Notice of meeting of public meeting of
Audit & Governance Committee

To:	Councillors N Barnes (Chair), Dew (Vice-Chair), Cullwick, Fenton, Gunnell, Kramm and Lisle and Mr Mendus and Mr Bateman
Date:	Wednesday, 29 July 2015
Time:	5.30 pm
Venue:	The George Hudson Board Room - 1st Floor West Offices (F045)

AGENDA

1. Declarations of Interest

Members are asked to declare:

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

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

2. Minutes (Pages 1 - 8)

To approve and sign the minutes of the meeting of the Audit and Governance Committee held on 24 June 2015.

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 28 July 2015.**

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

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

The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at https://www.york.gov.uk/downloads/file/6453/protocol_for_webcasting_filming_and_recording_council_meetingspdf

4. **Forward Plan** (Pages 9 - 14)

This paper presents the future plan of reports expected to be presented to the committee during the forthcoming year to June 2016.

5. **Mazars Review of Housing for Older People Project** (Pages 15 - 70)

This report presents an audit review of the Elderly Person's Home Project, carried out by Mazars, and an action plan developed in response to the key findings in the report.

6. **Draft Statement of Accounts 2014/15** (Pages 71 - 236)

The purpose of this report is to present for information the draft 2014/15 Statement of Accounts before they are audited.

7. **Scrutiny of the Treasury Management Annual Report 2014/15 and Review of Prudential Indicators** (Pages 237 - 258)

This paper presents the Treasury Management Annual Report and Review of Prudential Indicators 2014/15 which is due to be considered by the Executive on 30 July 2015.

8. Key Corporate Risks Monitor 1 (Pages 259 - 300)

This report presents an update on the key corporate risks for City of York Council, and the refreshed Key Corporate Risk Register 2015.

9. Consultation on Governance Issues (Pages 301 - 314)

The new Council leadership want policy and scrutiny committees to have the opportunity to debate and make recommendations on matters requiring an executive decision before a final decision is taken. This report annexes a report which the Executive are due to consider and seeks Members' views which will be fed back to the Executive. The report also asks Members whether to consider further changes to Council Procedure Rules.

10. Urgent Business

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

Democracy Officer:
Name: Jayne Carr
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Email – jayne.carr@york.gov.uk

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

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

Contact details are set out above.

This information can be provided in your own language.

我們也用您們的語言提供這個信息 **(Cantonese)**

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

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

Bu bilgiyi kendi dilinizde almanız mümkündür. **(Turkish)**

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جا سکتی ہیں۔ **(Urdu)**

☎ **(01904) 551550**

Agenda Item 2

City of York Council	Committee Minutes
Meeting	Audit & Governance Committee
Date	24 June 2015
Present	Councillors N Barnes (Chair), Dew (Vice-Chair), Kramm, Lisle, Fenton and Gunnell and Mr Mendus and Mr Bateman
Apologies	Councillor Cullwick

1. Welcome

The Chair welcomed new Members to the committee and thanked Mr Bateman and Mr Mendus for serving on the committee as independent members.

2. 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 the business on the agenda. None were declared.

3. Minutes

Resolved: That the minutes of the meeting of 25 March 2015 be approved and signed as a correct record.

4. Public Participation

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

5. Audit and Governance Committee Forward Plan

Members considered a paper which presented the future plan of reports expected to be presented to the committee during the forthcoming year to February 2016.

Members were asked to identify any further items they wished to see added to the Forward Plan. The Chair stated that, as the new administration was intending to make changes to the decision-making arrangements, he had requested that the proposals be brought to the committee for consideration.

Resolved: That the committee's Forward Plan for the period to February 2016 be approved.

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

6. Annual Report of Audit and Governance Committee

Members considered the draft Annual Report of the Audit and Governance Committee for the year ended 25 March 2015, prior to its submission to Full Council.

Resolved: That the Annual Report of the Audit and Governance Committee be approved for submission to Full Council.

Reason: To enable the Committee to fulfil its role in providing assurance about the adequacy of the Council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

7. Annual Governance Statement 2014/15

Members considered a report which presented the draft Annual Governance Statement 2014/15.

It was noted that the Annual Governance Statement continued to form part of the Statement of Accounts, however, it was now considered as an accompanying document rather than a core statement. The Draft Statement of Accounts would be approved by the S151 Officer by 30 June 2015 and would be reviewed by the Audit and Governance Committee at its meeting in July 2015.

Consideration was given to the Annual Governance Statement, particularly the significant governance issues identified in section 5 of the Statement. These would be the major areas of focus for the committee for the next year.

Members questioned officers on the action that was being taken to address risks associated with information security. Officers gave details of some of the measures that were being put in place including inviting the Information Commissioner's Office to carry out an audit, the findings of which would be reported to the committee.

At the request of Members, officers explained why it had been considered that improvements were necessary to clarify the respective roles of Scrutiny/Executive/Audit and Governance Committee in managing the risks and governance issues, and monitoring progress of major projects.

Members sought clarification as to why partnership governance and adult social care were no longer considered to be a major concern. Officers gave details of the actions that had been taken to address the risks, including the putting in place of a partnership protocol and implementing External Audit recommendations in respect of adult social care. Whilst financial challenges remained concerning adult social care, these were issues for the Executive to consider.

Members were informed that they were welcome to contact the Director of Customer and Business Support Services if they had further comments on the Annual Governance Statement. The final version of the statement would be presented to the committee.

Resolved: That the Annual Governance Statement 2014/15 be approved in principle.

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

8. Mazars Audit Progress Report

Members considered a report which updated them on progress made by Mazars in meeting its responsibilities as external auditor. The report also included key emerging national issues and developments.

Members were updated on the situation in respect of the outstanding objection to the 2013/14 accounts. Mazars were due to determine the objection over the summer.

Members were informed that the 2014/15 audit work was continuing to progress well and that the interim work on financial systems had been successfully completed.

Details were given of updated guidance that had been issued in respect of the Value for Money conclusion and how this criterion would inform Mazars' conclusion.

Members were informed of proposals for a Yorkshire and Humber Governance Forum which was to be established with the aim of promoting good governance and sharing good practice.

Members' attention was drawn to emerging issues and developments, including changes in accounting for transport infrastructure.

Resolved: That the report be noted.

Reason: To ensure that Members are kept updated on the work of the external auditors and key emerging national issues and developments.

9. Annual Report of the Head of Internal Audit

Members considered a report which summarised the outcome of audit and fraud work undertaken in 2014/15 and which provided an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

Members noted that, having evaluated the results of the audit and fraud work undertaken during the 2014/15 year, the opinion of the Head of Internal Audit was that the council's framework of governance, risk management and control provided "substantial assurance".

Members' attention was drawn to paragraph 13 of the report, which detailed significant control issues which were considered relevant to the preparation of the Annual Governance Statement.

Members questioned the Head of Internal Audit on specific findings of audits completed (Annex 2 of the report). An explanation was given as to why the nature of some of the work carried out by Internal Audit meant that it was not always appropriate to give an opinion. It was agreed that, to provide greater clarity, future reports would detail this type of work separately.

Resolved: (i) That the results of audit and counter fraud work undertaken in 2014/15 be noted.

(ii) That the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control be noted.

(iii) That the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards be noted.

(iv) 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 work undertaken in 2014/15.

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

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

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

10. Update on Freedom of Information and Environmental Information Regulations

Members considered a report which provided an update on progress and performance in respect of the processing of Freedom of Information (FoI) requests.

Members were informed that paragraph 5 of the report should read *"Using the average cost of producing a response of £136.45 which has previously been reported to this committee, the approximate cost to the council for responses in 2014/15 is a total of £254,342.80".* Members noted that these costs related to officer time spent in preparing the responses.

Members' attention was drawn to paragraph 3 of the report which included statistics on the number of FoI requests received. It was noted that the figure had more than doubled over the last four years and that the response rate for the previous year had been very good. Officers explained that the FoI requests came from several sources including commercial organisations, students and the media, as well as from other individuals.

Resolved: That the report be noted.

Reason: To ensure the Council meets the requirements of Freedom of Information/Environmental Information Regulations, and is open and transparent in its publishing of information.

11. Update on Information Governance

Members considered a report which provided an update on information governance developments since the last report to the committee in December 2014.

Officers gave details of the work and progress that had been made, including revised staffing arrangements through the transfer of the Customer Feedback team into Legal, Democratic and ICT services.

Further details were given of the scope of the work that would be carried out by the ICO during their audit. This would focus on Records Management, Subject Access to Records and data sharing.

Resolved: That the report be noted.

Reason: To ensure Members are aware of the progress being made in the effectiveness of the Council's information governance arrangements.

Councillor Barnes, Chair
[The meeting started at 5.30 pm and finished at 7.15 pm].

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Audit and Governance Committee 29th July 2015

Report of the Director of CBSS (Portfolio of the Leader of the Council)

Audit & Governance Committee Forward Plan to June 2016

Summary

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to June 2016.

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 2016. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.

3. Two amendments have been made to the Forward plan since the previous version was presented to the Committee in June 2015.

4. The Freedom of Information update report that was due to be considered at the meeting in July has been deferred, as there have been no significant changes to report since the Committee received a report on this matter in June 2015.

5. An item on the Council's use of surveillance has been added to the agenda for the September meeting.

Consultation

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

Options

7. Not relevant for the purpose of the report.

Analysis

8. Not relevant for the purpose of the report.

Council Plan

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

Implications

10.
   (a) **Financial** - There are no implications

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

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

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

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

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

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

Risk Management

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

Recommendations

12.

(a) The Committee's Forward Plan for the period up to June 2016 be noted.

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

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

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

Contact Details

Author:	**Chief Officer Responsible for the report:**
Emma Audrain Technical Accountant Customer & Business Support Services Telephone: 01904 551170	Ian Floyd Director of CBSS Telephone: 01904 551100
	Report Approved √ **Date** 29/07/2015

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 2016

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Annex

Audit & Governance Committee Draft Forward Plan to June 2016

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

- **<u>Committee 23rd September 2015</u>**

  Final Statement of Accounts 2014/15

  Mazars Audit Completion report

  Key Corporate Risk Monitor Quarter 2 (including directorate risks)

  Internal Audit & Fraud Plan Progress Report including follow up of Audit Recommendations

  LGA Review Update Report

  Use of surveillance report

  Changes to the Constitution (if any)

- **<u>Committee 9th December 2015</u>**

  Mazars Annual Audit Letter 2014/15

  Mazars Audit Progress Report

  Treasury Management Mid year review report 2015/16 and review of prudential indicators

  Information Governance Update Report

  Freedom of Information Update Report

  Internal Audit & Fraud progress report

  Changes to the Constitution (if any)

- **Committee 10th February 2016**

  Key Corporate Risk Monitor Quarter 4 (Including directorate risks)

  Scrutiny of the Treasury Management strategy statement and Prudential indicators

  Counter Fraud: Risk Assessment and review of policies

  Audit & Counter Fraud Plan & Consultation

  Changes to the Constitution (if any)

- **Committee 13th April 2016**

  Mazars Audit Progress Report

  Mazars Audit Strategy Report

  Approval of Internal Audit Plan

  Internal Audit & Fraud Plan Progress Report including follow up of Audit Recommendations

  Information Governance Annual Report

  Changes to the Constitution (if any)

- **Committee June 2016**

  Draft Annual Governance Statement

  Annual Report of the Audit & Governance Committee

  Mazars Audit progress report

  Annual Report of the Head of Internal Audit

  Changes to the Constitution (if any)

Audit & Governance Committee **29th July 2015**
Report from the Office of the Chief Executive

Mazars Review of Housing for Older People Project

Summary

1. The purpose of this paper is to provide Members with –

- Audit review of the Elderly Person's Home Project, carried out by Mazars;
- An action plan developed in response to the key findings in the report;
- Recommendation that further updates are provided on progress to implement the action plan.

Background

2. In February 2015, the Chief Executive commissioned an external audit of the Council's Elderly Person's Home (EPH) Project following a decision to end the project following an unsuccessful procurement process. It was agreed at Health Overview and Scrutiny Committee in March 2015 that the audit report would be presented to Audit & Governance Committee before the end of the summer.

3. The EPH project was formally initiated in June 2013 when Cabinet approved plans to fund the building of care homes at Burnholme and Lowfield. Cabinet agreed to enter into a single procurement process for both sites to secure an external provider to design, build, operate and maintain the Burnholme Care Home and Lowfield Community village for Older People. Estimated project costs of up to £500,000 were approved towards the procurement process.

4. The Cabinet paper considered in June 2013 was explicit about the risks involved with this project.

At Para 27, the paper said,

‘Only once the council has been through a full procurement will the actual costs be known and then allow for proper consideration as to affordability from the existing budget’.

At Para 29

‘In order to stay within the existing revenue budget, and be able to finance the capital costs, it is estimated that the tender price will need to be towards the lower end of the estimated £25m-£30m. The procurement process will seek to develop a solution that can be met from the council’s existing budget provision. It is not expected that the project will deliver further savings, with the likely need to use the entire budget to fund the capital/revenue operating costs of the new service.’

Para 31

‘Until the full procurement has been completed, there clearly remains a risk that the project may not be able to be delivered within the existing budgetary provision’.

Para 32

‘There is the risk that, if the care home developments do not happen for any reason (eg a failed procurement exercise), the project costs would need to be written off’.

Para 54

‘The proposals outlined in this report have significant, long term financial implications for the council and there is clearly an inherent risk attached to any project of this size and nature. The financial estimates have been verified as far as possible however, there is a risk that the tenders could come back at a higher cost than estimated, resulting in an ongoing budget pressure for the council. There is also a risk that the existing sites may not realise the anticipated level of capital receipts included in the financial model and this will need to be carefully monitored’.

5. Although the proposals were ambitious, given the significant interest from organisations wanting to develop and run the homes it was reasonable for the council to believe that the market thought

that the plans were realistic and achievable. Various procurement routes were considered by the project and it was agreed (following legal and procurement advice) that the most appropriate method was the Competitive Dialogue route. This approach provided the council with greater flexibility to work with bidders through the dialogue process to refine the requirements in line with budgetary constraints.

6. Three consortia submitted bids and there was an expectation that an agreement could be reached. Despite a lengthy dialogue phase, it was established in January 15 that the market could not deliver the specification that the council had set within the budget that was available. From an initial allocation of £500k for project costs, £350k has been spent. Had the project been implemented, estimated costs would have been several millions in the early years and the decision to stop was taken before significant financial commitments were made.

7. In March 2015 Executive agreed to terminate the procurement on the grounds of affordability.

Mazars Audit Report (Annex 1 & 2)

8. Mazars have carried out a detailed review of the EPH Project including;

- Programme initiation, option appraisal and business case development;
- Programme governance and decision making processes;
- Programme management activity and resourcing;
- Use of external organisations to support the process;
- Specification development and selection of procurement approach;
- Management of competitive dialogue process;
- Evidence supporting the decision to terminate the procurement; and,
- Steps being taken in exploring an alternative approach.

9. Mazar’s findings are attached at Annex 1 (A&G Presentation) and Annex 2 (Report). To enable them to carry out their work, Mazars were given access to all project documents and emails.

Action Plan (Annex 3)

10. Although a number of recommendations have already been addressed to ensure that a new project can be initiated to deliver older people's accommodation, an action plan has been developed in response to this audit.

11. In particular, further work will be undertaken on risk management to ensure that robust systems are in place across all project areas. However it should be noted that it will never be possible to mitigate all risk, particularly with projects as complex as the provision of older people's accommodation.

12. It is proposed that an update be brought to Audit & Governance Committee on a six monthly basis to provide an update on the action plan at Annex 3.

Recommendations

13. Audit & Governance Committee are asked to:

- Note the contents of the Mazars Audit Report.
- Endorse the action plan at Annex 3.
- Agree to receive six monthly update reports.

Background Documents: Executive Paper June 2013 & March 2015

Contact Details

<table>
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Chief Executive</td></tr>
<tr><td>Report Approved</td><td>✓</td><td>Date</td><td>20 July 2015</td></tr>
<tr><td colspan="3">Wards Affected: List wards or tick box to indicate all</td><td>All</td><td>✓</td></tr>
<tr><td colspan="5">For further information please contact the author of the report</td></tr>
</table>

City of York Council

Review of the Housing for Older People Project

Presentation to Audit and Governance Committee

29 July 2015

Introduction

- CYC embarked on a programme of work for the re-provision of accommodation for older people in July 2011
- This involved plans for new residential care facilities and a Care Village – a relatively new and innovative concept to provide greater choice to the older people of York
- A comprehensive public consultation supported the proposals
- The planned timescale for delivery of the programme slipped considerably due to a series of complex challenges relating to:
  - site suitability;
  - design and specification; and
  - affordability.
- This led to the termination in March 2015 of a protracted competitive dialogue process
- An alternative solution is now being implemented to meet the City's needs
- In February 2015, the Chief Executive commissioned an independent review of programme management and governance to identify lessons to be learned and recommendations for future major change programmes
- The review was completed in June 2015.

Scope of Work

Programme Initiation

- Strategic context and fit
- Risk assessment
- Initial scrutiny

Programme Governance

- Consultation and engagement
- Outline business case
- Programme governance and communication
- Affordability risk
- Wider linkages

Programme Management and Resourcing

- Programme management arrangements
- Risk management
- Resourcing and capacity
- Project costs

Procurement Process

- Programme management arrangements
- Risk management
- Resourcing and capacity

Approach to alternative solution

- Learning for revised modernisation programme
- Programme management and governance

Key Findings – Areas of Good Practice

- There was a comprehensive and well managed public consultation with positive feedback from external stakeholders
- A wider reference group was set up for ongoing engagement with external stakeholders
- Successful transition of residents and staff following closure of 2 homes in March 2012, independently assessed as meeting best practice
- Some elements of good project management at work-stream level, for example disciplined reporting to Programme Board, debate of risks and actions required
- A well run procurement process despite significant affordability challenges and reducing market appetite
- Considerable commitment and diligence from project team to explore ways to address challenges and find an affordable solution

Key Findings – Areas for Improvement and Learning

Issue	Recommendations	CYC Response
1. Business Case The business case for the investment evolved over a period of time in a fragmented way. It was difficult to evidence that all options were considered and risks mitigated.	▪ A disciplined business case process should be adhered to ensure all options generated, appraised and risks evaluated at an early stage . ▪ The Treasury Green Book approach is recommended as best practice.	▪ CYC have invested in a programme management system, Verto. ▪ This has the functionality to support this disciplined approach.
2. Programme Governance and Communication Governance arrangements over risk were inconsistent. Significant risks were not systematically escalated to Corporate Management Team and Cabinet. Governance arrangements failed due to the perceived risk to the Council of disclosing the commercial sensitivities of the programme in a public domain. There was limited consideration of the wider strategic developments in Adult Social Care, Housing and the Health sector.	▪ Risk registers should be maintained by work-stream to feed a project risk log. ▪ A risk assurance framework approach is recommended for escalation to CMT and Cabinet. ▪ CYC officers and Members to examine options for creating an appropriate governance framework to allow debate of significant commercial risks. ▪ Developments in other sectors should be fully considered as part of options appraisal.	▪ Verto provides the disciplined approach required for effective risk management and escalation. ▪ CYC are considering a Risk Controller role. ▪ Major programmes are now managed under CYC's Transformation Board.

Key Findings – Areas for Improvement and Learning

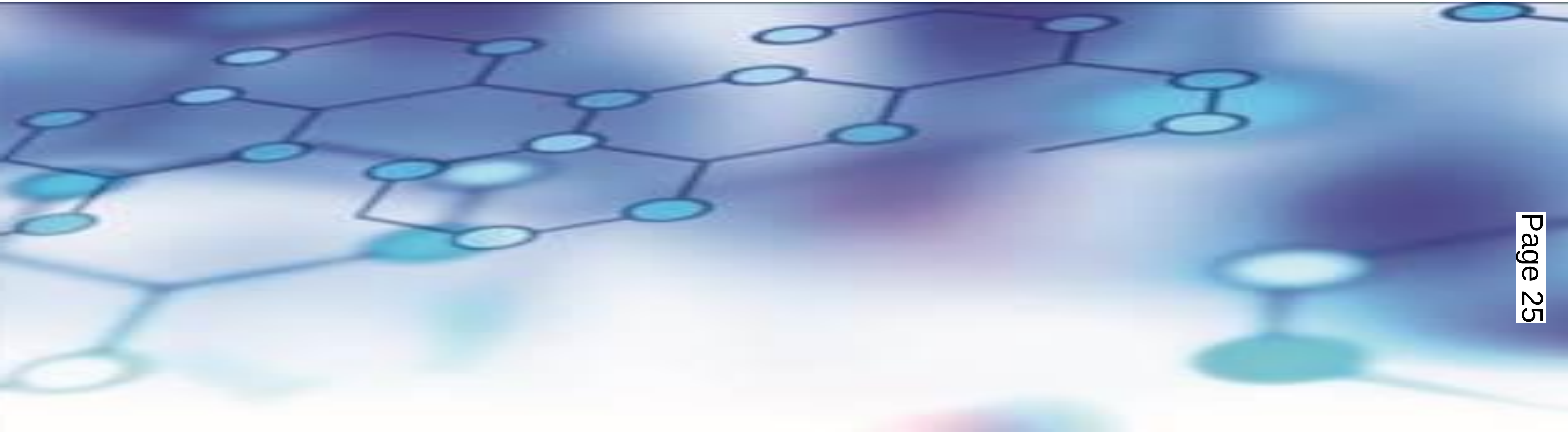
Issue	Recommendations	CYC Response
3. Financial Evaluation Issues raised relating to affordability at earlier stages of the project should have alerted CYC to the need for more rigorous financial scrutiny.	▪ There should be a greater focus on challenging the economic, operational and financial assumptions as part of the early phase of business case development.	▪ A financial model is under development for the new programme. ▪ CYC recognise the need to invest in specialist skills to ensure this is robust and flexible.
4. Programme Management There were some weaknesses in arrangements, for example project planning, roles and resourcing and risk escalation.	▪ Major projects should be supported by comprehensive, best practice programme management arrangements.	▪ CYC have taken steps to address through the implementation of Verto.
5. Procurement Process CYC officers involved had limited experience in competitive dialogue and associated commercial issues. A contingency plan was not considered in advance of the formal procurement phase on which the outcome of the project was critically dependent.	▪ Appropriately skilled support on complex procurements is necessary to allow fuller consideration of commercial implications, for example the impact of market failure and contingency planning.	▪ CYC has recognised the need for contingency planning and enhanced procurement expertise. ▪ CYC is examining ways to address commercial skills gaps.

City of York Council

Review of the Housing for Older People Project

Final Report

29 July 2015



CONTENTS

1. Executive Summary

The Older People's accommodation project was an ambitious and complex programme of work for City of York Council (CYC) involving multiple inter-related work-streams, various stakeholder interests and a high public profile. This required a disciplined business case development, robust governance arrangements and tight programme management to provide assurance on risks and appropriate, timely communication to decision-makers and stakeholders. Although we identified some areas of good practice, there were some weaknesses in CYC's approach and arrangements in these areas and consequent opportunities for improvement and learning on future major projects.

The underlying issue pervading our findings is the lack of a structured, best practice approach to **business case development**. The impact of this was that information on which to base the economic, financial and commercial cases and the adoption of the preferred solution was presented to Cabinet in a piecemeal way in a series of reports over a protracted period of time and highly caveated. Some of the key challenges involved were considered; but the lack of a more disciplined approach (for example, the Treasury's Five Case Model) meant that it was difficult to evidence in the formal records that the strategic case had been made, all options were properly considered and evaluated, or that financial, commercial and other risks were fully debated and mitigated.

