided to members in September 2012 that reported further action was still needed to adequately address these weaknesses.

Background

2 As part of the 2011/12 internal audit review of personalisation and direct payments, significant weaknesses in monitoring direct payments usage were identified. As a result, the service agreed action to introduce new monitoring procedures from April 2012 and conduct a review of these processes in October 2012.

3 At the meeting of this committee in September 2012 an update on progress made to address these weaknesses was provided and it was advised that further follow up work would take place to continue to monitor progress. This report is based on a review of progress by internal audit in July 2013.

Findings

4 City of York Council currently has 204 customers who receive direct payments. For 56 of these, the council pays the money directly into the customer's bank account. In the remaining 148 cases, the council pays the money to the Independent Living Scheme (ILS) who administer accounts for customers, and provide support for customers employing personal assistants.

5 In the original 2011/12 audit it was found that there were no formalised procedures for:

- requesting monitoring information on a periodic basis
- obtaining monitoring information from the ILS for customers they supported
- monitoring returns and chasing information, and
- taking appropriate action where payments were not used in line with expectations (including funds not being used and excessive bank balances accruing).

6 As a result, there were increased risks that customers would not receive the care they required, that any misuse of funds would not be detected, and that unused funds may not be recovered[1]. To address these risks, a number of actions were agreed, including:

- New monitoring arrangements would be put in place from April 2012. Information from directly paid customers would be requested quarterly and the ILS would be asked to provide information on a six monthly basis for the customers they support.
- A review of the new systems and processes would be undertaken by the service in October 2012, to identify areas requiring further development.

7 In September 2012, the progress made in implementing these actions was followed up by internal audit. It was found that:

- Monitoring arrangements had been put in place to request information from directly paid customers each quarter.
- It was agreed that the ILS would provide information on a 6 monthly basis.
- Despite some improvements to procedures it was found that no chasing was being done for information that had not been returned by customers and that insufficient reviews were being undertaken of whether or not direct payments were being spent as agreed.

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[1] As a guideline, the department will consider a balance of greater than eight weeks worth of payments for recovery, though this is dependent on individual circumstances.

Internal audit provided feedback on areas for improvement and agreed that further work would be undertaken with the service.

Progress update - Monitoring of directly paid customers

8 Requests for monitoring information for direct payments have continued to be sent to customers each quarter since April 2012.

9 As at July 2013, monitoring information has been received, on average, for 66% of customers each quarter. Only 15 of the 56 customers have returned information for every quarter and 12 of the 56 customers have never returned any monitoring information.

10 £6,800 has been identified as surplus funds to be repaid by 5 customers. Letters have been sent to these customers and, as at July 2013, £2,400 of this surplus has been received back from 2 of those customers.

11 Internal audit also provided feedback on the spreadsheet being used to manage requests for and receipt of monitoring information. Whilst some improvements have been made to this monitoring record it still does not enable easy analysis or follow up of the information.

12 The service is still failing to chase information where it is not returned for any particular period. This appears to be at least in part due to resource constraints.

13 In addition, where customers have returned monitoring information this is often just in summary form and does not include original documents (i.e. bank statements or invoices) to enable a reliable assessment of whether direct payments are being used appropriately and in accordance with the agreed support plan.

Progress update - monitoring of Independent Living Scheme (ILS) customers

14 The ILS provided six monthly monitoring data for 145 of the 148 customers it supports, in May 2013. This identified a surplus of £56,000 in 35 customers' accounts. The council has written to these customers and, as at July 2013, has received nearly £44,000 in returned funds, from 28 customers.

15 The council does not receive primary evidence for these customers. However, as the ILS maintains an account and pays invoices for these customers they are inherently at less risk of misuse or fraud.

<u>Planned changes to Direct Payments</u>

16 The service reviewed the direct payments monitoring processes as agreed in the 2011/12 audit. Following this review it was decided that the administration and monitoring of direct payments would be greatly improved by the use of pre-paid cards.

17 In addition to other potential benefits including a reduced administrative burden for customers, pre-paid cards enable improved internal control by providing:

- The ability to monitor account activity without the need for paper returns by the customer;
- detailed information on how funds are being spent and the ability to intervene quickly;
- the ability to adjust payments and reclaim funds directly from the card.

18 The service decided to issue pre-paid cards for all new direct payments customers from April 2013. However, there has been a slow uptake of this and as at July 2013 there was only one direct payments customer receiving their direct payment by pre-paid card.

19 The service also plans to transfer all current directly paid customers to pre-paid cards. This has been agreed by the directorate management team and discussed with the cabinet member for Health, Housing and Adult Social Services. The service plans to consult with customers throughout August and make a formal decision by mid-September 2013. From the end of September a formal process is intended to be in place to transfer all existing directly paid customers to pre-paid cards.

20 In addition, the review determined that it would be more appropriate for the administration and monitoring of direct payments to be carried out by the customer accounts team rather than the social care administration officers. This would

better align the processes with officers who are more experienced, skilled and focussed on financial management.

21 The customer accounts team has been working with the adult social care administration officer on the monitoring and return of surplus direct payments money but the arrangements have not yet been made to transfer the ongoing monitoring of direct payments to the customer accounts team.

22 From September 2013 it is planned that the resources will be made available to the customer accounts team to enable them to carry out this work.

Conclusions

23 The service has made some progress in improving the monitoring of direct payments. However, there still remain significant weaknesses with the current system.

24 Plans to issue pre-paid cards to direct payments customers and transfer responsibility for the monitoring of direct payments and their use to the customer accounts should facilitate the necessary improvements in control. However, progress in implementing these changes has been slow.

25 The planned timescales for implementing these changes should mean these weaknesses are addressed soon but the process of transferring customers to pre-paid cards will not be achieved immediately and without clear guidance to customers and continued effort from the service.

26 While the weaknesses in the system have not yet been fully addressed, there are now specific agreed actions with short agreed timescales and senior management support that give assurance that the risks should be effectively addressed in the near future. Internal audit will complete a full audit of direct payments in November 2013 and will include a review of the progress made in implementing these changes.

Consultation

27 Not relevant for the purpose of the report.

Options

28 Not relevant for the purpose of the report.

Analysis

29 Not relevant for the purpose of the report.

Council Plan

30 The work of internal audit helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

31 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

32 The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if it fails to follow up on audit recommendations and report progress to the appropriate officers and members.

Recommendations

33 Members are asked to:

(a) note the progress made to date to implement actions agreed following the audit of personalisation and direct payments in 2011/12.

Reason
To enable members to fulfil their role in providing independent assurance on the council's control environment.

Contact Details

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	Report Approved ✓ **Date** 18/07/2013

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable **All** ✓

For further information please contact the author of the report

Background Papers
2011/12 internal audit report on personalisation and direct payments
Direct Payments Update Report, 27 September 2012.

Annexes
None

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