Affordability was the key risk highlighted throughout the process and the fundamental issue observed was the **level of aspiration articulated into the specification** which the market was unable to respond to within the financial envelope. Financial information was available at the early stages of the project but heavily caveated pending further work; **operational assumptions were not robustly challenged and CYC did not develop a contingency plan** in the event of this significant risk materialising. Affordability was repeatedly highlighted as a key area of concern in reports to Cabinet throughout the process. There were therefore alerts at early stages to the need for more rigorous scrutiny of the economic and financial elements of the business case. Robust scrutiny at an earlier stage would have acted as an effective brake and "reality check" on proposals before the launch of a procurement process which was subject to the vagaries of the market during a recessionary period.

Governance arrangements over risk were not appropriate for a project of this scale, although risks were presented in Cabinet papers and progress reporting to the Programme Board. Risks were debated at the project Board, however minutes of meetings do not evidence escalation of these risks. A comprehensive risk register was not in place throughout the duration of the project. Mitigations proposed were not sufficient in some cases and significant risks were not routed in a **systematic** way to Corporate Management Team and Cabinet.

The programme aimed to drive cost improvements whilst at the same time delivering higher quality and transformational change for York residents. A competitive dialogue route was chosen as the procurement route to achieve this. CYC officers involved had **limited experience in this form of procurement and associated commercial issues.** Although a well managed process in the circumstances, significant problems were encountered by the team in driving this forward and maintaining sufficient interest by the market. In June 2014, CYC were faced with the scenario of a single remaining bidder before Invitation to Submit Detailed Solution stage. This presented a commercial challenge and although market failure can be difficult to predict, fuller consideration of the commercial implications before commencement of the process may have allowed measures to be put in place to allow better management of this scenario.

It is equally important to reflect upon the **areas of good practice** and successful delivery of elements of the programme:

- A comprehensive and well managed public consultation on the strategic direction and a good mechanism for engagement with external stakeholder representatives through a wider reference group;

- The **successful transition of residents and staff** following the closure of two homes in March 2012 which was externally scrutinised and confirmed as meeting best practice;
- **Elements of sound project management** at project team level in terms of disciplined reporting to Programme Board, highlighting/debate of risks and follow up of actions in the face of considerable resourcing and capacity constraints as well as numerous changes in the composition of the project team over the life of the project.
- The project team demonstrated **considerable commitment and diligence** in exploring ways to deliver an affordable solution in the face of considerable challenges to realise the programme's ambition, in particular given the duration of the project capacity issues and changes in personnel over that time

It should be noted that during the course of our review we have not identified any serious concerns with regard to the conduct of officers. We have considered the concerns raised regarding the **lack of communication on progress to Members and stakeholders**, particularly over the formal procurement phase. In our view, this was not down to any deliberate intention to mislead or conceal information from Members; but rather, this reflected the difficulties politically led and publicly accountable organisations face in terms of putting in place an **appropriate governance framework to allow debate of commercial risks**.

Our detailed findings and recommendations on areas for improvement and learning are provided in Sections 3-7.

2. Introduction

2.1 Background and Context

In 2009, City of York Council (CYC) carried out a comprehensive review of Older People's accommodation needs across the city which assessed current provision, future population needs and potential approaches to meeting future needs. At the time, the council operated nine care homes which were built in the 1960s and 1970s and which were coming to the end of their useful life as fit for purpose facilities. CYC also envisaged a greater demand for specialist dementia care accommodation.

The review considered alternatives to residential care and the wider perspective of developments under CYC's programme of transformation of Adult Social Care, including prevention approaches, configuration of homecare services, the Older People's Housing Strategy and linkages with the wider health and care economy. The report provided examples of good practice care models implemented elsewhere in the country.

The Joint Vision for the Health and Well Being of Older People in York was approved in 2010 and presented a 5 year strategy with a focus on supporting older people to remain in community settings; reducing hospital and care home admissions and providing a wider choice of accommodation options. In December 2010, this vision was articulated in the Commissioning Plan for Older People which set out intentions to:

- invest in services that reduce the need for residential and hospital based care and increase independence;
- increase the capacity for Elderly Mentally Infirm (EMI) residential and nursing care and high dependency residential care within the city, and reduce the number of 'standard' care beds provided by CYC;
- increase the housing based choices for older people such as sheltered housing;
- develop care and support models to enable more people to be supported at home; and
- ensure best value for money and use of resources to support a growing number of older people.

This groundwork set the context for an ongoing programme of work to develop and implement options for the re-provision of accommodation for older people. CYC officially embarked on this programme in July 2011 following the change in administration when a paper presenting the case for change and strategic options was presented to Cabinet which approved the request to take this forward to a public consultation phase.

Following the successful public consultation phase, CYC experienced a series of complex challenges relating to site suitability, design specification and affordability with consequent impact on timescales for delivery. This led CYC to terminate its procurement of the preferred option in March 2015 and seek an alternative solution which is now in the process of being implemented.

As a consequence, CYC has experienced considerable external challenge with regards to its management of the programme, choice of procurement route, governance and communication arrangements. The Chief Executive has therefore commissioned this independent review to identify whether there are lessons to be learned from the Older People's Homes (OPH) programme and make recommendations for improvement with regards to future major change programmes, where required.

2.2 Scope of Work

We have carried out a detailed review of the housing for older people project, including consideration of:

- Programme initiation, option appraisal and business case development;
- Programme governance and decision making processes;
- Programme management activity and resourcing;
- Use of external organisations to support the process;
- Specification development and selection of procurement approach;
- Management of competitive dialogue process;
- Evidence supporting the decision to terminate the procurement; and,
- Steps being taken in exploring an alternative approach.

It should be noted that our review covers the generic best practice aspects of programme management and the procurement process. It does not cover technical elements of the process, for example, relating to financial and demand modelling, technical specifications, planning and design.

Our work has consisted of a detailed desk-top review of supporting corporate documentation relating to the project supplemented by interviews with key officers and stakeholders. We would like to thank CYC Members, officers and other stakeholders for their considerable support in providing information and being available for interviews during the course of our work. A full list of the information reviewed and interviewees is provided in Appendix 2.

2.3 Presentation of Report

Our detailed findings are presented in subsequent sections of this report, structured as follows:

Section 3	*Programme Initiation*
Section 4	*Programme Governance and Decision-Making*
Section 5	*Programme Management and Resourcing*
Section 6	*Procurement Process*
Section 7	*Approach to an Alternative Solution*

For ease of presentation in view of the multiple reporting and decision points over the duration of the programme, we have presented in Appendix 2 a timeline of key events which is referenced in bold to our findings where applicable.

3. Programme Initiation

Detailed Findings	Areas for Improvement
1. Strategic Case The paper presented to Cabinet in **July 2011** formally initiated the project and provided an outline case for change and proposed options for re-provision. Cabinet was asked to agree to a 3 month period of consultation. This was a clear and succinct paper, however, did not provide the content and level of detail that would be expected for a Strategic Outline Case (SOC). Five options were described; however there was no explanation as to how a long-list and then a short-list had been derived. This may have had the impact of restricting the feasibility of the business case from the outset. Options on phasing to create more manageable chunks to reduce the complexity of the project were not considered as part of the options appraisal. Feedback from officers questions whether the full range of options was considered particularly in view of the focus on re-provision of residential care. The direction of travel articulated in the Health and Wellbeing Strategy and Commissioning Plan for Older People was for more accommodation choices to help people to remain independent, for example through sheltered housing or improving support in their own homes. It is clear that other options were feasible as demonstrated by the refreshed programme currently underway. Potential risks were not captured in the paper at this stage so at this point no formal governance arrangements had been established for Cabinet over programme risks. As a structured business case development process was not followed, subsequent papers did not develop in a systematic manner from SOC to Outline Business Case (OBC). The impact of this was a fragmented approach to providing the information to allow Cabinet to scrutinise effectively and make decisions.	• For major projects, a formal business case process should be adhered to as a best practice framework to ensure all options are properly appraised, risks are evaluated at an early stage and stakeholder expectations are managed. Where there are significant changes in the internal or external operating environment, the business case should be formally re-evaluated to ensure fully informed decisions are made. • We recommend that CYC develops formal guidance for officers on Business Case requirements following the Treasury's structured best practice approach – the Five Case Model (The Green Book). This is recognised good practice in the public sector for the appraisal, development and planning of major projects to deliver best public value and ensuring evidence is captured to support decisions, covering: - the Strategic Case (case for change); - the Economic Case (best public value); - the Commercial Case (proposal attractive to the market place); - the Financial Case (affordability); and - the Management Case (deliverable). • We recommend that where appropriate, senior level training on business case development and evaluation is provided to establish a rigorous, disciplined approach to investment decisions (see also below for the Outline Business Case). • The Strategic Outline Case (SOC) is a scoping phase which should be further developed at the OBC stage. It makes the case for change and explores the potential way forward. In practical terms this entails: - describing the strategic context and fit; - determining investment objectives, existing arrangements and future needs; - identifying benefits, risks, constraints and dependencies; - identifying critical success factors;

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CYC does not currently have a documented Business Case Policy or guidance for officers.	- indicative costs if feasible at this stage; - preparing and appraising the long list of options (using a SWOT analysis). • A SOC should identify a wide range of options (typically about 12); consider the advantages and disadvantages of each with an early indication of a short-list as a direction of travel rather than a defined short-list at this stage. Phasing of large scale and complex projects should also be considered. We recommend using a working group approach to generating and assessing the long list of options. • A risk review should also be carried out as a workshop session at this stage to start to populate a risk register and risk assurance framework for the programme with mitigating actions/further information required at this early stage. A PESTLE (political, economic, social, technological, legal and environmental) analysis is a useful tool to provide a framework for this. This work should be captured in the SOC. Using such an approach provides an ongoing governance framework over key risks at the appropriate decision-making level. • A formal business case development process helps to identify significant risks at an early stage. In this way, it can pre-empt issues which may require a greater degree of focus and avoid unnecessary or hastily completed work being undertaken at later stages process.
2. Initial Scrutiny As referred to in 1 above, the Cabinet paper does not highlight any risks at this stage. However, some key risks and issues are referred to within the body of the document which had a subsequent impact on the deliverability and affordability of the programme, including: • the potential complexity of a design, build and operate deal with the independent sector and the impact on costs of site ownership; • growing interest by the private sector in developing care home capacity in York and developments underway; • a complex 3-4 year programme of work involving home closures and moving current residents to alternative provision;	• For major projects of this type, risks and key issues should be clearly presented as part of the SOC to open up challenge and debate by the decision-making forum. These should be captured and mitigations presented through Cabinet papers on an on-going basis as a project progresses. • The basis for any assumptions should be presented as part of the SOC so that these can be considered and debated at an early stage at the appropriate level, particularly around the economic environment, financials, impact on the local population and timescales. • In order to provide assurance over programme governance and resourcing, it would have been good practice to include an outline plan for the consultation process and intended next steps in terms of development of an Outline Business Case for the next stage of approvals required.

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• the potential loss to CYC of the capital receipt for the Lowfield site to the wider capital programme; • the need for various planning approvals; • the site valuations used were before the economic downturn. There is no evidence of discussion in these key areas at Cabinet. A high level indication of capital and revenue costs was provided. Annual revenue costs of £5.75m for 200 bed provision were indicated with a reference to current revenue spend of £7m. There was no indication of the source of this assumption and no explanation as to the rationale for the perceived saving of £1.25m implied (although we understand this related to anticipated capital receipts from the sites to be closed). There was no indication as to the source of capital funding estimated at £13.4m. These assumptions were not queried or debated at Cabinet. Given the elapsed time between the original groundwork (which included some soft market testing) for the proposal in 2009 to the date of this paper, more detailed work on the business case in terms of financials and risks would have been feasible. This may have highlighted at an earlier stage the affordability issue that led to the termination of the procurement. The Cabinet paper did not look any further ahead than the consultation process and therefore did not set out a plan for next steps following the consultation, particularly regarding production of an OBC and project initiation document.	

4. Programme Governance, Decision-Making and Communication

Detailed Findings	Areas for Improvement
1. Consultation and Engagement It was reported in Cabinet papers and recognised in interviews that the public and stakeholder consultation in 2011 was comprehensive and well run. There was convincing support for CYC's vision for the future of residential care and the care village concept. The subsequent consultation on the proposed closure of homes was well managed under challenging circumstances for existing residents. There was some feedback from the public that not all permutations may have been considered. There was clear support (89%) for Option D which proposed council run provision. Subsequent work on the financial viability of options indicated that in-house provision was not affordable. Almost 50% of respondents supported Option E to partner with the independent sector to design, fund, build and operate the homes. The key elements of the feedback from the York Older People's Assembly (YOPA) documented in their response to the consultation and provided for the purposes of this review were : • the lack of information on the wider market provision; • proposed locations; • the need for a greater focus on independent living and choice. Feedback from discussion with Age UK York indicated their perception that plans presented for consultation were already significantly advanced and needed to take fuller account of local need. Public papers to Cabinet are clear that the programme of work would be subject to affordability and timescales subject to unknown variables such as planning permission and procurement. However, the expectations of the public were raised by the process of consultation itself. The consultation documents do not make explicit statements on estimated timescales or that options would be subject to value for money assessment. YOPA commented on the absence of information to enable views on value for money.	• A full long-list of options should be put forward at Strategic Outline Case stage and referred to in the public consultation to provide assurance to stakeholders on how options have been generated and considered. • Value for money implications should also be included in the consultation to allow stakeholders to take a view on the best use of public resources. • It would be a prudent step to make a clear statement in consultation briefings for other major projects to manage expectations where there are unknowns, particularly around affordability, operational complexity and timescales.

Good practice arrangements were put in place to provide routine engagement with stakeholder representative groups through the Wider Reference Group. This included representation from York Older People's Assembly, Age UK, Alzheimer's' Society, Dementia Without Walls, York Carer's Forum amongst others. Feedback from YOPA indicates that this was a valued and effective forum which informed the project through appropriate programme governance arrangements.	
2. Outline Business Case (OBC) The next paper to Cabinet in **November 2011** provided the consultation findings and other key information including: • the proposed phased programme of closures and rebuilds; • additional financial analysis of Options D and E only; • a protocol for Moving Homes Safely. This was a rather fragmented paper which repeats a significant amount of information from the previous paper. The financial analysis and commentary contained in this paper is unclear and incomplete. For example, this introductory comment (paragraph 46) is illogical: *"The overall programme of development of the four facilities on three sites is considered to be affordable within the current budget allocation for the nine EPHs subject to projected costs and receipts over the four-year period"* The paper raises various issues which would have benefited from further scrutiny at this point: • It does not provide costings for Options A, B and C for consideration, therefore these options do not appear to have been further considered at this point. • The assumptions underpinning the operating cost projections for Options D and E are not clearly explained. • Running costs in 2011/12 are stated at £7.5m with £1.5m forecast savings under Option D and £3.4m under Option E by 2015/16. The source of the significant savings/financial gap in each option is not clearly articulated, for example in terms of proceeds of sale of sites.	• A comprehensive Outline Business Case following Treasury guidance should be developed for major projects to provide a focused and structured document for consideration and fully informed decision-making by Cabinet. • The economic and financial cases as well as significant risk evaluation should be the key areas of focus and detailed work at this point. • The options appraisal should be transparent and fully documented including the rationale for excluding options from subsequent evaluation. • For major programmes of work, particularly where in-house capacity is limited, CYC should consider using temporary external business case development expertise to ensure a basis for robust and prudent recommendations to Cabinet.

• Site valuations remain at pre-downturn levels. • The source and robustness of the number of beds (200) required and included in the modelling is not defined and described as a Commissioning Team estimate. The number of beds used for the consultation was 180 and YOPA commented on the lack of rationale for the figure. There is no evidence in Cabinet minutes of any significant debate on these risks. A comprehensive options appraisal, including options A, B and C did not take place and therefore subsequent discussions and decisions have focused solely on permutations around Options D and E. In **January 2012**, Cabinet approved the following recommendations subject to further analysis: • the closure of Fordlands and Oliver House by March 2012; • the phased development outlined in November 2011; • a more detailed business case to be presented in April 2012 for the care home development on Fordlands; and • a soft market testing exercise for the development of Lowfield site and development of the financial model for the operating and design options to be presented in April 2012. These decisions therefore represented a commitment to the proposed programme of work under Options D or E without full consideration of Options A, B and C. It was also noted that approval was given to progressing the expansion of day care activities in the community to replace current provision. We understand that Age UK took on this element.	
3. Programme Governance and Communication A Programme Board was set up to provide oversight with Corporate Management Team (CMT) representation through the Director of Adult Social Care and the Director of Customer and Business Support Services. Feedback on the effectiveness of this Board has been mixed. The level of challenge	• For any major programme, risks which may impact on the deliverability of the project should be formally documented through a structured risk assurance framework in reports to the Corporate Management Team and Cabinet. • We would recommend the inclusion of an individual on the Programme Board to provide independent challenge in a “critical friend” role and as a pragmatic solution to broker a way forward between conflicting standpoints.

and debate appears appropriate, particularly around the tension of affordability versus the imperative to deliver the programme. However, where this trade-off could not be resolved by the Board within its decision-making remit, escalation to the Chief Executive would have been appropriate.

Officers have advised that significant risks were debated with CMT, however minutes indicate that these were not formally escalated c to CMT and the Chief Executive. We understand that CYC has now put arrangements in place to provide this governance structure over transformation projects, including automatic alerts to the Programme Lead and Chief Executive of "red rated" risks.

Governance and communication arrangements from Programme Board to CMT and Cabinet were not documented in the programme governance arrangements. Arrangements were limited in various areas:

- There is no indication of any formal reporting/communication to CMT on the project from a review of CMT minutes and actions although we understand that verbal updates were provided. We are unable to comment on any informal discussions as these are not documented. Transformation projects are now routinely reported on to CMT.
- A formal risk assurance framework was not put in place for escalation of significant risks to Corporate Management Team and Cabinet.
- Papers were periodically provided to Cabinet for decision-making but progress updates were not routine.
- Reference is made to briefings on progress by the programme lead to the Cabinet member but these are not formally documented.

Cabinet papers do not refer to any affordability or potential project slippage risks until May 2012. The Cabinet paper in May 2012 heavily caveated the financial analysis provided, stressed that a further review was required to "ensure affordability" [para 63] but did not formally record the uncertainties highlighted as key risks. The paper did refer to a risk log with mitigations being maintained and over-seen by the Programme Board but this was not visible to the Corporate Management Team or Cabinet Members.

- Governance arrangements need to be specifically considered where any commercial sensitivities present a risk to the Council should such issues be disclosed in the public domain. Whilst recognising the challenges involved in this regard, we recommend that lead CYC officers and Members take the opportunity to examine options for creating a forum for discussion of such issues where these create a significant risk to delivery of a programme.
- For example, this may be feasible through a confidential Cabinet session where terms of reference and a code of conduct are documented and signed up to in terms of commercial confidentiality and the serious implications for the Council of disclosure of information outside of this forum.
- Informal briefings have a role to play in supporting programme progress, however on complex projects, this presents a risk in terms of challenge from other Members and decisions being taken and actioned by officers which are outside their delegated remit.
- For major transformation projects, it would be good practice to provide routine, periodic progress updates to:
  - Cabinet as a standing agenda item, thereby also allowing project team to plan reporting;
  - other stakeholders in the form of summary briefings, for example to staff and the Wider Reference Group forum.
- We understand that CYC has implemented this approach for the new programme (see Section 7).
- Such updates should clearly consider and make reference to constraints due to commercial sensitivities but notwithstanding this, communication would be appropriate in terms of:
  - whether the programme is progressing to plan;
  - progress of work-streams, risks arising and mitigations not associated with any commercial process;
  - any slippage anticipated in timescales and impact on the final

The May 2012 paper presents a large disparity in costs presented, comparing the Council-run with privately operated options mainly due to the impact of terms and conditions for staff. The Council run option does not pay back over the 25 year period of the financial projection.. The paper does not present a clear explanation of this issue and staff implications which are important issues for staff, their representatives and Cabinet.

The delivery of new, high quality accommodation was eagerly anticipated by the older people of York with timescales clearly of critical importance. As the programme timescale became more protracted, risks became apparent to the planned opening of the new homes by April 2016. Frustrations were therefore understandably expressed over the limited communication provided on progress to Members and stakeholders, particularly over the period of the procurement process.

There was no formal reporting on progress over the periods discussed further below. Key themes are described to demonstrate the nature of deliberations at Programme Board.

June 2012-March 2013

Over this period, considerable challenges emerged and some key decisions were made by the Programme Board. The following issues were debated:

- the unfeasibility of the Fordlands site due to site survey findings;
- materially higher construction costs indicated by Property Services than those indicated by external consultants;
- the complexity of the procurement process;
- project team resourcing issues; and
- risk of delay to the project timescales (opening of Fordlands and Lowfields by April 2014).

Informal briefings to the Cabinet member took place over this period. The decision was taken not to advise Cabinet until a revised timescale could be determined.

The Programme Board took the decision not to develop the Fordlands site and the Burnholme site option started to be developed by the project team in November 2012.

programme delivery date.

- It is also important to consider any assumptions made regarding commercial sensitivities and legal challenge. Discussion of key principles, for example on affordability and timescales, may be appropriate if all parties to a procurement agree to the disclosure of this information in an agreed forum, for example, in a confidential Cabinet session.

Soft market testing on the Lowfields project took place over this period.

In December 2012, project team minutes refer to an in-house bid to operate the Lowfields site as unfeasible. This was demonstrated by subsequent financial modelling however it is not apparent from Cabinet papers how this was communicated to the in-house team.

June 2013 – March 2015

A paper was presented to Cabinet in June 2013 providing a progress update, advising of the Burnholme and Lowfield site option and recommending a procurement for the design, build and operation of the development.

The formal procurement phase is described fully in Section 6.

The paper also presented the financial considerations in terms of the financing of the project and clearly highlighted the risks of the procurement exercise not delivering the required solution within the proposed budget. Minutes of the Cabinet meeting do not evidence any debate on the financial risks highlighted.

Over this period, concerns escalated over the affordability and deliverability of the programme. The issue of the change of use of the Burnholme site also surfaced during this time. Significant work was undertaken on reiterations of the financial model and options to value engineer the specification.

In **June 2014,** a summary position statement was presented to the Programme Board. This clearly highlighted:

- a remaining affordability gap of £10.7m over 15 years; and
- the impact on timescales, home opening dates envisaged in 2017.

A briefing was provided to the Chief Executive on the status of the procurement. Following the appointment of the new Acting Director of Adult Social Care (ASC) and his evaluation of the process to date, further discussions with Bidder 3 took place over the summer. Programme Board meetings ceased at this point. We have no evidence of a status update to Members at this point.

Cabinet's stated view is that the affordability issue was only communicated at the later stages of the process. Cabinet's understanding was that the commercial sensitivities of

the procurement process precluded communication and discussion of progress over this period due to the risk of legal challenge. This message was reiterated by officers during the process and was challenged at the Health Overview & Scrutiny Committee (**January and March 2015**) and Corporate and Scrutiny Management Committee Calling-in in March 2015. The Chair of the HOSC and Acting Director of ASC also discussed in the January 2015 meeting if the programme timescale remained deliverable. The transcript is provided below *HOSC Chair*: *"Would you say we are still on target to see something concrete built by 2016 or in 2016?"* *DASC: "I would like to say yes because actually it's my intention to ensure that the homes that we've got are fit for purpose really, so regardless of what method that is, we need to make sure that the homes we provide are fit for purpose ………….So, if not that route it will be a route that gets us to where we need to be.* This exchange demonstrates the uncertainty over the deliverability of the programme to the planned timescale at this point and the possibility of an alternative solution being required. Other stakeholders reflected concerns during this period over the lack of communication, for example YOPA in its newsletter of Autumn 2014. Unison has commented that staff morale has been adversely impacted by the uncertainty and that arrangements are needed to support staff on the impact of major change. In our view, the lack of appropriate communication on progress over these periods was not due to any deliberate intention to mislead or conceal information from Members; but rather, this reflected the difficulties councils face in terms of putting in place an appropriate governance framework to allow debate of commercial risks. It also reflected an element of procurement inexperience in terms of understanding the communication which could have been provided in a public forum, with the agreement of all parties to the process, without disclosing commercially sensitive information.	
4. Affordability Risk The consistent challenge for the Programme Board and CYC was the affordability of	• Significant dedicated resource on the financial, operational and commercial considerations of proposed major projects is recommended at an early stage.

the proposed solution given the high standard of the specification required. The estimated size of the financial gap was £1-1.5m in revenue funding.

We consider that there were several opportunities to challenge the financial projections at the earlier stages of the project. In particular, we highlight:

- A defined base case was not developed at a point in time. Instead, the business case has been articulated in a piecemeal manner through a series of Cabinet papers, with caveated decisions based on further financial analysis and evaluation to be provided.
- There was insufficient challenge and debate around the risks and assumptions in the financial analysis presented in the Cabinet paper of **1 November 2011**.
- The capital cost estimate was provided by Pinders in April 2011 on the basis of £3.7m build cost for a 55 bed home. The basis for the £6m capital cost estimate for Lowfields is not stated and was to be informed by soft market testing. No queries were raised by Cabinet in **January 2012** regarding the source and validity of these estimates.
- The basis for the £1.1m savings referred to in the January report for 2012/13 as a consequence of the closure of Fordlands and Oliver House is not stated.
- In April 2011, the number of beds assumed is 180 whereas this increased to 200 in the November 2011 and January 2012 papers. The bed requirement reduced to 162 by June 2013 as the basis for the procurement. Discussions with officers have indicated ongoing concerns by the project team on the basis for the number of beds required.

The **January 2012** report to Cabinet referred to further detailed financial analysis to be provided in April 2012. The Cabinet member deferred this report until May 2012 to allow more time to incorporate findings from the Lowfield soft market testing exercise into the financial modelling work. There is no evidence from our review of documentation how this research further informed the financial model.

The **May 2012** paper provided more detailed financial analysis of 4 sub-options of Options D and E. The financial analysis appears comprehensive and includes various scenario analyses around property receipts and assumed over-run on build costs.

The economic and financial cases with associated risks should be well articulated at the OBC stage. This provides a robust "base case" from which to move forward on the financial appraisal of options, focusing subsequent work on validating assumptions and mitigating risks.

- Soft market testing can be used effectively as an opportunity to specifically test out risks envisaged at SOC stage. Such exercises should be used where feasible to inform the financial and commercial cases with the aim of pre-empting any "show-stopping" issues at a later date. This is particularly the case for projects which are innovative and relatively untested.
- The basis for key operational and financial assumptions together with a comparison of the affordability of options should be clearly summarised, in tabular format, to facilitate ease of comparison and understanding. This is particularly important for Cabinet Members with busy agendas who need to make critical strategic decisions on the basis of robust and clearly presented information.
- Risks and mitigations should be clearly articulated in the risk section of Cabinet reports rather than expressed as part of detailed paragraphs in the body of the report to ensure visibility and significance for debate.
- Development of a "Plan B" where there are significant risks to delivery of a project is a critical requirement, particularly where dependent on the outcome of a complex procurement process. This would need to be put in place before the commencement of a formal procurement in order to maintain credibility in the market.

However, it does not present the financial information and evaluation of options in a format which allows for clear comparison and comprehension by Members. Key financials are masked in textual format so that key messages are not easily extracted. Much of the detail is provided in complex technical annexes. The analysis raised further issues of concern relating to the financing of the project which were not challenged: • The key assumption was that the project would be self-financing. Operating and capital financing costs were to be covered by the current annual operating costs for the remaining 7 care homes of £5.3m. The paper makes reference to efficiencies already having been delivered in care homes during 2011 making further efficiencies a considerable stretch. This issue is reiterated in the following statement: *"There is no new long term money available to the project. As a consequence, savings must be made in current revenue/operating costs to be able to afford the capital repayments and deliver the new facilities for the future"* • The underlying estimates of build costs were not reassessed over the period from July 2011 to May 2012. Capital costs had risen to £15.3m (from £13.4m) in the May paper but only to reflect the loss of the £2m capital receipt to the Council from the Lowfields site. • Discussion with officers has indicated some concerns over the validity of the assumptions underpinning the Pinders' costings but this is not referred to as a risk in the paper and there is no evidence of challenge on Pinders' recommendations. The Programme Board minutes later refer to the need for more robust capital costings and further external advice was sought through EC Harris. • There are risks on property valuations at this stage on which sales proceeds to fund the programme were dependent. Internal Property Services valuations in January 2011 presented the most optimistic position. CYC had obtained external valuations in April 2011 which presented much more cautious values. A risk was highlighted around intentions for Oliver House. • The funding of the early years' deficit is uncertain at this point. It should also be noted that the project team were working with external legal advisors	

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on the commercial options at this stage. They produced a comprehensive appraisal paper and an action plan which stated: "*CYC (or its external advisers) will need to be comfortable at the outset that the specification of the works and services that is asked for (particularly if a prescriptive approach is adopted) is affordable and undertake the appropriate financial due diligence*" The report to Cabinet clearly articulates the inherent uncertainty and the need to confirm costs via a procurement exercise and consideration of capital and revenue budget available for the scheme. However, these risks are not highlighted in the risk section of the paper and therefore mitigations are not proposed. The next key discussion on affordability took place in a member briefing in **April 2013.** This represented a significant revision to proposals and demonstrated the financial risks to the programme and the need for additional revenue budget buffer: • The bed requirement indicated was 162 which led to a revised proposal for two care homes (Burnholme and Lowfields) instead of three, alongside the care village. • The standard of the specification was to be maintained. • Significant increase in build costs **from £13.4m to £28-31m.** This was informed by EC Harris advice and internal work based on the requirements of the specification not included in the original high level estimates. The impact of the Household Model, dual registration requirements and delivery of a high level "gold standard" specification have been referred to by officers as the key drivers of the increase. • Existing annual operating cost budget of £5.4m would allow for £21m of borrowing against an estimated requirement of £23-26m net of capital receipts from the closure of existing homes. This was the financial envelope set for the procurement on the basis of 162 beds after taking account of the closures of Fordlands and Oliver House. • £800k of annual savings were yet to be identified. The notes from this meeting did not indicate any major debate or concern over the financial implications despite the alerts which should have been raised as a result. The Programme Board Highlights Report in April 2013 did not indicate concern over the financial model (rated "green"). This does not concur with feedback from discussions	

with officers. It would have been prudent at this point, **April 2013** to consider development of an alternative option, “Plan B” in advance of the procurement process. The June 2013 report to Cabinet summarised the financial implications of the programme, confirming expected capital costs of £25-30m with £5m expected in capital receipts. It highlighted the need for the procurement process to deliver a price at the lower end of this range to allow affordability within the existing revenue budget. The report clearly highlights the risk to affordability and the dependency on the outcome procurement process. The Risk Management section, para 54, reiterates these risks however does not propose any mitigation at this point. Following the stalled procurement process, from **June 2014**, the Programme Board instructed the team to start to work on alternative options. Meeting papers show that various options were evaluated and risk assessed at a high level but not developed in terms of operational and financial modelling. The desire of the leadership to deliver the vision and transformation for local people drove the continued efforts of the project team to find an affordable solution. The following sequence of events described below from **September 2014 to March 2015** demonstrates the challenging environment within which the project team were operating and the further uncertainty as a consequence. Officers advised that informal meetings including key Cabinet Members took place in the period **September – November 2014** to further discuss the affordability concerns on the project in the context of budget setting for 2015/16. As informal meetings, they were not formally documented. We understand that the £1-1.5m funding gap was reaffirmed, and that it was also highlighted that should a decision be made to allocate more budget to the project, this would have an impact in terms of the procurement process and potential challenge. In early November 2014, the Council Leader communicated to the Chief Executive the Cabinet’s continuing commitment to the project and a requirement for this to proceed as soon as possible. The Chief Executive therefore instructed the Programme Board to continue the procurement process. Members of the Programme Board have indicated the difficulties envisaged at this point in terms of the continuing affordability challenge	

and the considerable amount of work still remaining to bring the procurement to detailed solution stage. The Council's leadership changed in November 2014. Further budget discussions took place in December 2014 and January 2015 and the budget approved in February 2015 confirmed that additional resources would not be allocated to the project. Cabinet then approved termination of the procurement in **March 2015** and the pursuit of alternative options. Other pressures on the budget set for the procurement arose during the process: • Subsequent overspends occurred against the running cost budgets in 2013/14 and 2014/15 mainly due to the complexity of the needs of residents which had not been fully reflected in budget setting and other unavoidable staffing issues; and • The Summary Position Statement to the Programme Board on 24 June 2014 highlights the pressure on the annual budget (£5.4m to £4.85m) of reduced income to CYC as a consequence of the reduction in the number of beds from 162 to 126 proposed during the competitive dialogue process.	
5. Wider Council and System Linkages The original review carried out by CYC in 2009/10 and subsequent Health and Wellbeing Strategy highlighted the need to consider the wider perspectives of other developments in the transformation of Adult Social Care, Housing Strategy and the Health sector. These linkages do not appear to have been effectively made in terms of informing the programme and ensuring integrated governance arrangements, for example: • This project was managed within the Adult Social Care directorate. There was no formal link into wider transformation projects being planned by CYC, for example, housing projects. • Discussions indicate that the care village concept combined with affordable housing was developed without consultation with Housing officers. Housing officers reported concerns on the demand for, design and affordability of the concept as well as the suitability of the proposed site. The affordable housing element was also deemed a risky proposition. • The York Older People's Assembly (YOPA) expressed concern in response to the	• We understand that CYC now manages all major projects within the Transformation Programme with oversight of a Transformation Board to ensure linkages across the Council are made appropriately. • In view of the role of the Health and Wellbeing Board across the system, governance arrangements should ensure their full engagement to ensure opportunities to integrate across health and social care are not missed. • The Clinical Commissioning Group is now represented on the Programme Board for the revised programme.

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2011 consultation that information was not made available on the wider market provision for care homes and services. • There was no representation of Health colleagues on the Programme Board. The Lowfields development was not attractive to health partners due to good, modern provision locally as a result of Primary Care investment. • The Health and Wellbeing Board was not involved in the programme. There was a reference in the Cabinet paper of November 2011 to the involvement of the then shadow Health and Wellbeing Board but there is no further reference to this being taken forward. As a consequence, other projects with a clear inter-relationship to the Older People's Accommodation project have not been fully considered as part of the business case, for example community health hubs and options around Sheltered Housing. The Health Overview and Scrutiny Committee and Health and Wellbeing Board have been considering ways to work in a more integrated way as recorded in the minutes of the HOSC meetings in 2014/15.	

5. Programme Management and Resourcing

Detailed Findings	Areas for Improvement
1. Programme Management Arrangements A project group led by the Assistant Director of Adult Provision and Modernisation was originally set up in **September 2010** to work towards developing a report for Cabinet by **June 2011** on options and recommendations for older people's accommodation. The group is referred to as a Project Board but was acting as the project team at this time. This group included representation from Commissioning, Housing, Adult Services, Corporate Services, Unison with an external advisor. A project manager was put in place. Attendance was inconsistent, however, this reflected the needs of the programme at the early stages. The programme management framework was subsequently established and reflected many aspects of good project management practice; a project brief was produced, a project plan with appropriate work-streams was developed and a highlights report and risk log were introduced for monitoring progress. At this time, resourcing of work-streams was not defined. Highlights reports continued to update on progress. However, as the project progressed, some elements of good practice programme management were not maintained, in particular the maintenance of a risk log which is periodically referred to for discussion but not part of the meeting papers. In March 2013, additional programme management resource was put in place. The programme management structure was revised to a more appropriate framework to reflect the needs of a major transformation project in terms of: • a Programme Board with director level representation (met monthly); • a core Project Team chaired by the Assistant Director who had been leading the programme to date (met fortnightly); • an Operational Team to support the project team (met bi-monthly);	• Major transformation projects should be supported by formal and comprehensive programme management arrangements, following a best practice framework. Prince 2 tools tailored proportionately to the needs of a project provide an example of good practice. • We understand that CYC has since implemented a robust project management system around transformation projects (Verto). • Programme management discipline should be maintained throughout the duration and resourced accordingly in the resource plan. Flexibility in arrangements is required but any changes should be documented in minutes of meetings. • Governance arrangements over the Programme Board should be documented in terms of a route for escalation of significant risks and decisions which are outside the remit of the Board to resolve, potential "show-stopping" issues and to consider communication to Members and wider stakeholders. This should include clear delegated authority including limits for expenditure. • Project team roles should be explicit and documented if necessary. Without this clarity, there is a risk that officers are acting in roles which are not within their area of expertise with consequent impact on the project.

• the Wider Reference Group to engage with external stakeholders (met quarterly); • defined work-streams with nominated leads feeding the project team with a high level resourcing plan; • a clear line of responsibility for ensuring operational input with the Programme Manager supported by relevant leads on the Programme Board; • a more structured reporting through Highlights Reports. There were some limitations in these arrangements and some blurring of responsibilities: • The terms of reference of the Programme Board were not fully documented in terms of their responsibilities and delegated authority. • The structures did not define how issues and risks would be escalated from the Programme Board to the Corporate Management Team, Chief Executive or Cabinet. • There was no evidence of a detailed project plan, resourcing plan and risk log at this stage. • The respective roles of the Programme Manager and Project Manager were not clearly defined; however, we understand these were shared roles to some extent to support capacity constraints. • The Project Manager was not a formal member of the Programme Board (although periodically attended). • We have records of the Operational Team meeting only twice in February and May 2013. Officers have referred to difficulties encountered in obtaining operational agreement on the home closure plan, staffing model and specification. • Officers have referred to the lack of clarity in terms of who was driving the project on. Although the responsibility of the Adult Social Care Directorate, discussions have indicated that key Corporate Services staff, supporting the project, took on this role.	

2. Risk Management A risk log was set up in **January 2011** by the Review Board. It highlighted some emerging significant risks: • resourcing and potential impact on timescales; • lack of specialist commercial support; • risk of challenge if not all options considered; and • linkages between projects. There were no mitigating actions recorded against these risks. Risks were not fed into the Corporate Risk Register as deemed inappropriate in terms of sensitivities at this stage on a project for which consultation would be necessary. The risk register started to be further populated in **February 2011,** however, subsequently this does not appear to have been used. Risks were subsequently referred to in a relatively unstructured way in the Highlights reporting. There is tendency to "rag rate" activities rather than the risks themselves. Agendas refer to a risk log but this was not incorporated in the papers reviewed. We have had sight of a comprehensive risk log dated **September 2013**. The levels of risk around validity of costings, affordability, resourcing and deliverability are rated high and critical which is consistent with our discussions with officers. These levels of risk have not been appropriately reflected in the Highlights reports. We note that from **January 2014**, the Highlights reports improve considerably in term of the recording of the debate and actions to address key risks. Our review of Programme Board and Project Team papers indicates a good level of debate on the key risks which then materialised over the course of the project. We noted that some of the mitigations referred to in the Highlights Reports are not adequately described, for example reference to referral to the Programme Board or an individual for action. Some of the "rag ratings" are not consistent with the evidence in the minutes of meetings or feedback from officers, for example:	• Good practice risk management should be consistently applied in terms of a comprehensive assessment of risks using an appropriate scoring methodology, fully documented mitigations and actions to address with routine follow-up of these actions. • Risk registers should be maintained by work-stream leads to feed a project risk log. For the purposes of Programme Board reporting, a Risk Assurance Framework is more appropriate which escalates high scoring risks only for consideration by this forum.

• In October 2013, procurement is rated as green despite the challenges being experienced at this time; • Finance is rated as green and referred to as dependent on revisions to the specification; • In January 2014, the finance and procurement work-streams are rated amber in the context of continuing significant issues. Our underlying observation is that significant risks have not been reported on systematically and escalated outside of the Programme Board appropriately. Controls around ownership of mitigating actions required strengthening. This was a fundamental weakness in the programme management and governance arrangements. With respect to the article in The York Press 24 **February 2015** which makes reference to a partial extract from a risk register. We are unable to validate the source of this document. However, we can confirm that this document is not part of the formal papers presented to Project Team nor Project Board Meetings. In addition, it is not in the format of any risk registers presented to these groups.	
3. Resourcing and Capacity The capacity of the project team to deliver the significant project tasks involved was highlighted consistently in the risk register as an area of concern. Officers' involvement on the project was mainly in addition to their substantive posts and this created significant additional workload for key members of the team. This has contributed to the multiple changes observed in the composition of the project team and Board. Over the period of the project, there were three changes to the officer with overall responsibility for the project, the Director of Adult Social Care. External expertise was sourced in key areas where the Programme Board had identified skills and resource gaps, for example legal, procurement/commercial, financial modelling, site valuation. However, it was noted in discussions that CYC officers expressed concern over the validity of some of the externally sourced expert advice and turned to internal expertise, particularly on site valuations,	• A comprehensive resource plan is a core requirement to ensure successful delivery of major projects and should be fully documented as part of a Project Initiation Document. • Major projects typically require dedicated resource which needs to be taken account of in terms of project management costs. Where this is internally sourced, arrangements need to be put in place for back-fill of substantive posts. • External resourcing requirements should also be identified at this stage after due consideration of the availability of internal expertise either to provide the knowledge required directly or to formally assess the recommendations of external experts. • Contingency/succession plans should also be considered where programme delivery spans several years and is dependent on key individuals. • Where external advice is sought and this conflicts with the expectations of internal officers, CYC should scrutinise and challenge the assumptions and findings presented.

capital and running costs.	
4. Project Management Costs Project costs of up to £500k were approved by Cabinet in June 2013. The project cost summary at September 2013 showed forecast expenditure to the end of the procurement as £537k against the budget, therefore an over-spend of £37k was anticipated. The forecast included an estimate for all costs to be incurred to the point of contract implementation. At the point of termination of the procurement (March 2015) costs of £381k had been incurred. Approximately £50k of this expenditure was prior to the June 2013 budget approval and had been covered by other budgets. Key elements included: • £161k on external legal/commercial support • £48k for internal project manager • £51k for internal procurement support • £52k for internal property services • £25k external architect services • £15k external archaeological services The project costs of £330k reported at March 2015 Cabinet were an estimate as at a point in time. Further work has now been done to review any outstanding transactions and this has resulted in revised costs of £381k. An analysis of costs was provided periodically to the Programme Board meetings for monitoring purposes. Some internal costs, for example Finance were not included. The analysis does not clearly identify each line of internal and external costs and provide a variance analysis against budget to date against each item.	Reporting on project management costs should be improved in terms of: • inclusion and analysis of all internal costs; • variance analysis against budget to explain reasons for under/overspends to date; and • commentary on the forecast out-turn to enable a full understanding of costs yes to be incurred.

6. Procurement Process

Detailed Findings	Areas for Improvement
1. Planning and Management A timescale is provided to Cabinet in **January 2012** for preliminary market testing and procurement for the Lowfield care village element of the project. At this point a competitive dialogue process was not under consideration. This was estimated as: • 10 weeks for market engagement to April 2012; • 6 months formal procurement from April to November 2012; • Completion of build by April 2014. This appears to be an ambitious procurement timetable given the complexity of the specification. A revised timeframe to incorporate competitive dialogue for the procurement of the full solution was presented in the Cabinet paper in **June 2013**. It showed best/mid and worst case scenarios. The optimistic case gave the following timeline: • procurement commences June 2013; • winning bidder selected May 2014; • care homes operational spring 2016. The invitation to participate in dialogue issued in September 2013 reflected this timetable. Dialogue commenced in October 2013. The competitive dialogue process itself was well managed with initial stages to the planned timescale. The considerable effort by the project team to construct the appropriate documentation and respond to numerous bidder queries is evident in the project team progress reports. There was no evidence of negative feedback from bidders recorded in minutes of discussions in response to pro-active requests for feedback by the project team.	• For time critical programmes where stakeholder expectations need to be managed, an investment needs to be made in planning upfront to establish a realistic timescale for delivery, • Complex procurements with competitive dialogue need to be resourced appropriately with dedicated resource to minimise the risk of slippage with: - leadership and full involvement of service leads on the operational work streams to inform the specification; - appropriately experienced and skilled corporate support; and - external support in specialist areas where required. • Competitive dialogue is intended to be an adaptable process to be tailored to specific requirements. For future procurements, CYC could consider more flexible use of the process. For example the preliminary information and Invitation to Submit Outline Solution (ISOS) stages could request indicative costing information. This may help to flush out affordability concerns at an earlier stage and avoid subsequent protracted dialogue. • CYC's current procurement policy which we understand has been issued in May 2015 should be updated to provide more guidance to officers on different approaches to procurement, typical timescales and how to ensure appropriate technical support.

Extensive legal and commercial advice was sought to support preparation and running of the process itself which was a prudent step given the relative inexperience in the core team. The process actually ran from June 2013 to June 2014 at which point two of the three bidders had withdrawn from the process on the basis of the affordability of the specification (see below). There remained a significant amount of work to do with the remaining bidder as the process had not yet reached invitation to submit detailed solution (ISDS) stage. The protracted process was primarily driven by the affordability concerns and therefore the need for detailed specification development and the volume of queries from bidders which had not been anticipated in planning. Officers have commented, however, that the capacity of the team, its relative inexperience and ability to respond in a timely way to bidders queries contributed to the protracted dialogue phase. Discussions also referred to the insufficient involvement of service managers to inform the specification as it evolved. The Invitation to Submit Outline Solutions stage was removed from the process on legal advice in August 2013 as deemed redundant in terms of bidder selection and to assist in shortening the timescale.	
2.Market Engagement and Outcome Feedback from the soft market testing for Lowfield care village presented to Cabinet in **May 2012** was reported as good level of interest (100+) with 24 companies making a formal response and meetings with 10 companies held to discuss the concept. The attrition rate from the initial level of interest was therefore high. The type of companies who responded and their track record in similar developments is not discussed in the Cabinet paper and not referred to in project team minutes. This would have provided valuable information to Cabinet in terms of its original interest in working with the not-for-profit sector. YOPA referred to the Joseph Rowntree Housing Trust and Yorkshire Housing as potential interested local players.	• Procurement processes run the risk of failure due to potential lack of market interest and commitment, particularly for innovative, relatively untested concepts. • Where there is a risk of market failure on a critical project of this nature, due consideration should be given to potential options to avert this risk with a view to early abortion of the process should market interest appear limited. • Should market failure occur, the Council should consider alternative ways to test the financial submission of a single bidder, for example, requesting evidence of value through the supply chain. Legal support should be sought to advise on potential options. • Equally, it would have been more prudent to put a “Plan B” in place before the commencement of any market engagement.

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The report makes the following observation: *"Officers were left with little doubt about the interest that would be generated by any formal procurement exercise."* With hindsight this statement appears to be rather optimistic and whether a condition of a minimum of only 3 bidders at PQQ stage was prudent in the face of a relatively unproven concept in the UK is open to debate. The Programme Board considered the risk of potential market failure and set a condition of a minimum of 3 bidders being required to proceed from pre-qualification (PQQ) to the next stage in order to have a viable procurement process. This reflects good practice and the conditions of the procurement gave the Council the remit to abort the process at any stage. At PQQ stage, there were 6 submissions but only 3 organisations qualified so the level of market interest was already at the minimum requirement. There was no contingency plan in place as mitigation of this risk in terms of an alternative approach. There were three interested bidders. Bidder 1 raised concerns on the funding envelope in **November 2013** and withdrew from the process in **January 2014**. In the **December 2013** meeting, Bidder 2 did not express any major concerns on affordability. Their queries were around the multiple planning issues involved and the deliverability of the Burnholme element. They referred to the high level of design aspired to and the household size (12) not reflecting the general market of 16 on new builds. They requested an extension to timescales as this would be their concern with regards to their proceeding in the process. In **January 2014**, Bidder 2's concerns were more readily expressed on affordability and timescales. In **January 2014**, Bidder 3 were keen to continue to work with CYC on value engineering the specification to come within the financial envelope, particularly regarding the household size required.	

The procurement process was paused in **February 2014** to allow the CYC team to carry out further work on the financial model due to the continuing affordability concerns. The process recommenced in **May 2014.** Following a further meeting in **May 2014**, Bidder 2 withdrew from the process in June 2014. Bidder 3 advised that capital costs were rising fast in the improving market. However, they offered a potential solution and shared their financial model with CYC. They were aiming for approval by their Board in **June 2014.** In **June 2014,** a summary position statement was presented to the Programme Board. This clearly highlighted: • a remaining affordability gap of £10.7m over 15 years; and • the impact on timescales, home opening dates envisaged in 2017. Programme Board minutes indicate that: • At the **end of June**, a briefing to the Chief Executive on the status of the procurement was provided. • Following the appointment of the new Acting Director of Adult Social Care and his evaluation of the process to date, further discussions with Bidder 3 took place over the summer. Programme Board meetings ceased at this point. Discussions continued over the autumn on the project as part of the budget setting process. In **February 2015**, Cabinet confirmed no uplift for the project. The procurement was terminated in **March 2015** following approval by Cabinet.	

7. Approach to Alternative Solution

Detailed Findings	Areas for Improvement
1. Revised Modernisation Programme The strategic case for the new programme is presented in the paper to Cabinet of **March 2015.** This is not presented in the format of a Strategic Outline Case (SOC) but contains much of the detail which would be expected. The paper refers to the requirement for a detailed business case. The new programme is focused on providing care and accommodation in community settings and includes: • additional provision of Sheltered Housing with Extra Care; • an integrated care, health, housing and community facility on the Burnholme site; • greater use of private sector provision; • the potential development of the Acomb site for Extra Care/health hub; • Lowfield housing development; • disposal of vacant former sites. The report refers to changes in the sector and national funding programme since commencement of the procurement programme in 2013 which make other options viable. It also refers to renewed interest from the independent sector and smaller providers in providing beds. The strategic case for the revised programme is more aligned with developments in terms of need, demand and national policy. It is a phased programme of work.	A Strategic Outline Case should be presented to Cabinet in a best practice format rather than an unstructured paper to aid decision-making (see Section 3 for content) An Outline Business Case should now be produced as a priority to obtain approval for the full phased programme of work to avoid the fragmented approach previously experienced.
2. Programme Management and Governance In **June 2014**, the new Acting Director of Adult Social Care (ASC) recognised the need to appraise the current programme and plan a way forward. In **January 2015**, work commenced on developing an alternative solution under	CYC should consider the recommendations made throughout the report relating to programme management and governance and their application to the revised programme, in particular: • the need for an Outline Business Case;

the direction of the new Programme Director, Older People's Accommodation reporting to the Acting Director ASC and the Director of Transformation and Change. The paper to Cabinet in **March 2015** sought approval for the programme. We understand the Business Case to which this refers is planned for completion in July 2015 A document describing programme governance and management structure arrangements, work-streams and a project plan is in place. This is supported by the project management tools available through the Verto system. The Verto project management software provides good practice project set-up and ongoing project management tools and systematic management of risks. We have not examined the functionality of the Verto system as part of this review but we have had sight of the reporting generated. The Outline Programme plan shows work streams, a draft schedule of homes to close and key milestones. The programme is set up in a phased way with transformational work-streams aligned to operational work-streams with the intention of making better use of capacity. External resource will be sought where required for aspects which are outside team's normal activities. The Highlights report generated by the system is a detailed 24 page document and contains: • a summary; • project scope and costs; • financial and non-financial benefits; • progress on tasks and milestones; • full reporting on risks. The Highlights report makes reference to the completion of a Full Business Case to be prepared following commercial agreements but there is no reference to the Outline Business Case. The revised governance structure shows a clear line of accountability to the	• risk assurance; • developing summary reporting which is concise and appropriate for its audience; • putting in place arrangements for ongoing communication to stakeholders on project progress during periods where there may be commercially sensitive issues; • focusing resource on the operational and financial modelling aspects required. It may be appropriate to consider the use of external resource given that this risk is rated amber at this early stage. CYC might consider the need for Model Audit of complex financial models should staff changes occur. • consideration of reporting and communication which may be required to the Health and Well Being Board and Health Overview and Scrutiny Committee.

Transformation Corporate Management Team (CMT) and Cabinet. A monthly update is provided to CMT and the Verto system generates automatic alerts to the Programme Director and Chief Executive on significant risks and missed milestones. Cabinet reporting is scheduled into the project plan at key gateways. The Clinical Commissioning Group and voluntary sector is represented on the Programme Board. Monthly briefings to a wider stakeholder group are being produced which YOPA has received positively. Unison is represented on the operational team in response to the need for genuine and productive staff engagement. The Programme Director is proactively engaging with the market to keep abreast of developments and liaising with the independent sector, for example, the Joseph Rowntree Foundation. The operational and financial modelling aspects have not been finalised and this is an area which requires further development.	

Appendix 1 – Programme Timeline

<table>
<tr><th>Date</th><th>Key Milestones and Decision-Making Points</th></tr>
<tr><td>19 July 2011</td><td>Report to Cabinet by the Member for Health, Housing and Adult Social Services. Formal commencement of programme with Cabinet decision to proceed to 3 month consultation on five options presented which were:

Option A - Taking no action and retain current operating model and provision

Option B - Extend and refurbish

Option C - Purchase all or an increased proportion of beds from the Private Sector

Option D - CYC fund, build and operate four new care homes providing 200 beds across 3 sites (Fordlands (55 beds), Haxby (55 beds), Lowfield (2 x 45 beds with care village concept).

Option E - CYC enters a partnership with a developer/operator to fund, build and operate four new care homes (sites as above).</td></tr>
<tr><td>Aug-Nov 2011</td><td>Full public and stakeholder consultation</td></tr>
<tr><td>1 Nov 2011</td><td>Report to Cabinet by the Member for Health, Housing and Adult Social Services. Results of consultation and proposed a programme of closures and new builds in three phases, supported by a further consultation period on proposed closures of Oliver House and Fordlands.
<table><tr><td>Phase 1 – April 12

Oliver House closes

Fordlands closes</td><td>Phase 2 – April 14

Lowfield Village opens

New Fordlands opens

Haxby Hall closes

Oakhaven closes

Windsor House closes

Morrell House closes

Willow closes</td><td>Phase 3 – April 15

New Haxby Hall opens

Grove House closes

Woolnough closes</td></tr></table></td></tr>
<tr><td>Nov 11-Jan 12</td><td>Further 6 week consultation on proposed closure programme</td></tr>
<tr><td>10 Jan 2012</td><td>Report to Cabinet by the Member for Health, Housing and Adult Social Services.

Consultation with staff, residents and their families and carers on proposal to close Fordlands and Oliver House, including changes to day care services as a</td></tr>
</table>

	result. Recommendation to close Fordlands and Oliver House and proceed with proposal for phased development outlined in November 2011. The paper also recommended a soft market testing exercise throughout January and February 2012 to obtain more information regarding the Lowfields development in terms of level of interest and funding arrangements with feedback to be provided in April 2012 (see May 2012 Cabinet meeting below).
March 2012	Fordlands and Oliver House closed
15 May 2012	Report to Cabinet by the Member for Health, Housing and Adult Social Services Successful homes closure and transition for residents Feedback on soft market testing for Lowfield care village Detailed financial modelling and scenario analysis of four sub-options of original Options D and E Option 4 is recommended and approved for CYC to fund and operate Fordlands and Haxby Hall (later phase) and seek a Partner to design, build & operate the Lowfield Village (Council team can operate).
30 Nov 2012	Decision made public not to proceed at the Fordlands site, identifying Burnholme as a possible alternative site.
June 2012-March 2013	No formal communication to Cabinet over this period
19 April 2013	Member Briefing to Cllr James Alexander, Cllr Tracey Simpson-Laing Purpose to discuss and confirm, strategic vision, funding of the programme and procurement approach. Revised proposal for two care homes (162 beds) at Burnholme and Lowfield with community village Significant increase in build costs and highlights potential risk to affordability
4 June 2013	Report to Cabinet by the Member for Health, Housing and Adult Social Services Proposal on new modernisation programme as per April 2013 briefing. The council to fund the building of the two new care homes and so retain ultimate ownership of the buildings and the land with care homes designed, built, operated and maintained by an external provider. Approval of new proposal, agreement to the household model, a single procurement under competitive dialogue process for both sites and project costs of up to £500k.
June 2013	Formal procurement commences with 3 interested bidders.
14 Feb 14	Procurement process paused and bidders advised
March 2014	Council held consultation event on Burnholme opportunity. Officers met with NHS England and the Vale of York Clinical Commissioning Group and they have expressed interest in the proposals. NHS England

	indicated that funding is likely to be available for the capital, and some of the revenue, costs associated with the health elements of the development and a new funding round may be available in the summer of this year. Funds may also be available to support feasibility and business case development.
May 2014	Procurement recommences with further discussions with remaining bidders in May 2014.
June 2014	Summary Position Statement to Programme Board highlighting key financial, procurement and timescale risks
July 2014	Record of decision to approve the procurement of a development partner to develop the Burnholme site as a Community Health and Wellbeing Hub.
Sep 2014	Informal meeting held between officers and key Cabinet Members as part of budget discussions.
Jan 2015	Development of alternative solution initiated by Acting Director of Adult Social Care
14 Jan 2015	Health Overview and Scrutiny Committee
21 Jan 2015	Freedom of Information (FOI) request (20 day standard deadline)
10 Feb 2015	Cabinet agreed 15/16 budget with no uplift to project
25 Feb 2015	FOI response provided by day 24 - within extended deadline of 30 days
15 Mar 2015	Report to Cabinet by the Acting Director of Adult Social Care Revised proposals presented to Cabinet, based on creating new Extra Care Housing and reforming the Council's existing ECH stock; building a new care home on the Burnholme site as part of wider health and community facilities; and working more closely with current care providers to deliver more specialist dementia accommodation across the city. Proposal to abandon the current procurement process. Approved by Cabinet subject to development of business case.
25 Mar 2015	Health Overview and Scrutiny Committee Corporate and Scrutiny Management Committee Calling-in

Appendix 2 – Information Sources

Interviewees

Senior CYC Officers

CYC Members

Representatives of external stakeholders (Age UK York, Unison, York Older People’s Assembly)

Key documentation reviewed

Corporate and Scrutiny Management Committee	Agenda, Papers and Minutes Jan 14 to April 15
Corporate and Scrutiny Management Committee Calling-In	Observation of webcast 16 March 15
Health Overview & Scrutiny Committee	Agenda, Papers and Minutes Jan 14 to March 15 Observation of webcast March 15
FOI Request Submission CCF5485 ***25 February 2016***	Cabinet Member Briefing 19 April 2013 and associated documents (3 files) Cabinet Reports (July 2011, Nov 2011, Jan 2012, May 2012, June 2013) Moving Homes Safely, report by York St John University, Feb 2013 Handover to Ian McCartney (3x specifications, EPH Board (30/4/14, 25/6/14), meeting Dementia Care Matters, Project Brief 15/3/13 EPH Project Board Agendas and Papers, Minutes (Sep 2010-Dec 2012) EPH Project Board Highlights Reports (Dec 2010-Jan 2014) EPH Operational Group Agenda and Papers, Minutes (Feb 2013 and May 2013) Programme Board Agendas and Papers, Minutes (Jan 2013-June 2014) Programme Board report on Burnholme site 15/8/13 EPH Project Costs Summary 25/9/13 EPH Project Board Scenario Planning paper 24/1/14 EPH Project Board paper for approval of £80k of budget for programme to develop dementia care Preparation for Corporate and Scrutiny Management Committee (Calling-in) 16 March 2015
CMT and CMT Transformation Meetings	Agendas and action notes 2/4/14 to 22/4/15

Other information provided by officers	Pinders Report, April 2011 EPH OJEU notice 4 June 2013 CYC EPH MOI OJEU 10 June 2013 CYC EPH PQQ 10 June 2013 ITPD (FINAL 09/09/13) ITDS (FINAL 28/10/13) Summary of Options (commercial structure) with Addleshaw Goddard paper, May 2012 Note of Lowfield Project Procurement Workshop with Addleshaw Goddard, December 2012 EPH Modernisation Programme – Revised Project Structure - from April 2013 EPH Project Resource Plan v1.2 EPH Modernisation Programme Structure v1.2 Soft Market Testing – Pre-meeting Brief – Tues 21 Feb Competitive Dialogue meeting minutes (4/11/13, 6/11/13, 2/12/13, 3/12/13, 10/12/13, 13/1/14, 14/1/14, 27/1/14, 21/5/14) Key Issues doc EPH Project Board 24/1/14 RAG rating – EPH Board Options vs Vision (26/3/14) Summary Position Statement to the Programme Board on 24 June 2014 Burnholme Site v1.2 Burholme and Lowfields sites updates 21/5/14 Health Overview Scrutiny Group transcript 14/1/15 Cabinet Report 3 March 2015 The Press - articles 23-25/2/15 OPA Programme Governance, March 2015 OPA Programme Governance and Programme Plan, March 2015 24.04.15 Verto Project Highlight Report OPA with Care 12/5/15 Running cost budget How procurement processes work at City of York Council (not dated but issued may 2015)

Documents provided by YOPA 20/5/2015	Review of City of York Elderly Person's Homes – Response by York Older People's Assembly, Sep 2011 YOPA Newsletter, Autumn 2014 Extracts from The Press, Feb 2015, July 2014 Note of Wider Reference Group meeting, May 2013

Annex 3

Mazars Review of the Housing for Older People Project

ACTION PLAN

Issue	Response
Business case development	It is noted that the auditor identified that good practice was followed when setting out the new programme for Older Persons' Accommodation. It is agreed that we need to take a more systematic approach to business case development and in response to the audit the Council has set out an updated project management approach which follows Treasury good practice and will assure and monitor this via use of the Council's Project Management system, Verto.
Governance	It is noted that the new Transformation Board structure has gone some way to deliver the appropriate levels of governance and the updated Project Managers' Guide, combined with the Verto reporting process, will ensure that governance is appropriate going forward. It is noted that the governance structure for the Older Persons Accommodation Programme is seen by the auditor as being in accordance with good practice. It is agreed that explicit governance arrangements need to be in place for all major projects with engagement at various levels and with the relevant issues. The oversight of key risks and mitigations by both the Council Management Team and the Executive will deliver this.
Programme management	The Council welcome the conclusion that the Older People Project was well managed despite limited experience in competitive dialogue procurement. It is noted that the auditor has not identified any serious concerns with regard to the conduct of officers. It is agreed that the Council will further strengthen procurement advice and expertise and endeavour to deliver consistency in programme leadership. It is agreed that contingency plans need to be developed for major projects.

Issue	Response
Risk management	The comments regarding governance of risks are noted, as is the acceptance by the auditor that this has improved with the introduction of Verto. The Project Managers' Guide further emphasises the importance of the identification, mitigation, management, oversight and escalation of the risks associated with major projects. The Council will strengthen is approach to risk management, logging and escalation, making best use of the existing Risk Manager role, drawing upon best practice from other authorities.
Communication	The Council welcome the positive comments of the auditor regarding consultation and stakeholder engagement during the setting of the strategic direction for the Older Peoples Project but notes that this good foundation was allowed to fall into neglect in the later stages of the procurement. However, it is noted that the new plan for Older Persons' Accommodation have been welcomed by stakeholders and the Council commit to continue with proactive engagement.

Key Developmental Improvements

1. The updated Business Case Process, as set out in the Project Managers' Guide, will be applied to all projects with different levels of control based on complexity and impact. The Summary of this process is attached at **Annex 1**. The process prompts re-evaluation of the business case when there are significant changes in either or internal of external environment. A Project Managers' Guide has been produced and relevant and senior staff will be trained in the use of this process.
2. The Business Care Process is controlled by use of the Council's Project Management System, Verto. Verto imposes vigilance regarding project scope, milestones and risks and prompts the provision of regular Highlight Reports to CMT and the Executive. Verto will be used by all major projects across the Council.
3. The Council will strengthen its approach to risk management, logging and escalation, making best use of the existing Risk Manager role and drawing upon best practice from other authorities.
4. The new major projects in progress at any one time and from across the authority will be identified, will be progressed through the appropriate

“gateways” in accordance with the Business Case Process and monitored via the strictures of Verto. The regular Verto report on all major projects will be honed to provide an update on progress, the identification of key issues, the highlighting of changes in key timescales and key risks. This report will be used to provide to the Executive with a regular update on the major projects.

5. Major projects will be appropriately resourced. The Council is aware of the need to balance prudence alongside ensuring that the correct resources are available to deliver major programmes of work. The preference is to use in-house resources where possible, as this is financially prudent and allows for skill development of existing staff. However, external resource will be used where it is justified. Project Management will be resourced according to each project resource plan. For the Older Persons’ Accommodation Programme the cost of project management has been identified in the financial model for the project and the Council will endeavour to ensure consistency of management.

6. The management of the affordability risk for projects is key. Major Projects will be structured so that they are able to draw upon financial, operational and commercial expertise at an early stage. The Business Case Process requires the articulation of economic and financial issues as well as associated risks to produce a robust business case. For example, the Project Team for the current Older Persons’ Accommodation Programme includes staff from Finance, Property and Housing as well as Adult Social Care operations and commissioning.

7. Soft market testing will be used to test out risk and gauge market interest in any procurement opportunity. For the new iteration of the Older Persons’ Accommodation Programme officers have met with potential service providers and developers in order to seek their view on viability, commerciality and market appetite. Their feedback has helped to shape the new plan.

8. The Business Case Process requires projects to identify alternative and credible options for key steps (“Plan B”s). However, this is tempered by the need not to confuse the desired line of direction; judgement will be required. By way of example, the current Older Persons’ Accommodation Programme ensures that, in relation to the building of an extension to Glen Lodge, an alternative source of funding is available should Homes & Communities Agency grant not be forthcoming.

9. Key project have a CMT sponsor and, via the relevant Portfolio holder, an Executive lead too. This aids wider council linkages. For example, the Older Persons' Accommodation Programme is sponsored by the Director of Adult Social Services with the Executive Portfolio for Adult Social Care and Health achieving linkage with the wider Executive.

10. With regard to the Older Persons' Accommodation Programme regular update reports will be taken to the Health and Wellbeing Board, the Health and Adult Social Care Policy and Scrutiny Committee and to partners in the Clinical Commissioning Group and voluntary sector.

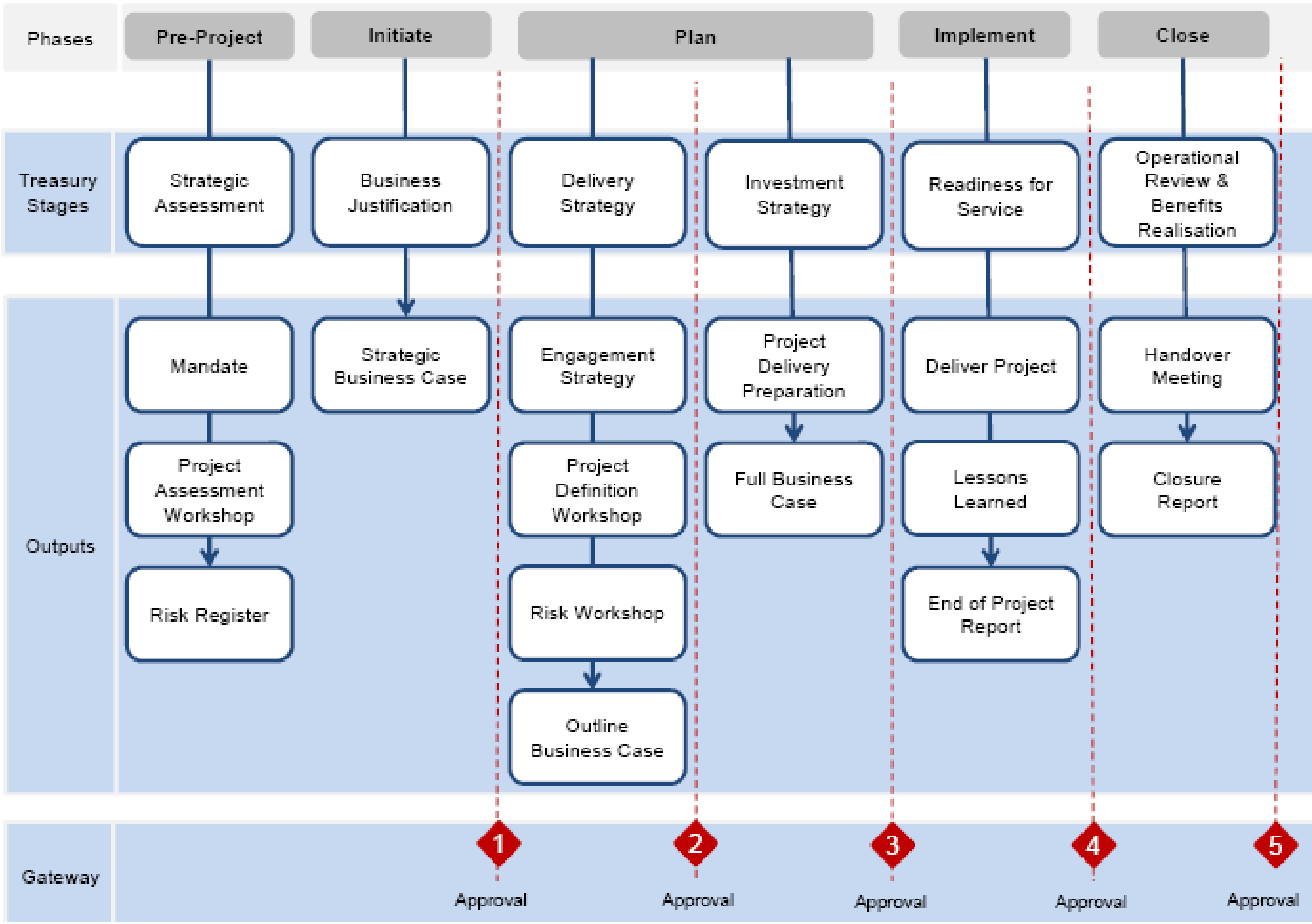
11. The Council's Procurement Guide will be updated to describe different approaches to procurement, typical timescales and how to ensure appropriate technical support.

12. With regard to the Older Persons' Accommodation Programme The Council welcomes the recognition that good practice is already in place and commits to following the recommendations relating to programme management and governance, in particular:

    - ✓ A Business Case will be presented to Executive on 30th July 2015.
    - ✓ An updated risk register and risk assurance profile has been produced.
    - ✓ Monthly update reports are produced via the Verto system and these are shared with CMT and others.
    - ✓ The Programme has a commutations plan which will ensure that commutation with stakeholders will continue throughout the procurement process.
    - ✓ Executive, when they meet on 30th July 2015, will be asked to approve a Programme Management budget.
    - ✓ The financial model for the Programme is now in place (and was developed in-house).
    - ✓ The Adult Social Care Policy and Scrutiny Committee and The Health and Wellbeing Board will be fully engage in oversight of this Programme.

Annex 1

CYC Project Management Approach



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CITY OF YORK COUNCIL

Audit & Governance **29th July 2015**

Report of the Director of Customer & Business Support Services

Statement of Accounts 2014/15

Summary

1. The purpose of this report is to present for information the draft 2014/15 Statement of Accounts before they are audited.

Background

2. The Council has to prepare an annual Statement of Accounts and present them to Audit & Governance Committee. Members are not being asked, at this stage, to approve these draft pre-audit accounts. The Chief Financial Officer has already signed the draft accounts by the statutory deadline of 30th June and the audited accounts will be brought back to this Committee in September for approval on behalf of the Council.

3. Following the authorisation of the Chief Finance officer on 30th June the accounts have been available for public inspection since 27th July and will continue to be available for 20 working days, with 24th August being the date on or after which local government electors for the area may exercise their rights to question the auditor about the accounts. Mazars are the Council's external auditors and they expect to issue a report and opinion by the end of September.

4. The pre-audit Statement of Accounts 2014/15 has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK and is produced in line with International Financial Reporting Standards (IFRS) which are the accounting standards used across the world making Local Authorities' Accounts more comparable with the private sector and worldwide.

5. The following key issues are highlighted for information

a. In 2013/14 there were significant changes to the international accounting standard (IAS) 19 Employee Benefits that resulted in changes to the accounting treatment for pensions. In 2014/15 there has been a significant increase in the Council's share of the North Yorkshire Pension Fund deficit. However, there is no impact on the Balance Sheet and full details are provided in Note 49 to the Final Accounts.

b. Useable reserves increased from £91.1m at the end of 2013/14 to £96m at the end of 2014/15. The increase is primarily due to an increase in right to buy receipts and a surplus on the Housing Revenue Account.

c. Cash and cash equivalents shown on the balance sheet have increased due to early receipt of a variety of grants thus creating a temporary cash surplus.

d. Although the Council has interests in companies and other entities that have the nature of subsidiaries, due to relatively small values involved, group accounts have not been prepared. Further information is shown in note 41 to the Accounts.

e. Following the completion of the joint procurement with North Yorkshire County Council for a long term Waste Management Service Contract, additional information has been disclosed within note 44 to the Accounts. This is for information only and these amounts are not yet recognised in the Council's balance sheet.

f. Following clarification provided in this year's code of practice a detailed review has been completed to assess the level of control the Council exercises in relation to both the Voluntary Aided & Voluntary Controlled schools. The review concluded that, in all cases, we don't exercise sufficient influence to warrant recognition on the Council's balance sheet. All elements of the Local Authority controlled schools are included in the financial statements.

g. Included within the net revaluation loss of £10.621m, is a revaluation gain in relation to Council Dwellings of £13.919m and a revaluation loss in relation to other land & buildings of £24.046m. The primary driver of the loss is the revaluation on completion of the two new park & ride sites - Poppleton Bar & Askham Bar.

Options

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

Corporate Priorities

7. 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 2015.

Implications

8. The implications are
   - Financial – The Statement of Accounts show that for 2014/15 there is a provisional under spend of £688k. The full details of the outturn position were reported to Executive on 30th July.
   - Human Resources - there are no human resource implications to this report
   - Equalities - there are no equality implications to this report
   - Legal - there are no legal implications to this report
   - Crime and Disorder - there are no crime and disorder implications to this report
   - Information Technology - there are no information technology implications to this report
   - Property - there are no property implications to this report
   - Other - there are no other implications to this report

Risk Management

9. 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

10. 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.

11. 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.

Recommendations

12. It is recommended that the Audit & Governance Committee notes;

    a. the draft pre-audit Statement of Accounts for the financial year ended 31 March 2015 and
    b. the annual governance statement contained within the accounts

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

Contact Details

Author:	**Chief Officer responsible for the report:**			
Debbie Mitchell Finance & Procurement Manager 01904 (554161) debbie.mitchell@york.gov.uk	Ian Floyd Director of Customer and Business Support Services			
	Report approved	√	Date	17 July 2015

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 2014/15

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

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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 CBSS 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.

ANNEX B

Annual Financial Report 2014/15

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ANNUAL FINANCIAL REPORT

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EXPLANATORY FOREWORD

1. INTRODUCTION

The purpose of the foreword is to provide an easily understandable guide to the most significant matters reported in City of York Council's accounts. The pages which follow are the Council's final accounts for the year ending 31 March 2015 with notes to give further details of the key figures. A summary of the purpose of each statement and an overview of the Council's financial position is shown in this section.

Statement of Responsibilities

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

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Accounting Policies

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

Housing Revenue Account Income and Expenditure Statement

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

Movement in Housing Revenue Account Reserve

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

Collection Fund

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

Glossary

This is included to explain the technical terms used in the Accounts.

2. STRUCTURE OF THE COUNCIL'S ACCOUNTS

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

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

The way each of these is funded is also different:

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

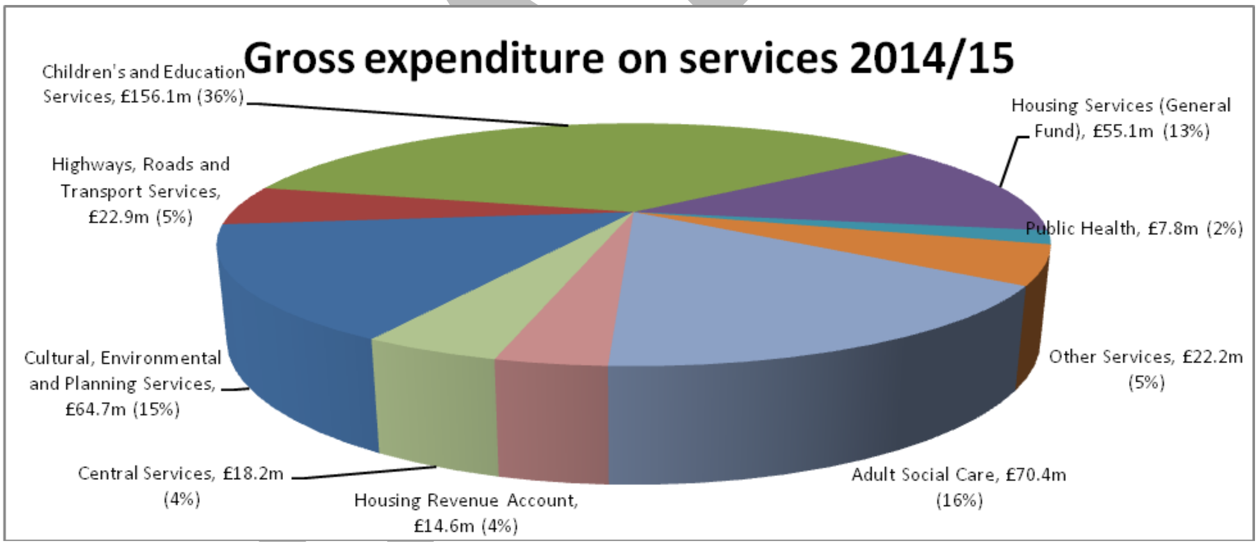
3. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

Despite continuing pressures on public sector expenditure the Council has been able to maintain good financial health, under spending by £688k in 2014/15.

The Council's General Fund budget for its own net expenditure was set at £124.1m. To this sum the parish precepts added a further £0.6m. Included within the net underspend are several service areas where there have been significant budgetary pressures, for example additional costs have arisen due to demographic pressures in relation to adult social care.

These pressures have been mitigated by reduced expenditure or additional income in other areas, and this has been achieved through effective monitoring of the budget throughout the year to ensure that spending has remained within budget across the Council. Full details on the individual service areas position for 2014/15 were reported to Executive in July 2015.

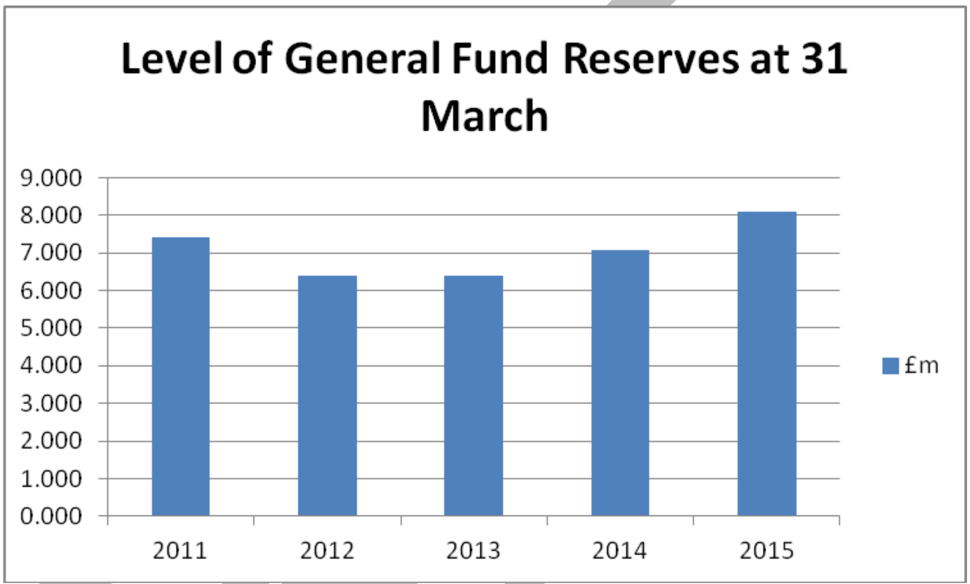
The Council's gross expenditure on services, as shown on the Income and Expenditure Account, was £432m and the following diagram shows this on a service by service basis:



Reserves

At the end of the financial year 2014/15 the useable reserves stood at £96m, compared to £91.1m at the end of 2013/14. This increase is primarily due to an increase in right to buy receipts received in 2014/15 and a surplus on the HRA of £1.908m (further details of which can be found on note 4 below). Useable reserves also include the Council's General Fund balance of £13.1m, of which individual school balances account for £5m. In compliance with the Education Reform Act 1988, individual school balances will be carried forward into 2015/16.

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



As part of setting the annual budget, the Director of Customer and Business Support Services undertakes a risk assessment to calculate a minimum level for the General Fund reserve, and this was incorporated into the Council budget reports. For 2014/15, this was a recommended level of £6.4m.

In order to provide a sound financial platform for the authority, and ensure it continues to maintain its overall financial health and is able to deal with any unforeseen events effectively, the 2014/15 budget ensured headroom of just under £1m within the reserve. It is considered that this approach should continue, and whilst the approved budget for 2015/16 already incorporates a reduction in the level of reserves from the current level, it will still ensure that the level is sufficient to assist the Council to meet the significant financial challenges it faces in coming year

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

When the 2014/15 revenue estimates were approved, rents were increased by an average of £1.73 per week or 2.2%, in accordance with rent restructuring policy.

The HRA had an in year surplus of £1.908m. The account brought forward a surplus from 2013/14 which means that the final position is a surplus of £14.021m at the year-end (£12.113m at 1st April 2014), which is an increase of £1.341m from that originally budgeted for. In 2014/15 the most significant variances have resulted from:

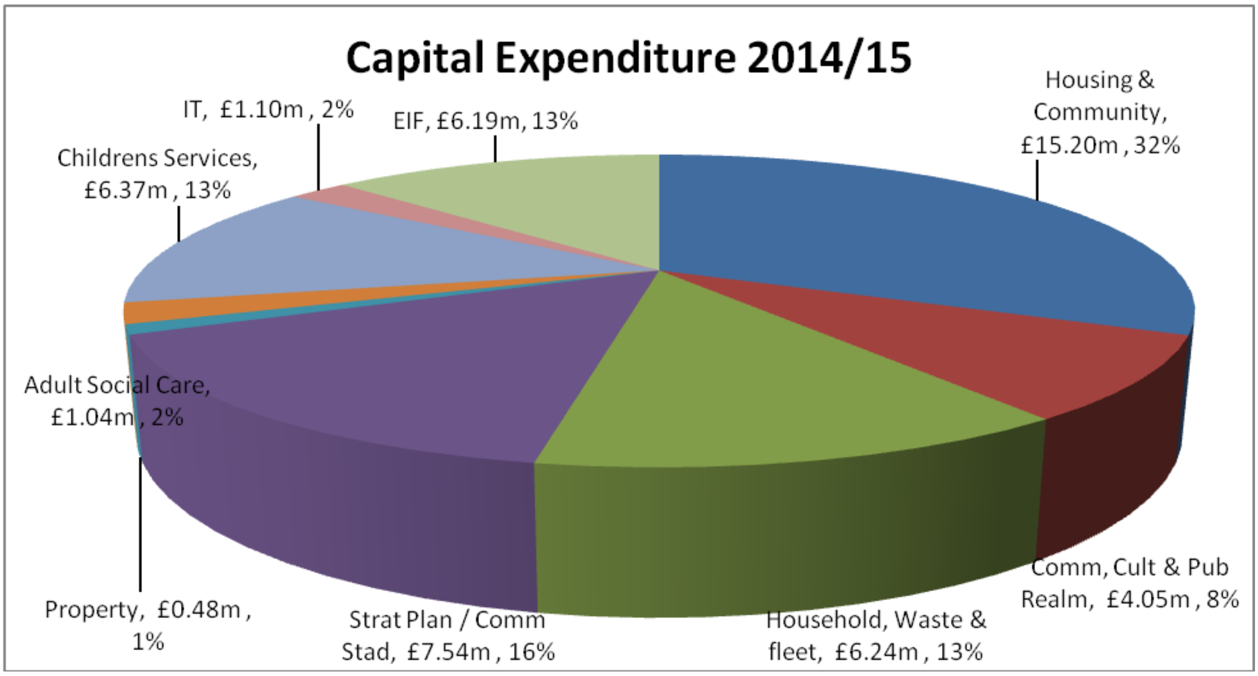
		£000's
(i)	Increase in repair and maintenance costs	543
(ii)	Reduced cost of providing temporary and sheltered accommodation	(89)
(iii)	Decreased costs from departmental and support services	(285)
(iv)	Reduced provision for bad debt	(273)
(v)	Reduced revenue contribution to fund capital expenditure	(954)
(vi)	Increased interest on cash balance	(55)
(vii)	Reduction in voids	(69)
(viii)	Increase in Fees and Charges	(27)
(ix)	Decreased loan interest	(53)
(x)	Decreased capital charges	(81)
(xi)	Other minor variances	2
		(1,341)

5. COLLECTION FUND

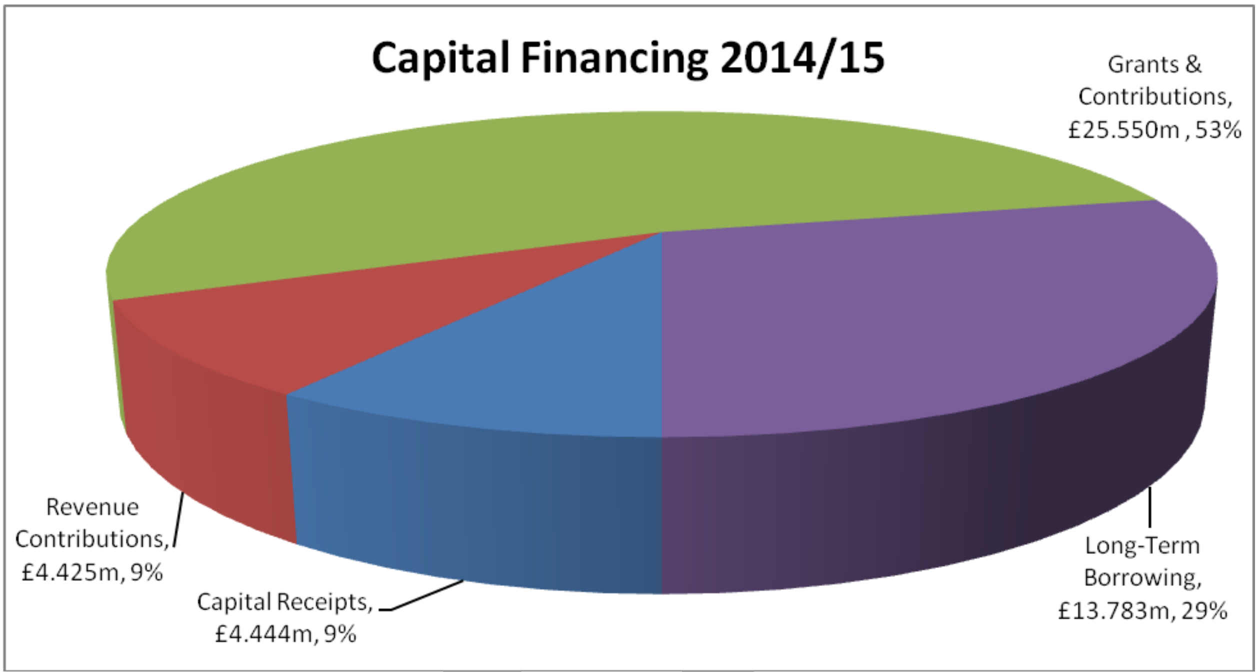
As outlined in the introduction, the Collection Fund is an agents statement. The account shows a surplus on Council Tax and a deficit on Business Rates at 31 March 2015. This deficit is due to the requirement to make a provision for backdated business rate appeals and will broadly be resolved over the coming years. 97.6% of the total sum collectable for 2014/15 Council Tax bills was received in the year. It should be noted that the majority of amounts not collected in year are collected in the following financial year. Similarly, the recovery on Business Rates was 98.2% of the 2014/15 bills.

6. CAPITAL EXPENDITURE

The original gross expenditure budget was £64.114m (2013/14 £66.844m), however, due to re-programming some of the work, the final budget was £47.085m (2013/14 £43.560m). Total expenditure on capital schemes in 2014/15 was £48.202m gross (2013/14 £44.618m). An analysis of where the money was spent in 2014/15 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 £2.435m (Strategic Planning)
- The modernisation and repairs to Council properties £8.465m (Housing and Community)
- Improvements to and expansion of schools and devolved capital works on a variety of schools £5.658m (Children's Services)
- The resurfacing, refurbishment and improvement of the Council's roads £5.615m (Household, Waste and Fleet)
- Work on Access York new Park and Ride sites and highways remodelling of £5.916m (Strategic Planning)

7. BORROWING FACILITIES AND CAPITAL BORROWING

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

The three key indicators in respect of capital borrowing are the authorised limit, the operational boundary and the Capital Financing Requirement. 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. The capital financing requirement is the Councils underlying need to borrow for capital purposes.

In February 2014, Budget Council approved (as part of the Treasury Management Strategy Statement) for all Prudential Indicators including the authorised limit, the operational boundary and the capital financing requirement. The limits are set out below:

	Opening Level £000's	Closing Level £000's
Authorised Limit	373,542	373,542
Operational Boundary	343,542	343,542
Long Term Debt	258,615	269,115
Capital Financing Requirement	311,758	317,392

(Note the capital financing requirement stated above excludes PFI and other borrowing facilities shown in note 42)

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 2014/15 the Council's long-term borrowing movements was as follows:

	2014/15 £000's	2013/14 £000's
Opening Borrowing at 1 April	**259,514**	261,425
Reversal of Interest Owed & Adj Carry Value 2010/11	**(898)**	(2,809)
Borrowing to fund capital schemes	**15,000**	0
Interest Owed on Long Term Debt at 31st March	**1,961**	1,849
Adjusted Carry Value of Loans due Debt Restructure	**(911)**	(951)
Loans maturing in the year	**(4,500)**	-
Closing Borrowing at 31 March	**270,165**	259,514
Authorised Limit for year	**373,542**	**351,274**
Operational Boundary for year	**343,542**	**321,274**

The 14/15 closing borrowing figure of £270.165m (£259.514m 13/14) is different to note 16 borrowings figure of £270.269m (£259.617m 13/14) by £103k, as the former does not include the Coppergate Bond of £2k and the loan to Veritau of £101k.

One PWLB loan of £4.5m was repaid in year and the Council draw down £15m of new debt in 14/15. In total at 31 March 2015 the Council's adjusted debt was £270.165 m (2013/14 £259.514m). Consequently, the Council did not exceed either the authorised limit of £373.542m or the operational boundary of £343.542m. The average rate of interest on all long-term loans at 1 April 2014 was 3.74% and at 31 March 2015 was 3.76%.

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

In 2014/15 there was a significant increase in the Council's share of the North Yorkshire Pension Fund deficit. This was due to the effect of changes in actuarial assumptions.

There has been a significant increase in the cash and cash equivalents value during 2014/15 by £27.831m (13/14 £27.526m). The increase reflects the early receipt of a variety of grants and contributions ahead of their profiled spend dates thus creating a temporary cash surplus.

Depreciation in 2014/15 was £22.196m (13/14 £22.491m), overall revaluation loss of £10.621m (13/14 revaluation loss £20.661m) and capital expenditure contributing to the asset value by £48.203m (13/14 £44.618m).

Included within the net revaluation loss of £10.621m, is a revaluation gain in relation to Council Dwellings of £13.919m and a revaluation loss in relation to other land & buildings of £24.046m. The primary driver of the loss is the revaluation on completion of the two new park & ride sites - Poppleton Bar & Askham Bar.

9. FUTURE DEVELOPMENTS

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

Continuing Reductions in Funding from Central Government

It is almost certain that there will be further reductions in government funding, and the major challenge facing the council in coming years will be to secure further savings and for cost pressures to be managed effectively. In doing so, the council will also need to provide capacity for additional investment in unavoidable costs and priorities. The continued development of the Financial Strategy will ensure that the Council prepares effectively for these challenges.

Economic Downturn
This includes:

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

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

Waste Management

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

Service Pressures

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

Pension Fund Deficit

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

Capital Programme

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

Rewiring Public Services Programme

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

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES

1. THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

2. THE DIRECTOR OF CUSTOMER AND BUSINESS SUPPORT SERVICES RESPONSIBILITIES

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

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

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

The Director of Customer and Business Support Services has also:

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

3. CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015. .

Signed  Dated 30th June 2015

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 xx September 2015.

On behalf of the Audit and Governance Committee

Signed .... Dated

Cllr N Barnes

Chair, Audit and Governance Committee

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income and Expenditure Statement

	Note	2014/15 Gross Exp. £000's	2014/15 Income £000's	2014/15 Net Exp. £000's	2013/14 Gross Exp. £000's	2013/14 Income £000's	2013/14 Net Exp. £000's
Service Costs							
Central Services to the Public		**18,150**	**(6,660)**	**11,490**	20,623	(7,428)	13,195
Cultural Services		**15,386**	**(1,547)**	**13,839**	13,363	(1,903)	11,460
Environmental Services		**42,023**	**(6,234)**	**35,789**	22,637	(6,175)	16,462
Planning Services		**7,321**	**(3,867)**	**3,454**	6,844	(3,260)	3,584
Children's and Education Services		**156,322**	**(128,312)**	**28,010**	161,868	(128,402)	33,466
Highways, Roads and Transport Services		**22,933**	**(12,568)**	**10,365**	22,835	(13,009)	9,826
Local Authority Housing – (HRA)		**14,558**	**(40,016)**	**(25,458)**	38,744	(39,116)	(372)
Housing Services (General Fund)		**55,052**	**(47,242)**	**7,810**	56,116	(48,022)	8,094
Adult Social Care		**70,427**	**(20,764)**	**49,663**	73,460	(22,466)	50,994
Public Health		**7,803**	**(7,739)**	**64**	8,148	(7,018)	1,130
Corporate and Democratic Core		**3,055**	**(76)**	**2,979**	2,827	(74)	2,753
Non-Distributed Costs - Other		**1,152**	**(37)**	**1,115**	1,285	(2)	1,283
Cost of Services	(30)	**414,182**	**(275,062)**	**139,120**	**428,750**	**(276,875)**	**151,875**
Other Operating Expenditure	(9)			**(2,401)**			5
Financing and Investment Income and Expenditure	(10)			**9,738**			16,238
Taxation and Non-Specific Grant Income	(11)			**(156,290)**			(179,798)
(Surplus)/Deficit on Provision of Services	(30)			**(9,833)**			**(11,681)**
Revaluation (gains) on non current assets	(26)			**(9,093)**			(6,252)
Impairment losses on non current assets	(26)			**3,754**			2,117
Surplus/loss arising on the revaluation of available-for-sale financial assets				**-**			-
Re-measurement of net defined benefit/ liability	(49)			**48,415**			(120,652)
Other Comprehensive Income and Expenditure				**43,076**			**(124,787)**
Total Comprehensive Income and Expenditure				**33,243**			**(136,468)**

Movement in Reserves Statement

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	£000's	**£000's**
Balance at 31 March 2013		**(11,920)**	**(18,469)**	**(12,730)**	**(5,370)**	**(2,661)**	**(1,536)**	**(7,352)**	**(60,038)**	**(230,555)**	**(290,593)**
Movement in Reserves during 2013/14											
Surplus /(Deficit) on Provision of Services		(15,801)	-	4,120	-	-	-	-	**(11,681)**	-	**(11,681)**
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	**-**	(124,787)	**(124,787)**
Total Comprehensive Expenditure and Income		**(15,801)**	**-**	**4,120**	**-**	**-**	**-**	**-**	**(11,681)**	**(124,787)**	**(136,468)**
Adjustments between accounting basis & funding basis under regulations	(7)	(3,863)	-	(8,238)	-	(611)	(2,413)	(4,275)	**(19,400)**	19,400	**-**
Other Adjustments										(408)	**(408)**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(19,664)**	**-**	**(4,118)**	**-**	**(611)**	**(2,413)**	**(4,275)**	**(31,081)**	**(105,795)**	**(136,876)**
Transfers to/from Earmarked Reserves	(8)	20,119	(20,119)	4,735	(4,735)		-	-	**-**	-	**-**
Increase/Decrease in Year		**455**	**(20,119)**	**617**	**(4,735)**	**(611)**	**(2,413)**	**(4,275)**	**(31,081)**	**(105,795)**	**(136,876)**
Balance at 31 March 2014 carried forward		**(11,465)**	**(38,588)**	**(12,113)**	**(10,105)**	**(3,272)**	**(3,949)**	**(11,627)**	**(91,119)**	**(336,350)**	**(427,469)**
Balance at 1 April 2014		**(11,465)**	**(38,588)**	**(12,113)**	**(10,105)**	**(3,272)**	**(3,949)**	**(11,627)**	**(91,119)**	**(336,350)**	**(427,469)**
Movement in Reserves during 2014/15											
Surplus /(Deficit) on Provision of Services		11,693	-	(21,526)	-	-	-	-	**(9,833)**	-	**(9,833)**
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	**-**	43,076	**43,076**
Total Comprehensive Expenditure and Income		11,693	-	(21,526)	-	-	-	-	**(9,832)**	43,076	**33,243**
Adjustments between accounting basis & funding basis under regulations	(7)	(12,350)	-	18,341	-	(71)	(1,715)	766	**4,971**	(4,971)	**-**
Other Adjustments											**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		(657)	-	(3,185)	-	(71)	(1,715)	766	**(4,862)**	38,105	**33,244**
Transfers to/from Earmarked Reserves	(8)	(973)	973	1,277	(1,277)	-	-	-	**-**	-	**-**
Increase/Decrease in Year		(1,630)	973	(1,908)	(1,277)	(71)	(1,715)	766	**(4,862)**	38,105	**33,244**
Balance at 31 March 2015 carried forward		**(13,095)**	**(37,615)**	**(14,021)**	**(11,382)**	**(3,343)**	**(5,664)**	**(10,861)**	**(95,981)**	**(298,245)**	**(394,225)**

Split of General Fund Balance between Schools and GF	**31-Mar-15 £000's**	31-Mar-14 £000's
Amount of General Fund Balance held by governors under schemes to finance schools	**(5,010)**	(4,405)
Amount of General Fund Balance generally available for new expenditure	**(8,085)**	(7,060)
Total General Fund Balance	**(13,095)**	(11,465)

Balance Sheet

	Note	**31 March 2015**	31 March 2014
		£000's	£000's
Property, Plant and Equipment	(12)	**707,248**	693,016
Investment Property	(14)	**33,546**	32,274
Intangible Assets	(15)	**1,559**	1,692
Heritage Assets	(13)	**39,708**	39,708
Long - Term Investments	(16)	**1,255**	1,215
Long - Term Debtors	(20)	**5,945**	5,807
LONG - TERM ASSETS		**789,261**	773,712
Short-Term Investments	(16)	**5,000**	10,000
Assets Held for Sale	(22)	**2,677**	4,074
Inventories	(17)	**245**	373
Short-Term Debtors	(19)	**32,358**	31,127
Cash and Cash Equivalents	(21)	**62,171**	36,639
CURRENT ASSETS		**102,451**	82,213
Short-Term Borrowing	(16) / (52)	**(14,064)**	(11,450)
Provisions due to be settled within 12 months	(24)	**(13,054)**	(12,014)
Short-Term Creditors	(23)	**(40,832)**	(34,227)
Other Short-Term Liabilities	(23)	**0**	(181)
CURRENT LIABILITIES		**(67,948)**	(57,872)
Long-Term Creditors	(16)	**(3)**	(5)
Provisions	(24)	**(4,552)**	(5,271)
Long-Term Borrowing	(16) / (52)	**(256,204)**	(248,167)
Other Long-Term Liabilities	(16)	**(5,072)**	(5,336)
Liability related to Defined Benefit Pension Scheme	(26) / (49)	**(163,705)**	(111,806)
LONG-TERM LIABILITIES		**(429,538)**	(370,585)
NET ASSETS		**394,226**	427,469
RESERVES			
Usable Reserves	(25)		
Capital Receipts Reserve		**5,664**	3,950
General Fund Balance		**13,095**	11,465
Housing Revenue Account Reserve		**14,021**	12,113
Major Repairs Reserve		**3,343**	3,272
Capital Grants Unapplied		**10,861**	11,627
Earmarked Reserves		**48,997**	48,693
		95,981	91,120
Unusable Reserves	(26)		
Revaluation Reserve		**121,449**	118,283
Capital Adjustment Account		**345,810**	340,101
Available-for-sale Financial Instruments Reserve		**0**	0
Financial Instruments Adjustment Account		**(1,691)**	(1,818)
Pensions Reserve		**(163,705)**	(111,806)
Collection Fund Adjustment Account		**844**	(3,592)
Employee Benefit Adjustment Account		**(4,462)**	(4,819)
		298,245	336,349
TOTAL RESERVES		**394,226**	427,469

Cashflow Statement

	Note	2014/15	2013/14
		£000's	£000's
Net (Surplus)/Deficit on the provision of Services		**(9,833)**	(11,681)
Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements	(27)	**(42,174)**	(58,055)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities	(27)	**26,250**	35,571
Net Cash Flows from Operating Activities		**(25,757)**	(34,164)
Investing Activities	(28)	**12,340**	7,607
Financing Activities	(29)	**(12,115)**	(1,002)
Net (Increase)/Decrease in Cash and Cash Equivalents		**(25,532)**	(27,559)
Cash and Cash Equivalents at the beginning of the reporting period		**(36,639)**	(9,080)
Cash and Cash Equivalents at the end of the reporting period		**(62,171)**	(36,639)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

I. General

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued by government.

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

II. Accruals of Income and Expenditure

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

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

III. Cash and Cash Equivalents

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

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

IV. Exceptional Items

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

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

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

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

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

VI. Charges to Revenue for Non-Current Assets

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

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

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

VII. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

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

All schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

The Local Government Pension Scheme

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

- The liabilities of the North Yorkshire Pension Fund (NYPF) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Further information can be found in NYPF's Annual Report that is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.
- Liabilities are discounted to their value at current prices, calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employers.
- The assets of the NYPF attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the defined benefit liability ie net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of

time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Re-measurement comprising
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the NYPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

VIII. Events After the Balance Sheet Date

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

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

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

IX. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. We are not aware of any guarantees that would need to be reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

X. Foreign Currency Translation

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

XI. Government Grants and Contributions

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

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

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

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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

XII. Heritage Assets

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

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

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

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

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

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

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

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

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

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

Mansion House Collection and Civic Regalia – are recorded in the balance sheet using insurance valuations. This collection was last revalued in 2007 by a fine art external valuation expert. The valuation for the Mansion House Collection is deemed to be an appropriate insurance valuation at the current time. The insurance valuation for Civic Regalia has been increased to reflect changes in the cost of metal. The Regalia and items in the Mansion House are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation. The policy for acquisitions, made by purchase or donation, is the same as for the art collection.

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

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. Further detail on these arrangements can be found with in the Related Parties note 41.

Yorwaste Limited

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

Yorkshire Purchasing Organisation

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

City of York Trading Limited

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

Veritau

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

Science City York

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

XV. Joint Arrangements

Joint arrangements are arrangements by which two or more parties have joint control bound by contract. A Joint Arrangement can be classified as follows:

- A Joint Venture
- A Joint Operation
-

Joint Venture

A joint Venture is an arrangement under which two or parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties. The Council has 2 joint ventures which are not material and thus group accounts have not been produced

Joint Operation

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

XVI. Inventories and Long Term Contracts

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

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

XVII. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the 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.

XVIII. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

XIX. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

XX. Property, Plant and Equipment

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

Recognition

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

The Council recognises schools in line with the provisions of the Code of Practice, consequently schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria. With the clarification provided in this years code and issue of LAAP bulletin 100 the Council has undertaken a detailed review to assess the level of control it exercises in relation to both the VA & VC schools. The analysis undertaken considered the governing bodies majority appointment rights and concluded that in all cases the Council did not exercise sufficient influence to warrant recognition of assets in relation to the schools on its balance sheet.

Accordingly the Council does not include the 9 Voluntary Aided or 10 Voluntary Controlled schools within its financial statements as the Council does not own the school assets. The Council does, however, include the playing fields where these are owned by the Council. All elements of the 39 Local Authority controlled schools are shown in the Council's financial statements.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Componentisation

All Property assets containing a building are split into two components - Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set, below which this additional review will not be done. Only buildings with a valuation greater than £1m will be considered for componentisation, which accounts for approximately 85% of depreciation charged to the Comprehensive Income & Expenditure Account for buildings. The cost of the component should be at least 20% of the value of the building.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over 5-10 years
- infrastructure – straight-line allocation over 40 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

XXI. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

XXII. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

Provision for Lendal Bridge trial Claims/ Coppergate

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

Contingent Liabilities

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

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

Contingent Assets

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

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

XXIII. Reserves

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

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

Earmarked Reserves

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

The earmarked reserves held by the Council are shown in the Core Statements and detailed in note 8. The major earmarked reserves include the Venture Fund, developer contribution in relation to the new Community Stadium and the HRA investment reserve. In 2013/14 a new earmarked reserve was included in relation to **Lendal Bridge**.

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

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

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

Usable Reserves

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

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

Unusable Reserves

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

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

XXIV. Revenue Expenditure Funded from Capital under Statute

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

XXV. 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.

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

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2015. If these had been adopted for the financial year 2014/15 there would be no material changes.

IFRS 13 Fair Value Measurement - This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13.

IFRIC 21 Levies - This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both.

Annual Improvements to IFRS (2011 – 2013 cycle) - These improvements are relatively minor and are mostly about providing clarification.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

Accounting for schools – Balance sheet recognition – The Council recognises schools in line with the provisions of the Code of Practice, consequently schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria. With the clarification provided in this years code and issue of LAAP bulletin 100 the Council has undertaken a detailed review to assess the level of control it exercises in relation to both the VA & VC schools. The analysis undertaken considered the governing bodies majority appointment rights and concluded that in all cases the Council did not exercise sufficient influence to warrant recognition of assets in relation to the schools on its balance sheet.

Accounting for schools – Transfer to Academy status – When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as an impairment to nil value on the date that the school converts to Academy status.

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

Group Accounts Boundaries – The council's group boundaries have been assessed using the criteria outlined in the Code of practice. It has not been considered material to prepare Group Accounts in 2014/15, however the Council has included an enhanced Related parties disclosure note to reflect the current relationships in place an provide further detail to aid the reader of the Accounts.

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

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions

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

During 2014/15 the Council's actuaries advised that the net pension liability had increased by £51.899m. This is made up of:

• £48.415m actuarial changes
• £3.484m loss arising from employer contributions of £15.934m being less than the pension obligations of £19.418m

Property, Plant & Equipment

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

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this note, the Council considers material items to be those greater than £7.06m.

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

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Customer and Business Support Services on 30 June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no significant Events after the reporting period to report for 2014/15.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

2014/15

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(13,627)	-	(8,569)	-	-	-	**22,196**
Revaluation losses on Property Plant and Equipment	(24,707)	-	14,487	-	-	-	**10,220**
Movements in the market value of Investment Properties	1,751	-	-	-	-	-	**(1,751)**
Amortisation of intangible assets	(627)	-	-	-	-	-	**627**
Capital grants and contributions applied	17,868	-	403	-	-	-	**(18,271)**
Movement in the Donated Assets Account	-	-	-	-	-	-	**-**
Revenue expenditure funded from Capital under statute	(4,646)	-	-	-	-	-	**4,646**
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(1,318)	-	(1,840)	-	-	-	**3,158**
Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:							
Statutory provision for the financing of capital investment	8,212	-	-	-	-	-	**(8,212)**
Capital expenditure charged against the General Fund and HRA balances	60	-	4,364	-	-	-	**(4,424)**
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,177	-	-	-	-	(5,177)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account	(5,943)	-	-	-	-	5,943	**-**
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	3,917		3,295	-	(7,212)	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	4,445	-	**(4,445)**
Contribution from the Capital Receipts Reserve toward administrative costs of non-current asset disposals	-	-	-	-	-	-	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool	-	-	(1,052)	-	1,052	-	**-**

2014/15	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	**-**
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	**-**
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	-	7,349	(7,349)	-	-	**-**
Non dwelling depreciation reversed to the MRR				-			
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,278	-	-	**(7,278)**
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	128	-	-	-	-	-	**(128)**
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	15,493	-	441	-	-	-	**(15,934)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,881)	-	(537)	-	-	-	**19,418**
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different form council tax income calculated for the year in accordance with statutory requirements	4,435		-	-	-	-	**(4,435)**
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	**-**
Adjustment primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	358	-	-	-	-	-	**(358)**
Total Adjustments:	**(12,350)**	**-**	**18,341**	**(71)**	**(1,715)**	**766**	**(4,971)**

Adjustments between Accounting Basis and Funding Basis under Regulations – 2013/14

2013/14

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(14,093)	-	(8,398)	-	-	-	**22,491**
Revaluation losses on Property Plant and Equipment	(11,181)	-	(9,480)	-	-	-	**20,661**
Movements in the market value of Investment Properties	(237)	-	-	-	-	-	**237**
Amortisation of intangible assets	(707)	-	-	-	-	-	**707**
Capital grants and contributions applied	26,304	-	-	-	-	-	**(26,304)**
Movement in the Donated Assets Account	-	-	-	-	-	-	**-**
Revenue expenditure funded from Capital under statute	(3,548)	-	-	-	-	-	**3,548**
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(1,617)	-	(1,844)	-	-	-	**3,461**
Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:							
Statutory provision for the financing of capital investment	8,495	-	-	-	-	-	**(8,495)**
Capital expenditure charged against the General Fund and HRA balances	10	-	2,580	-	-	-	**(2,590)**
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,275	-	-	-	-	(4,275)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	**-**
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	1,996		2,996	-	(4,992)	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	1,623	-	**(1,623)**
Contribution from the Capital Receipts Reserve toward administrative costs of non-current asset disposals	-	-	-	-	-	-	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool	-	-	(955)	-	955	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	**-**
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	**-**

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	-	6,877	(6,877)	-	-	-
Non dwelling depreciation reversed to the MRR			274	(274)			
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,540	-	-	**(6,540)**
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	120	-	-	-	-	-	**(120)**
Adjustment primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	15,801	-	418	-	-	-	**(16,219)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,143)	-	(710)	-	-	-	**26,853**
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different form council tax income calculated for the year in accordance with statutory requirements	(3,594)		-	-	-	-	**3,594**
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-
Adjustment primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	256	-	4	-	-	-	**(260)**
Total Adjustments:	**(3,863)**	**-**	**(8,238)**	**(611)**	**(2,414)**	**(4,275)**	**19,401**

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 2014/15:

	Transfers Out During Year	Transfers In During Year	**Net mov't During Year**	**Balance at 31-Mar-15**	Balance at 31-Mar-14
	£000's	£000's	**£000's**	**£000's**	£000's
General Fund					
Investment Reserves	-	-	**-**	**(1,208)**	(1,208)
Venture Fund	272	(402)		**(1,851)**	(1,721)
Developers Contributions Unapplied	3,798	(3,022)		**(21,205)**	(21,981)
Insurance Fund	187	(548)		**(625)**	(264)
Bus Lane enforcement	377	-		**(718)**	(1,095)
Miscellaneous	5,941	(5,630)		**(12,008)**	(12,319)
Subtotal General Fund	10,575	(9,602)	**973**	**(37,615)**	(38,588)
HRA					
53rd Week Rent	117			**117**	-
HRA Investment Reserve	2,106	(3,500)		**(11,499)**	(10,105)
Subtotal HRA	2,223	(3,500)	**(1,277)**	**(11,382)**	(10,105)
Total Earmarked Reserves	**12,798**	**(13,103)**	**(302)**	**(48,997)**	(48,693)

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

9. OTHER OPERATING EXPENDITURE

	2014/15	2013/14
	£'000's	£'000's
Parish council precepts	**601**	580
Payments to the Government Housing Capital Receipts Pool	**1,052**	955
Gains/losses on the disposal of non-current assets	**(4,054)**	(1,530)
Total	**(2,401)**	5

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15	2013/14
	£'000's	£'000's
Interest payable and similar charges	**10,013**	10,010
Net interest on the net defined benefit liability	**4,649**	8,912
Interest receivable and similar income	**(529)**	(329)
Income and expenditure in relation to investment properties and changes in their fair value	**(4,075)**	(2,055)
Other investment income	**(320)**	(300)
Total	**9,738**	16,238

11. TAXATION AND NON SPECIFIC GRANT INCOME

	2014/15	2013/14
	£'000's	£'000's
Council tax income	**(74,512)**	(71,438)
Non domestic rates	**(25,990)**	(18,718)
Non-ringfenced or government grants	**(40,476)**	(43,532)
Capital grants and contributions	**(15,312)**	(46,110)
Total	**(156,290)**	(179,798)

12. PROPERTY, PLANT AND EQUIPMENT

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

Comparative Movements in **2013/14**

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

Depreciation

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

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

Capital Commitments

- At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost c£5.628m,. Similar commitments as 31 March 2014 were c£0.686m.

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 2014/15 desktop review for council dwellings was £264,669k.

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant etc. £000's	Infra-structure £000's	Surplus Assets £000's	TOTAL £000's
Carried at historical cost	-	-	-	-	-	-
Valued at Fair Value as at:						
31-Mar-15		66,937	-	-	9,024	75,961
31-Mar-14		56,525	-	-	534	57,059
31-Mar-13		79,798	-	-	235	80,033
31-Mar-12	-	230,658	-	-	4,720	235,378
31-Mar-11	259,768	62,706	-	-	168	322,642
Total Cost or Valuation	259,768	496,624	-	-	14,681	771,073

13. HERITAGE ASSETS

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

	Heritage Properties	Art Collection	Mansion House Collection & Civic Regalia	Castle Museum Collections	TOTAL
	£000	£000	£000	£000	£000
Cost or Valuation					
1 April 2013	**1,054**	**30,405**	**6,374**	**924**	**38,757**
Transfer to/from Property, Plant & Equip	14	-	-	-	14
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	(3)	912	(28)	56	937
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services		-	-	-	-
Depreciation		-	-	-	-
31 March 2014	**1,065**	**31,317**	**6,346**	**980**	**39,708**
Cost or Valuation					
1 April 2014	1,065	31,317	6,346	980	39,708
Transfer to/from Property, Plant & Equip	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
31 March 2015	**1,065**	**31,317**	**6,346**	**980**	**39,708**

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

Heritage Properties

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

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

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

Art Collection

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

Mansion House Collection and Civic Regalia

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

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

Museum Collections

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

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

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

Additions/ Disposal of Heritage Assets

There were no additions or disposals of heritage Assets in 2014/15 or 2013/14.

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:

	2014/15	2013/14
	£000's	£000's
Commercial rental income from investment property	**(2,707)**	(2,474)
Commercial direct operating expenses arising from investment property	**227**	182
Net Income	**(2,480)**	(2,292)

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.

	2014/15	2013/14
	£000's	£000's
Balance at start of the year	**32,274**	32,999
Additions	**86**	106
Disposals	**(160)**	-
Net gain or loss on Fair Value	**1,695**	(237)
Transfers:		
to/ from Inventories	**-**	-
to/ from Property, Plant & Equipment	**(349)**	(594)
to/ from Heritage Assets	**-**	-
to/ from Assets Held for Sale	**-**	-
Other changes	**-**	-
Balance at end of year	**33,546**	32,274

Included within this table is an Investment Property which has previously (in 2013/14) met the criteria for Asset Held for Sale, this asset has been disposed of in 2014/15 (value £160k).

15. INTANGIBLE ASSETS

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis and the amortisation charge in 2014/15 was £627k (2013/14 was £707k), contained in this figure is £15k relating to a HRA asset.

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

	2014/15 Internally Generated Assets	2014/15 Other Assets	2014/15 Total	2013/14 Internally Generated Assets	2013/14 Other Assets	2013/14 Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
- Gross carrying amounts		4,802	4,802	-	4,373	4,373
- Adjustment for assets now fully amortised		-	-		-	-
Category Adjustments		178	178	-	354	354
- Revised Gross carrying amounts		4,980	4,980		4,727	4,727
- Accumulated amortisation		(3,110)	(3,110)	-	(2,403)	(2,403)
Adjustment for assets now fully amortised		-	-		-	-
- Revised Accumulated amortisation		(3,110)	(3,110)		(2,403)	(2,403)
Net carrying amount at the start of the year	-	1,870	1,870	-	2,324	2,324
Additions:						
- Internal development	-	-	-	-	-	-
- Purchases	-	316	316	-	75	75
- Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-
Revaluations increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
Reversals of past impairment losses written back to the surplus/ Defect on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	-	(627)	(627)	-	(707)	(707)
Other changes	-	-	-	-	-	-
Net carrying amount at the end of year	-	1,559	1,559	-	1,692	1,692
Comprising:						
- Gross carrying amounts	-	5,296	5,296	-	4,802	4,802
- Accumulated amortisation	-	(3,737)	(3,737)	-	(3,110)	(3,110)
	-	1,559	1,559	-	1,692	1,692

16. FINANCIAL INSTRUMENTS

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

Categories of financial Instruments

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

	Long-Term		Short-Term	
	31-Mar-15	31-Mar-14	**31-Mar-15**	31-Mar-14
	£000's	£000's	**£000's**	£000's
Investments				
Loans and receivables			**5,000**	10,000
Available-for-sale financial assets	**40**			
Unquoted equity investment at cost	**1,215**	1,215		
Financial assets at fair value through profit and loss				
Total Investments	**1,255**	1,215	**5,000**	10,000
Debtors				
Loans and receivables	**5,945**	5,807		
Financial assets carried at contract amounts			**26,273**	26,273
Total Debtors	**5,945**	5,807	**26,273**	26,273
Borrowings				
Financial Liabilities at amortised cost	**(256,204)**	(248,164)	**(14,064)**	(11,453)
Financial Liabilities at fair value through profit and loss				
Total Borrowings	**(256,204)**	(248,164)	**(14,064)**	(11,453)
Other Long Term Liabilities				
PFI liabilities	**(5,072)**	(5,336)		
Finance lease liabilities	**-**	-		(181)
Total other long term liabilities	**(5,072)**	(5,336)	**-**	(181)
Creditors				
Financial liabilities at amortised cost	**(3)**	(5)		
Financial liabilities carried at contract amount			**(30,821)**	(28,657)
Total Creditors	**(3)**	(5)	**(30,821)**	(28,657)

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

Note 2 - Per the definition of International Accounting Standard 32 Financial Instruments – Presentation, cash is a financial asset. The above note does not include cash held by the authority that is either on call, instant access or on a notice period of 30 days or less, these amounts are shown separately to the above in Note 21 Cash and Cash Equivalents totalling in 2014/15 £62.171m (2013/14 £36.639m).

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

	31-Mar-15		31-Mar-14	
	Carrying amount £000's	**Fair value £000's**	Carrying amount £000's	Fair Value £000's
PWLB debt	**(249,963)**	**(315,386)**	(239,311)	(258,068)
Non-PWLB debt	**(20,305)**	**(22,377)**	(20,306)	(21,604)
Total debt	**(270,268)**	**(337,763)**	(259,617)	(279,672)
Long term creditors	**(3)**	**(3)**	(5)	(5)
Total Financial liabilities	**(270,271)**	**(337,766)**	(259,622)	(279,677)

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 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.

	31-Mar-15		31-Mar-14	
	Carrying amount £000's	**Fair value £000's**	Carrying amount £000's	Fair Value £000's
Money market loans < 1yr	**60,628**	**60,628**	44,176	44,176
Money market loans > 1yr			-	-
Bonds			-	-
Long term trade debtors	**5,945**	**5,945**	5,807	5,807
Total Loans and receivables	**66,573**	**66,573**	49,983	49,983

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

Available for Sale Assets

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

17. INVENTORIES

	Consumable Stores		Maintenance Materials		Client Services Work in progress		Property Acquired or constructed for sale		Total	
	2014/15	2013/14 '£000's	**2014/15**	2013/14 '£000's	**2014/15**	2013/14 '£000's	**2014/15**	2013/14 '£000's	**2014/15**	2013/14 '£000's
Balance Outstanding at 1 April	**373 -**	411	**-**	-	**-**	-	-	-	**373**	411
Purchases	**52**	314	**-**	-	**-**	-	-	-	**52**	314
Recognised as an Expense in the Year	**(108)**	(352)	**-**	-	**-**	-	-	-	**(108)**	(352)
Written Off Balances	**(72)**	-	**-**	-	**-**	-	-	-	**(72)**	-
Reversals of Write Offs in Previous Years	**- -**	-	**-**	-	**-**	-	-	-	**-**	-
Balance Outstanding at 31 March	**245**	373	**-**	-	**-**	-	-	-	**245**	373

18. CONSTRUCTION CONTRACTS

At 31 March 2015 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-15 £000's	Balance at 31-Mar-14 £000's
Central Government Bodies	**3,237**	9,093
Other Local Authorities	**736**	526
NHS Bodies	**4,475**	1,945
Public Corporations	**1,123**	1,093
Other Entities and Individuals	**29,640**	24,442
	39,211	37,099
Provision for Bad and Doubtful Debts	**(6,853)**	(5,972)
Total Debtors	**32,358**	**31,127**

20. LONG TERM DEBTORS

	Expenditure During Year £000's	**Income During Year £000's**	**Balance at 31-Mar-15 £000's**	Balance at 31-Mar-14 £000's
Employee Loans	**9**	**(115)**	**96**	202
Council House Mortgages	**-**	**-**	**2**	2
Housing Act Advances	**-**	**-**	**12**	12
Prepayment - PFI scheme	**-**	**(49)**	**798**	847
PFI - Residual Value Asset	**87**	**-**	**613**	526
PFI - Sculpting Prepayment	**156**	**-**	**2,793**	2,637
Yorwaste Loan	**-**	**-**	**1,000**	1,000
Other	**54**	**(4)**	**631**	581
	306	**(168)**	**5,945**	5,807

21. CASH AND CASH EQUIVALENTS

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

	Balance at 31-Mar-15 £000's	Balance at 31-Mar-14 £000's
Cash Held by the Authority	**9,053**	6,318
Short Term Deposits	**55,628**	34,176
Bank Current Accounts	**(2,510)**	(3,856)
Total Cash and Cash Equivalents	**62,171**	36,639

22. ASSETS HELD FOR SALE

	2014/15 £000's	2013/14 £000's
Balance outstanding at start of year	**4,074**	1,756
Assets newly classified as held for sale:		
- Property, Plant and Equipment	**663**	5,918
- Investment Properties		
- Intangible Assets	**-**	-
- Other assets/ liabilities in disposal groups	**-**	-
Revaluation losses	**(139)**	(1,894)
Revaluation gains	**53**	44
Impairment losses	**-**	-
Assets declassified as held for sale:		
- Property, plant and Equipment	**(825)**	(260)
- Intangible Assets	**-**	-
- Other assets/ liabilities in disposal groups	**-**	-
Assets sold	**(1,149)**	(1,490)
Transfers from non-current to current	**-**	-
[Other movements]	**-**	-
Balance outstanding at year-end	**2,677**	4,074

23. CREDITORS

	Balance at 31-Mar-15 £000's	Balance at 31-Mar-14 £000's
Central Government Bodies	**(10,603)**	(5,208)
Other Local Authorities	**(4,452)**	(3,384)
NHS Bodies	**(181)**	(968)
Public Corporations	**(53)**	(25)
Other Entities and Individuals	**(25,543)**	(24,642)
Total Creditors	**(40,832)**	**(34,227)**
Other Short-Term Liabilities	**-**	(181)
Total Short-Term Liabilities	**(40,832)**	**(34,408)**

This note contains £660k (2013/14 £517k) of Capital Grants received in advance. Further details can be found in Note 40.

24. PROVISIONS

	Employee Absences £000's	Insurance Fund £000's	Equal Pay £000's	Business Rates £000's	Council Tax £000's	Lendal Bridge/ Coppergate £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2014	(4,819)	(2,173)	(1,337)	(7,470)	(500)	(708)	(278)	(17,285)
								-
Additional provisions made in 2014/15	(4,462)	(492)	-	(652)	-	(55)	(84)	(5,745)
Amounts Used In 2014/15	-	330	-	-	-	-	260	590
Unused amounts reversed in 2014/15	4,819	-	-	-	-	-	15	4,834
Unwinding of discounting in 2014/15	-	-	-	-	-	-	-	-
Balance at 31 March 2015	**(4,462)**	**(2,335)**	**(1,337)**	**(8,122)**	**(500)**	**(763)**	**(87)**	**(17,606)**

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

	Employee Absences £000's	Insurance Fund £000's	Equal Pay £000's	Business Rates £000's	Council Tax £000's	Lendal Bridge/ Coppergate £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2014	(4,819)	(289)	-	(5,970)	-	(708)	(228)	(12,014)
								-
Additional provisions made in 2014/15	(4,462)	(59)	-	(1,480)	-	(55)	(84)	(6,140)
Amounts Used In 2014/15	-	56	-	-	-	-	225	281
Unused amounts reversed in 2014/15	4,819	-	-	-	-	-	-	4,819
Unwinding of discounting in 2014/15	-	-	-	-	-	-	-	-
Balance at 31 March 2015	**(4,462)**	**(292)**	**-**	**(7,450)**	**-**	**(763)**	**(87)**	**(13,054)**

Employee Absences

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

Insurance Fund

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

Equal Pay Claims

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

Lendal Bridge/ Coppergate

This provision is for the costs of settling claims for repayment of Penalty Charge Notices in relation to the trial traffic regulation of Lendal Bridge and Coppergate.

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 RESRVES

	Balance at 2014/15 £000's	Balance at 2013/14 £000's
Revaluation Reserve	**121,449**	118,283
Available for Sale Financial Instruments Reserve	**-**	-
Capital Adjustment Account	**345,810**	340,101
Financial Instruments Adjustment Account	**(1,691)**	(1,818)
Deferred Capital Receipts Reserve	**-**	-
Pensions Reserve	**(163,705)**	(111,806)
Collection Fund Adjustment Account	**844**	(3,592)
Accumulated Absences Account	**(4,462)**	(4,819)
Total Unusable Reserves	**298,245**	336,349

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.

	2014/15		2013/14	
	£000's	**£000's**	**£000's**	**£000's**
Balance at 1 April		**(118,283)**		**(116,649)**
Upward revaluation of assets	(9,093)		(6,252)	
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	3,754		2,117	
(Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		**(5,339)**		(4,135)
Difference between fair value depreciation and historical cost depreciation	1,893		2,086	
Accumulated gains on assets sold or scrapped	280		415	
Amount written off to the Capital Adjustment Account		2,173		2,501
Balance at 31 March		**(121,449)**		**(118,283)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The Council holds only one type of this investment (£40k of shares in the Municipal Bonds Agency) that has been recorded at its transaction price.

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2014/15 £000's	2013/14 £000's
Balance at 1st April	**(340,101)**	(342,745)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	**22,196**	22,491
Revaluation losses on Property, Plant and Equipment	**10,220**	20,661
Amortisation of intangible assets	**627**	707
Revenue expenditure funded from capital under Statute	**4,646**	3,548
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**3,158**	3,461
Other Adjustment	**-**	(408)
	40,847	50,460
Adjusting amounts written out of the Revaluation Reserve	**(2,173)**	(2,501)
Net written out amount of the cost of non-current assets consumed in the year	**38,674**	47,959
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	**(4,446)**	(1,623)
Use of the Major Repairs Reserve to finance new capital expenditure	**(7,278)**	(6,540)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(18,271)**	(26,304)
Application of grants to capital financing from the Capital Grants Unapplied Account		
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	**(8,212)**	(8,495)
Statutory provision for the financing of the HRA subsidy		
Capital expenditure charged against the General Fund and HRA balances	**(4,425)**	(2,590)
	(42,632)	(45,552)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**(1,751)**	237
Balance at 31 March	**(345,810)**	(340,101)

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 2015 will be £1.691m (£1.818m 2013/14) charged to the General Fund over the next 12 years.

	2014/15		2013/14	
	£000's	**£000's**	£000's	£000's
Balance at 1st April		**1,818**		**1,938**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(183)		(183)	
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		56	63	
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		(127)		(120)
Balance at 31st March		**1,691**		**1,818**

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-15	31-Mar-14
	£000's	£000's
Balance at 1 April	**111,806**	221,824
Actuarial gains or losses on pensions assets and liabilities	**48,415**	(120,652)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**19,418**	26,853
Employer's pensions contributions and direct payments to pensioners payable in the year.	**(15,934)**	(16,219)
Balance at 31 March	**163,705**	111,806

Collection Fund Adjustment Account

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

	31-Mar-15	31-Mar-14
	£000's	£000's
Balance at 1 April	**3,592**	(2)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	**(4,436)**	3,594
Balance at 31 March	**(844)**	**3,592**

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.

	2014/15		2013/14	
	£000's	£000's	£000's	£000's
Balance at 1 April		**4,819**		5,079
Settlement or cancellation of accrual made at the end of the preceding year	(4,819)		(5,079)	
Amounts accrued at the end of the current year	4,462		4,819	
		(357)		(260)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-		-
Balance at 31 March		**4,462**		4,819

27. CASHFLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Balance at 31-Mar-15	Balance at 31-Mar-14
	£000's	£000's
Interest received	**(509)**	(674)
Interest paid	**9,854**	13,776
Dividends received	**(290)**	(252)

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

	31-Mar-15	31-Mar-14
	£000's	£000's
Depreciation, Impairment and Amortisation of fixed assets	**(33,478)**	(44,007)
Increase/(decrease) in impairment for bad debt	**(874)**	1,488
Increase/(decrease) in stocks and works in progress	**(128)**	(38)
Increase/(decrease) in debtors	**1,889**	4,280
(Increase)/decrease in creditors	**(4,415)**	1,113
Pension Liability		
Net Charge to the CIES	**15,934**	16,219
Employers contributions to pension funds and direct payments to pensioners	**(19,418)**	(26,853)
Carrying amount of non-current assets sold	**(3,158)**	(3,462)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		
Provisions	**(321)**	(6,812)
Movements in the value of investment properties	**1,751**	(237)
Movements in the value of Finance Leases and PFI	**82**	292
Movement in the MRR		-
Movement in the FIAA	**(38)**	(38)
Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements	**(42,174)**	(58,055)

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-15	31-Mar-14
	£000's	£000's
Grants applied to the financing of capital expenditure	**19,037**	30,580
Proceeds from sale of property, plant and equipment, investment property and intangible assets	**7,213**	4,991
Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities	**26,250**	35,571

28. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	Balance at 31-Mar-15	Balance at 31-Mar-14
	£000's	£000's
Purchase of property, plant and equipment, investment property and intangible assets	**43,551**	40,983
Purchase of short-term and long-term investments	**(4,962)**	2,195
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(7,212)**	(4,991)
Proceeds from short-term and long-term investments	**-**	
Other receipts from investing activities	**(19,037)**	(30,580)
Net cash flows from investing activities	**12,340**	7,607

29. CASHFLOW STATEMENT - FINANCING ACTIVITIES

	Balance at 31-Mar-15	Balance at 31-Mar-14
	£000's	£000's
Cash receipts of short-term and long-term borrowing	**(15,000)**	-
Other receipts from financing activities	**51**	131
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**557**	758
Repayments of short-term and long-term borrowing	**4,500**	-
Other payments for financing activities	**(2,223)**	(1,891)
Net cash flows from financing activities	**(12,115)**	(1,002)

30. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

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

2013/14	Health & Wellbeing £000's	Children Services, Education & Skills £000's	City & Environmental Services £000's	Communities & Neighbourhoods £000's	Customer & Business Support Services £000's	Office of the Chief Executive £000's	Corporate £000's	Total £000's
Employees	18,151	17,847	14,307	20,241	18,752	1,966	1,324	92,588
Supplies & Services	60,116	16,038	4,366	10,840	10,132	1,410	10,996	113,898
Internal Charges	-	-	-	-	-	-	69,413	69,413
Other Expenses	5,865	127,082	65,948	16,249	56,367	639	(20,038)	252,112
Total Expenditure	**84,132**	**160,967**	**84,621**	**47,330**	**85,251**	**4,015**	**61,695**	**528,011**
Fees, Charges & Other Income	(22,748)	(10,263)	(20,437)	(20,449)	(10,185)	(393)	(33,411)	(117,886)
Government Grants	(7,450)	(107,050)	(42,485)	(3,226)	(46,232)	-	(6,806)	(213,249)
Internal Charges	(250)	(16,564)	(5,820)	(7,939)	(24,821)	(1,467)	(12,552)	(69,413)
Total Income	(30,448)	(133,877)	(68,742)	(31,614)	(81,238)	(1,860)	(52,769)	**(400,548)**
Net Expenditure	**53,684**	**27,090**	**15,879**	**15,716**	**4,013**	**2,155**	**8,926**	**127,463**

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.

	2014/15 £000	2013/14 £000
Net Expenditure in Directorate Analysis	**123,495**	127,463
Net expenditure of services and support services not included in the Analysis	**(13,913)**	
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**32,108**	58,726
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(2,570)**	(34,314)
Cost of Services in Comprehensive Income and Expenditure Statement	**139,120**	151,875

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.

2014/15

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

2013/14

	Directorate Analysis £000	Amounts Not Reported To Management For Decision Making £000	Amounts Not Included In I&E £000	**Cost Of Services £000**	Corporate Amounts £000	**Total £000**
Employee Expenses	92,588	10,084		**102,672**	(9,720)	**92,952**
Other Service Expenses	366,010	14,922	(78,796)	**302,136**	44,532	**346,668**
Support Service Recharges	69,413		(69,413)	**-**		**-**
Depreciation, Amortisation & Impairment		33,720		**33,720**		**33,720**
Interest Payments				**-**	10,010	**10,010**
Precepts & Levies				**-**	580	**580**
Payments to Housing Capital Receipts Pool				**-**	955	**955**
Gain Or Loss On Disposal Of Fixed Assets				**-**	(1,530)	**(1,530)**
Total Expenditure	**528,011**	**58,726**	**(148,209)**	**438,528**	**44,827**	**483,355**
Fees, Charges & Other Service Income	(187,299)		113,895	**(73,404)**	(58,125)	**(131,529)**
Surplus Or Deficit On Associates & Joint Ventures				**-**		**-**
Interest & Investment Income				**-**	(329)	**(329)**
Income From Council Tax				**-**	(71,438)	**(71,438)**
Government Grants & Contributions	(213,249)			**(213,249)**	(78,491)	**(291,740)**
Total Income	**(400,548)**	**-**	**113,895**	**(286,653)**	**(208,383)**	**(495,036)**
Surplus Or Deficit On The Provision Of Services	**127,463**	**58,726**	**(34,314)**	**151,875**	**(163,556)**	**(11,681)**

31. ACQUIRED AND DISCONTINUED OPERATIONS

Al council operations are categorised as continuing operations.

32. TRADING OPERATIONS

The Council had no external trading operations in 2014/15. The Council has established a number of internal trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

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

33. AGENCY SERVICES

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

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

	2014/15	2013/14
	£000's	£000's
Expenditure incurred providing Payroll Services	**45**	44
Fee income earned	**(62)**	(52)
Net Position	**(17)**	(8)

34. ROAD CHARGING SCHEMES

There were no schemes under the Transport Act 2000 in 2014/15, but these will continue to be considered by the Council in future years.

35. POOLED BUDGETS

There were no pooled budgets in 2014/15, 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.

	2014/15	2013/14
	£000's	£000's
Allowances	**540**	551
Expenses	**11**	10
Total	**551**	561

The Local Authorities (Members' Allowances) (England) Regulations 2003 include a requirement for local authorities to publicise the scheme for members' allowances and to disclose annually amounts paid to each member under such schemes. The information on amounts paid during 2014/15 will be released to the press during the summer and will identify that the Council spent £551k (2013/14 £561k) on members' allowances and expenses. Members receive payments that reflect the special responsibilities of the individual Member, together with a basic allowance. Other allowances received include those for telephones, internet and dependent care. Expenses are made up of travel and subsistence costs. The level of the basic and responsibility allowances are set by the Council after recommendations are received from the Cabinet, having regard to the review undertaken by the Council's independent remuneration panel. In addition to the allowances and expenses the Council has incurred a cost of £41k (2013/14 £41k) for members pensions contributions.

37. OFFICERS REMUNERATION

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

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

	Notes	Salaries, Fees and Allowances £000's	Expenses Allowances £000's	Compensation for Loss of Office £000's	Pension Contributions £000's	Total Remuneration including pension contributions £000's
Chief Executive		140	5	-	27	172
Director of Public Health and Wellbeing	1	78	1	45	10	134
Director of Children's Services Education and Skills		111	8	-	22	141
Director of Customer & Business Support Services		103	1	-	20	124
Director of Communities & Neighbourhoods		103	1	-	20	124
Director of City & Environmental Services	2	23	-	-	4	27
Assistant Director of Governance & ICT		74	-	-	15	89
Assistant Director of Transformation & Change (Acting Up)		67	-	-	-	67
Head of Economic Development	3	49	-	-	-	49
		748	16	45	118	927

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

Note 1 – Director of Public Health and Wellbeing left the council 30/09/14. The post was replaced by an Interim Director of Public Health and an Interim Director of Adults Social Care, both of which were external contractors therefore not included in the note above, and were in place from 01/10/14

Note 2 – Director of City & Environmental Services left the council 19/06/14, an Interim Director who was an external contractor therefore not included in the note above and was in place from 06/05/2014

Note 3 – Head of Economic Development left the council 16/01/2015

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

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

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

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

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

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

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

	2014/15					2013/14				
	Number of employees					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	Teachers left during year	Total
£50,000 - £54,999	**36**	**2**	**35**	**0**	**73**	34	2	32	2	70
£55,000 - £59,999	**5**	**2**	**18**	2	**27**	3	2	18	-	23
£60,000 - £64,999	**3**	**3**	**19**	1	**26**	2	1	11	-	14
£65,000 - £69,999	**1**	**0**	**4**	-	**5**	2	1	8	-	11
£70,000 - £74,999	**6**	**1**	**2**	-	**9**	5	1	2	-	8
£75,000 - £79,999	**0**	**1**	**1**	1	**3**	2	1	3	-	6
£80,000 - £84,999	1	-	**7**	-	**8**	-	-	2	-	2
£85,000 - £89,999	**0**	-	-	-	**-**	1	-	-	-	1
£90,000 - £94,999	-	-	**2**	-	**2**	-	-	1	-	1
£95,000 - £99,999	**0**	-	-	1	**1**	1	-	-	-	1
	52	**9**	**88**	**5**	**154**	49	8	77	2	137

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

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Number of redundancies		Total cost of exit packages in each band	
	2014/15	2013/14	**2014/15**	2013/14	**2014/15**	2013/14	**2014/15 £000's**	2013/14 £000's
£0- £20,000	**44**	33	**71**	83	**115**	116	**721**	1,023
£20,001 - £40,000	**5**	3	**12**	11	**17**	14	**668**	554
£40,001 - £60,000	**-**	-	**3**	1	**3**	1	**190**	50
£60,001 - £80,000	**-**	1	**-**	-	**-**	1	**-**	182
Total	**49**	37	**86**	95	**135**	132	**1,579**	1,809

The total cost of £1,579k (13/14 £1,809k) in the table above includes £1,220k (13/14 £1,294) for exit packages that have been charged to the Authorities Comprehensive Income and Expenditure Statement in the current year.

38. EXTERNAL AUDIT COSTS

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

	2014/15 £000's	2013/14 £000's
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor	**149**	145
Fees payable to Mazars LLP in respect of statutory inspection	**-**	-
Fees payable to the Mazars LLP for the certification of grant claims and returns	**18**	18
Fees payable in respect of other services provided by Mazars LLP	**6**	21
Rebate of fees received from the Audit Commission	**(11)**	(15)
	162	169

The above fees have been presented on an accruals basis, in line with Code requirements. The fees for other services payable in 2014/15 relate to the National Fraud Initiative and the audit of the Teachers' Pensions return; in 2013/14 relate to a review of Adult Social Care.

39. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early years (England) Regulations 2011.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2014/15 are as follows:

	Central Expend-iture £000's	Individual Schools Budget £000's	DSG Total £000's
Final DSG for 2014/15 before Academy recoupment			111,090
Academy figure recouped for 2014/15			(10,619)
Total DSG after Academy recoupment for 2014/15			100,471
Brought forward from 2013/14			111
Carry forward to 2015/16 agreed in advance			-
DSG resources available for distribution in 2014/15	11,434	89,148	100,582
In year adjustments	-	-	-
Final resources available for distribution in 2014/15	**11,434**	**89,148**	**100,582**
Less actual central expenditure	(11,138)		(11,138)
Less actual ISB deployed to schools		(89,203)	(89,203)
Plus Local Authority contribution for 2014/15	-	-	-
Carry forward to 2015/16 agreed in advance	**296**	**(55)**	**241**

40. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2014/15 £000's	2013/14 £000's
Credited to Taxation and Non Specific Grant Income		
Demand on Collection Fund	**(74,512)**	(71,438)
Non-Domestic Rates	**(25,989)**	(18,719)
Revenue Support Grant	**(28,768)**	(34,870)
Capital Grants	**(15,312)**	(46,110)
New Homes Bonus	**(3,071)**	(2,433)
Business Rates Retention Grant	**(1,876)**	-
Other Government Grants	**(5,349)**	(6,228)
Other general grants	**(1,413)**	-
TOTAL	(156,290)	(179,798)
Credited to Services		
Dedicated Schools Grant Base	**(100,350)**	(100,325)
DWP Council Tax, Housing Benefit & Admin Grant	**(43,975)**	(45,459)

Public Health Grant	**(7,305)**	(6,667)
Other Education Funding Agency	**(6,736)**	(6,345)
Pupil Premium Grant	**(4,621)**	(3,682)
Education Services Grant	**(2,870)**	-
Skills Funding Agency	**(1,241)**	(1,299)
PFI Revenue Support	**(1,186)**	(1,186)
Universal infant Free Schools meals - revenue funding	**(1,145)**	-
E I & P Supporting People HRA Grant	**(480)**	-
CYC contribution to Safeguarding Board	**(147)**	-
Contribution from YOT	**(50)**	-
DWP Access to Work grant	**(12)**	(156)
Other Grants	**(1,374)**	(1,342)
Troubled Families	**-**	(388)
Additional Grant for Schools	**-**	(41)
TOTAL	(171,492)	(166,890)

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

	31-Mar-15 £000's
Current Liabilities	
Grants Receipts in Advance (Capital Grants)	
Miscellaneous other grants (capital)	-
S106 Contributions with conditions	17
TOTAL	**17**
Grants Receipts in Advance (Revenue Grants)	
Lead Flood Authority Grant	57
CRCNB Grant	8
Dept Education Social Work Program	5
University of York	31
Skills for Care Social worker funding	8
Wilf Ward Grants	7
Pupil Premium Grant	235
DCLG Delivering differently in N'hoods	90
Springboard Project	14
Leeds City Region	90
Education Misc Grants	25
York Apprenticeship graduation	4
Creative employment programme	66
SENDIASS	13
TOTAL	**653**

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

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 2015 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 2014/15 is shown in Note 36.

During 2014/15, works and services to the value of £86k were commissioned from companies in which 1 member had an interest. 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 2015 £000's
York Wheels	1	86	0

In addition, the Council paid grants totalling £2.9m to organisations in which 14 members had positions on the board or are trustees.

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

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

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

Officers

During 2014/15 no works and services of a significant value were commissioned from companies in which officers had an interest outside of their Council responsibilities. All contracts were entered into in full compliance with the council's standing orders

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

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

Entities Controlled or Significantly Influenced by the Council

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

For detailed information relating to Yorwaste Limited 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 the sole member is liable to contribute £1 in the event of the company being wound up. Transactions with the Council totalled £192k during the year. The Chief Executive of City of York Council is a member of the board. In May 2011, a subsidiary of Science City York was set up called SCY Enterprises Ltd. This is a wholly owned subsidiary of Science City York. During 2014/15 the Council reviewed alternative structures for delivery of those services currently the responsibility of Science City York.

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

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 (£29k 2013/14) is included as part of the Council's income for Cultural, Environmental and Planning Services. Similarly, the Company's assets and liabilities are not in the Consolidated Balance Sheet.

The Council has a contract with Yorwaste Limited for waste disposal services. Contract prices are negotiated on an arms length commercial basis. The total value of services received in the year was £6.891m (£6.418m 2013/14) including Landfill Tax, and at 31 March 2015 there was a creditor balance of £0.779m excluding vat (£0.560m excluding vat 2013/14).

In addition the Council provides services to Yorwaste Limited that totalled £0.536m (£0.519m during 2013/14. There was a debtor outstanding at 31 March 2014 of £0.083m (£0.178m 2013/14).

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 2014/15.

Veritau
Since 1 April 2009, internal audit, counter-fraud and information governance services have been provided by Veritau Limited. The company is jointly owned by City of York Council and North Yorkshire County Council, with each Council holding 50% of the shares. The Council is represented on the Board by the Director of Customer & Business Support Services and one Member of the Council.

The Council has a contract with Veritau Limited for the provision of internal audit, counter-fraud and information governance services. Contract prices are negotiated on an arms length commercial basis. The total value of services received in year was £642k (£624k in 13/14) and Veritau Limited paid the Council £10k (£15k in 2013/14). There were no outstanding balances at 31 March 2015.

City of York Trading was incorporated as a private company on the 18th November 2011 and the company is 100% owned by the Council. The Board of Directors for CYT is made up of the Customer and Business Support Management Team, a Member of the Council's Cabinet and an external Director. The company started trading in June 2013. The company provides temporary staff to the Council, schools and other external organisations. Transactions with the Council and Schools during the year included charges of approximately £5.3m (98 % of CYT income). The Council received income from providing support services, including payroll of £5.0m (93% of CYT's costs).

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

42. CAPITAL EXPENDITURE AND FINANCING

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

	2014/15	2013/14
	£000's	£000's
Opening Capital Financing Requirement	**316,903**	**317,839**
Capital Investment		
Property, Plant and Equipment	43,155	40,889
Investment Properties	86	106
Intangible Assets	316	75
Revenue Expenditure Funded from Capital under Statute	4,646	3,548
Leases / PFI		-
HRA Self Financing payment		-
Sources of Finance		
Capital Receipts	**(4,446)**	(1,623)
Government grants and other contributions	**(25,549)**	(32,845)
Direct revenue contributions	**(4,425)**	(2,590)
MRP (Minimum Revenue Repayment)	**(8,212)**	(8,496)
Movement in Year	**5,571**	**(936)**
Closing Capital Financing Requirement	**322,474**	**316,903**
Explanations of movement in year		
Increase in underlying need to borrow (supported by government financial assistance)		304
Increase in underlying need to borrow (unsupported by government financial assistance)	**13,783**	7,256
Assets acquired under finance leases/PFI		-
HRA Self Financing payment		-
MRP/ loans fund principal	**(8,212)**	(8,496)
Increase/ (decrease) in Capital Financing Requirement	**5,571**	**(936)**

The Capital Financing Requirement increased in 2014/15 as a result of the level of borrowing required to fund capital expenditure being greater than the provision set a side for the repayment of debt.

43. LEASES

Council as Lessee

Finance Leases

The Council has not acquired any new assets under finance leases. Assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet. The Council does not currently hold any such assets:

	2014/15	2013/14
	£000's	£000's
Other Land and Buildings	**-**	-
Vehicles, Plant, Furniture and Equipment	**-**	121
	-	121

The Council is committed to making minimum payments under finance leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. There are no minimum lease payments due in respect of finance leases:

	2014/15	2013/14
	£000's	£000's
Finance lease liabilities (net present value of minimum lease payments)		
- Current	**-**	181
- Non-current	**-**	-
Finance costs payable in future years	**-**	8
Minimum lease payments	**-**	189

The minimum lease payments are:

	Minimum lease payments		Finance lease liabilities	
	2014/15	2013/14	**2014/15**	2013/14
	£000's	£000's	**£000's**	£000's
Not later than one year	**-**	189	**-**	181
Later than one year and not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	-	189	**-**	181

Due to the short-term nature of the leases entered into by the Council, no contingent rents were payable by the Council in 2014/15 (2013/14 £0).

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

Operating Leases

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

- Fleet of light commercial vehicles
- IT equipments in ICT managed services, typical lives of three years
- Photocopying equipments, typical lives of three years
- Various property assets, typical lives between 15 and 30 years

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

	31-Mar-15	31-Mar-14
	£000's	£000's
Not later than one year	**867**	967
Later than one year and not later than five years	**1,771**	2,906
Later than five years	**243**	892
	2,881	4,765

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:

	2014/15	2013/14
	£000's	£000's
Minimum lease payments	**986**	967
Contingent rents	**43**	3
	1,029	970

Council as Lessor

Finance Leases

The Council acts as lessor for a small number of property leases, with start dates between 1976 and 1994 and remaining lease terms of between 14 and 23 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:

	2014/15	2013/14
	£000's	£000's
Finance lease debtor (net present value of minimum lease payments)		
- Current	**10**	12
- Non-current	**344**	336
Unearned finance income	**225**	234
Unguaranteed residual value of property		-
Gross Investment in the lease	**579**	582

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	
	2014/15	2013/14	**2014/15**	2013/14
	£000's	£000's	**£000's**	£000's
Not later than one year	**29**	30	**10**	12
Later than one year and not later than five years	**116**	113	**47**	45
Later than five years	**434**	439	**296**	291
	579	582	**354**	348

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 2014/15 contingent rents of £135k were receivable by the Council (2013/14 £137k).

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:

	2014/15	2013/14
	£000's	£000's
Not later than one year	**1,979**	2,030
Later than one year and not later than five years	**5,641**	5,248
Later than five years	**14,661**	15,231
	22,281	22,509

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 2014/15 contingent rents of £1,040k were receivable by the Council (2013/14 £818k).

44. PFI AND SIMILAR CONTRACTS

PFI

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

Property Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2015 (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	646	222	245	1,113
Between 2 Yrs and 5 Yrs	2,575	859	1,043	4,477
Between 6 Yrs and 10 Yrs	3,936	778	1,017	5,731
Between 11 Yrs and 15 Yrs	4,341	663	999	6,003
Between 16 Yrs and 20 Yrs	3,854	1,086	1,461	6,401
Between 21 Yrs and 25 Yrs	773	241	326	1,340
	16,125	3,849	5,091	25,065

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

PPP

The City Council has undertaken a joint procurement with North Yorkshire for a long term Waste Management Service Contract for the provision of landfill diversion services. The council's agreed a preferred bidder and signed a commercial contract with Amey Cespa in 2012. The contract allows for the council's waste to be dealt with a number of processes including mechanical sorting and treatment, Energy form Waste and Anaerobic Digestion. The contractor was required to achieve planning consent for its facility and propose a funding package to the councils. This was finally completed in summer 2014.

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

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

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

The Councils financial commitments under this are:

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

45. IMPAIRMENT LOSSES

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

46. CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during 2014/15.

47. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £1,579k (£1,809k in 2013/14). See Note 37 for further details of the number of exit packages and total cost per band. This sum is payable to officers across all of the Council's directorates.

48. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is administered by Capita Teachers' Pensions (CTP). 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 2014/15 the Council paid £6.118m (2013/14 £5.762m) to CTP in respect of teachers' retirement benefits, which represents 14.1% (2013/14, 14.1%) of teachers' pensionable pay. The contributions due to be paid in the next financial year are estimated to be £6.1m.

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 £742k (2013/14 £731k) and are fully accrued in the pensions liability described in the figures that follow in Note 49. The Council is not liable to the scheme for any other entities obligation under the plan.

NHS Staff Pension Scheme

During 2013/14, NHS Staff have transferred to the Council. These staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2014/15, the Council paid £26k (2013/14 £51k) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £25k. The Council is not liable to the scheme for any other entities obligation under the plan.

49. DEFINED BENEFIT PENSION SCHEMES

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

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

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

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

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

Transactions relating to post-employment benefits

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

			2014/15			**2013/14**		
	LGPS	**Teachers**	**Total**		LGPS	Teachers	**Total**	
	£000's	**£000's**	**£000's**	**£000's**	£000's	£000's	**£000's**	**£000's**
Comprehensive Income and Expenditure Statement								
Cost of Services								
Current service cost	13,940	-	**13,940**		16,579	-	**16,579**	
Past service cost	48	-	**48**		-	-	**-**	
Administration expenses	285	-	**285**		298	-	**298**	
(Gain) / Loss from settlements and curtailments	136	360	**496**		958	106	**1,064**	
	14,409	360		**14,769**	17,835	106		**17,941**
Financing and Investment Income and Expenditure								
Interest cost	22,417	523	**22,940**		22,871	472	**23,343**	
Expected return on assets in the scheme	(18,291)	-	**(18,291)**		(14,431)	-	**(14,431)**	
Net Interest expense	4,126	523		**4,649**	8,440	472		**8,912**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	18,535	883		**19,418**	26,275	578		**26,853**
Other Post Employment Benefit Charged to Comprehensive I&E statement								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	(45,401)			**(45,401)**	(43,506)			**(43,506)**
Actuarial gains and losses arising on changes in demographic assumptions	-			**-**	(916)	136		**(780)**
Actuarial gains and losses arising on changes in financial assumptions	92,565	1,251		**93,816**	(55,504)	(922)		**(56,426)**
Experience gains and losses				**-**	(20,283)	343		
Actuarial gains and losses								

Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	47,164	1,251	**48,415**	(120,209)	(443)	**(120,652)**
Movement in Reserves statement						
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(18,535)	(883)	**(19,418)**	(26,275)	(578)	**(26,853)**
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	15,192	742	**15,934**	15,488	731	**16,219**

Assets and Liabilities in Relation to Retirement Benefits

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

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

	As at 31-Mar-15		As at 31-Mar-14	
	Local Government Pension Scheme £000's	**Unfunded Teachers Scheme £000's**	Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's
Opening balance at 1 April	**503,304**	**12,524**	549,523	13,120
Current service cost	**13,940**	**-**	16,579	-
Interest cost	**22,417**	**523**	22,871	472
Contributions by scheme participants	**4,591**	**-**	4,684	-
Remeasurement (gains)/losses:				
Actuarial gains and losses arising on changes in demographic assumptions	**-**	**-**	(916)	136
Actuarial gains and losses arising on changes in financial assumptions	**92,565**	**1,251**	(55,504)	(922)
Experience gains and losses	**-**	**-**	(20,283)	343
Benefits/transfers paid	**(14,908)**	**(742)**	(14,608)	(731)
Past service costs	**48**		-	-
Curtailments	**136**	**360**	958	106
Settlements	**-**	**-**	-	-
Closing balance at 31 March	**622,093**	**13,916**	503,304	12,524

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

	As at 31-Mar-15		As at 31-Mar-14	
	Local Government Pension Scheme	**Unfunded Teachers Scheme**	Local Government Pension Scheme	Unfunded Teachers Scheme
	£000's	**£000's**	£000's	£000's
Opening fair value of scheme assets	**(404,022)**	**-**	(340,819)	-
Interest income	**(18,291)**	**-**	(14,431)	-
Remeasurement gain	**(45,401)**	**-**	(43,506)	-
Administration expenses	**285**	**-**	298	-
Employer contributions	**(15,192)**	**(742)**	(15,488)	(731)
Contributions by scheme participants	**(4,591)**	**-**	(4,684)	-
Benefits/transfers paid	**14,908**	**742**	14,608	731
Settlements	**-**	**-**		-
Closing fair value of scheme assets	**(472,304)**	**-**	(404,022)	-

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

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

	2010/11	2011/12	2012/13	2013/14	**2014/15**
	£000's	£000's	£000's	£000's	**£000's**
Present Value of Liabilities					
Local Government Pension Scheme	414,656	458,631	549,523	503,304	**622,093**
Unfunded Teachers Pensions	11,113	11,684	13,120	12,524	**13,916**
Fair Value of Assets					
Local Government Pension Scheme	(277,696)	(288,381)	(340,819)	(404,022)	**(472,304)**
(Surplus)/Deficit in the Scheme					
Local Government Pension Scheme	136,960	170,250	208,704	99,282	**149,789**
Unfunded Teachers Pensions	11,113	11,684	13,120	12,524	**13,916**
Net liability arising from defined benefit obligation	148,073	181,934	221,824	111,806	**163,705**

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £163.705m (2013/14 £111.806m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

Basis for Estimating Assets and Liabilities

In calculating the Council's assets and liabilities Mercer Human Resource Consulting Ltd., an independent firm of actuaries who are the fund's actuaries, had to make a number of assumptions about events and circumstances in the future. This means that the results of actuarial calculations are subject to uncertainties within a range of possible values. The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer, with the estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	As at 31-Mar-15	As at 31-Mar-14
Post Retirement Mortality Assumptions		
Non-retired members (retiring in the future in normal health)	S1PA CMI 2012 1.5% Tables	S1PA CMI 2012 1.5% Tables
Current pensioners (retired in normal health)	S1PA CMI 2012 1.5% Tables	S1PA CMI 2012 1.5% Tables
Life expectancy		
Of a male future pensioner aged 65 in 20 years time	**25.4**	25.3
Of a female future pensioner aged 65 in 20 years time	**28**	27.8
Of a male current pensioner aged 65	**23.1**	23
Of a female current pensioner aged 65	**25.6**	25.5

The following shows the inflation factors used:

	As at 31-Mar-15	**As at 31-Mar-15**	As at 31-Mar-14	As at 31-Mar-14
	% pa	**% pa**	% pa	% pa
	LGPS	**UTS**	LGPS	UTS
Rate of Inflation	**2.0**	**2.0**	2.4	2.4
Rate of increase in salaries	**3.5**	**N/A**	3.9	N/A
Rate of increase in pensions	**2.0**	**2.0**	2.4	2.4
Discount rate	**3.3**	**3.1**	4.5	4.3

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The method and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Increase in assumption	Decrease in assumption
	£'000	£'000
Longevity (increase in 1 year)	11,779	
Rate of inflation (increase by 0.1%)	12,249	
Rate of increase in salaries (increase by 0.1%)	2,998	
Rate of increase in pensions (increase by 0.1%)	12,249	
Rate for discounting scheme liabilities (increase by 0.1%)		(12,013)

Impact on the Council's Cash Flows

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pensions Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earning schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £14.8m. The weighted average duration of the defined benefit obligation for scheme members is 20 years (16 years in 2012/13).

The Unfunded Teacher's Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets comprised:

	As at 31-Mar-15 £'000	**Percentage Total of asset**	As at 31-Mar-14 £'000	Percentage Total of asset
Equities				
UK quoted	**69,901**	**14.8**	82,421	20.4
UK quoted (unitised)	**131,773**	**27.9**	111,106	27.5
Global quoted	**68,484**	**14.5**	66,664	16.5
Emerging Markets (unitised)	**13,225**	**2.8**	10,505	2.6
Bonds				
UK Government fixed	**39,674**	**8.4**	20,605	5.1
UK Government indexed	**34,478**	**7.3**	26,665	6.6
Overseas Government fixed	**1,889**	**0.4**	2,020	0.5
Overseas Government indexed	**3,778**	**0.8**	808	0.2
UK Corporate (Unitised)	**26,921**	**5.7**	26,665	6.6
Euro Corporate (Unitised)	**3,306**	**0.7**	2,020	0.5
International Corporate (Unitised)	**1,889**	**0.4**	1,616	0.4
Property				
UK (Unitised)	**30,700**	**6.5**	18,989	4.7
Alternatives				
DGF (UK Unitised)	**40,618**	**8.6**	31,918	7.9
Cash	**-**		606	0.1
Cash accounts	**5,195**	**1.1**	1,414	0.3
Net current assets	**472**	**0.1**	-	-
	472,303	**100.00**	404,022	100.00

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

	As at 31-Mar-15 % pa	As at 31-Mar-14 % pa
Equities	**6.50**	7.00
Government Bonds	**2.20**	3.40
Other Bonds	**2.90**	4.30
Property	**5.90**	6.20
Cash/liquidity	**0.50**	0.50
Other	N/A*	N/A*

* Dependent on type of asset

50. CONTINGENT LIABILITIES

No contingent Assets have been identified.

51. CONTINGENT ASSETS

No contingent assets have been identified.

52. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following 5 years limiting:

-The Council's overall borrowing;
-Its maximum and minimum exposures to fixed and variable rates;
-Its maximum and minimum exposures to the maturity structure of its debt;
-Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Budget Council in February 2014 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2014/15 was set at £373.542m. This figure is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary for 2014/15 was set at £343.542m. 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 116% and –16% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are contained within this note.

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

Credit Risk

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

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

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

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

The full Investment Strategy for 2014/15 was approved by Budget Council in February 2014 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 £60.628m 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 2015 that this was likely to crystallise.

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

Maximum Exposure to Credit Risk

	Amount at 31-Mar-15	**Historical Experience of Default**	**Historical Experience Adjusted for Market Conditions at 31-Mar-15**	**Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-15**	Estimated Maximum Exposure at 31-Mar-14
	£000's	**%**	**%**	**£000's**	£000's
Deposit with banks and financial institutions (Maturities <1yr therefore fair value is carrying amount	**60,628**	**-**	**-**	**-**	-
Bonds	**-**	**-**	**-**	**-**	-
Customers	**26,273**	**1.03**	**1.03**	**270**	342
	86,901			**270**	342

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 it's counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors, such that £4.811m of the £26.273m balance is past its due date for payment. The past its due date amounts can be analysed by age as follows:

	31-Mar-15	31-Mar-14
	£000's	£000's
Less than three months	**1,775**	956
three to six months	**395**	538
Six months to one year	**635**	623
More than one year	**2,006**	1,703
Total	**4,811**	3,820

Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

	31-Mar-15	31-Mar-14
	£000's	£000's
Analysis of loans by maturity:		
Interest Due within one year	**(1,961)**	(1,849)
Maturing within one year	**(12,103)**	(9,603)
Maturing in 1 - 2 years	**(7,000)**	(7,000)
Maturing in 2 - 5 years	**(21,000)**	(22,000)
Maturing in 5 - 10 years	**(41,315)**	(33,915)
Maturing in more than 10 years (average maturity 20 years)	**(187,800)**	(186,200)
Carrying Value Adjustment	**911**	951
Total	**(270,268)**	(259,616)

All trade and other payables (£30.821m) 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-15**	31-Mar-14
		£000's	£000's
Total Outstanding			
Public Works Loan Board (PWLB)	2.500% - 4.750%	**(249,115)**	(238,615)
PWLB (Carrying Value Adjustment)		**911**	951
Royal Exchange Trust Co. Ltd	7.155%	**(10,000)**	(10,000)
Local Bonds		**(2)**	(3)
Short Term Loans		**(101)**	(101)
Dexia Bank LOBO	3.880%	**(5,000)**	(5,000)
RBS Bank LOBO	3.600%	**(5,000)**	(5,000)
Interest Owed on Long Term Debt at 31st March		**(1,961)**	(1,849)
Total		**(270,268)**	(259,617)

Refinancing and Maturity Risk

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

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

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

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

	Approved Min Limit 31-Mar-15 %	Approved Max Limit 31-Mar-15 %	**Authority Actual at 31-Mar-15 £000's**	**Authority Actual at 31-Mar-15 %**	Authority Actual at 31-Mar-14 £000's	Authority Actual at 31-Mar-14 %
Less than 1 year	0%	30%	**(14,064)**	**5%**	(11,453)	4%
Between 1 and 2 years	0%	30%	**(7,000)**	**3%**	(7,000)	3%
Between 2 and 5 years	0%	40%	**(21,000)**	**8%**	(22,000)	8%
Between 5 and 10 years	0%	40%	**(41,315)**	**15%**	(33,915)	13%
More than 10 years	30%	90%	**(187,800)**	**69%**	(186,200)	71%
Total			**(271,179)**		(260,568)	

Market Risk

Interest Rate Risk

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

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

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

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

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

	31-Mar-15	31-Mar-14
	£000's	£000's
Increase in interest payable on variable rate borrowings	**-**	-
Increase in interest receivable on variable rate investments	**556**	492
Impact on Surplus or Deficit on the Provision of Services	**-**	-
Increase in government grant receivable for financing costs	**-**	-
Impact on Income and Expenditure Account	**556**	492
Share of overall impact credited to the HRA	**83**	74
Decrease in fair value of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services or other CIES)	**55,328**	12,297

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	Income During Year	Balance at 31-Mar-15	Balance at 31-Mar-14
	£000's	£000's	£000's	£000's
Strensall & Towthorpe Village Trust	**-**	**-**	**-**	**-**
Haughton/Gardiner Trust		**(1)**	**(55)**	**(54)**
Staff Lottery	**10**		**(31)**	**(41)**
Edward Lamb Automoton Clock Legacy	**-**	**-**	**(24)**	**(24)**
Edmund Wilson Trust	**1**	**(1)**	**(21)**	**(21)**
Other Funds	**21**	**(21)**	**(95)**	**(95)**
	32	**(23)**	**(226)**	**(235)**

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.

SUPPLEMENTARY STATEMENTS

HOUSING REVENUE ACCOUNT

	Note	**2014/15 £000's**	2013/14 £000's
Income			
Dwellings Rents	(3)	**(32,063)**	(31,389)
Non-dwelling rents		**(613)**	(599)
Charges for Services and Facilities		**(973)**	(894)
Contributions Towards Expenditure		**(354)**	(387)
Transfer from General Fund		**-**	-
Total Income		**(34,003)**	(33,269)
Expenditure			
Repairs and maintenance		**6,826**	6,751
Supervision and management		**7,305**	7,707
Rents, Rates, Taxes and Other Charges		**253**	223
Depreciation and Impairment of non-current assets	(8)	**(5,918)**	17,943
Debt Management Costs		**55**	51
Movement in the allowance for bad debts	(4)	**206**	159
Sums directed by the Secretary of State that are expenditure in accordance with the Code		**-**	-
Exceptional Items		**-**	-
Total Expenditure		**8,727**	32,834
Net Cost of Services included in the Comprehensive Income and Expenditure Statement		**(25,276)**	(435)
<u>Share of Corporate Costs</u>			
HRA share of Corporate and Democratic Core		**87**	74
HRA share of other amounts included in the Council Net Cost of Services but not allocated to specific services		**12**	26
Net Cost of HRA Services		**(25,177)**	(335)
HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Payments to the Government Housing Capital Receipts pool		**1,053**	955
(Gain) or loss on sale of HRA non-current assets		**(1,455)**	(1,152)
Interest payable and similar charges		**4,567**	4,572
Interest and investment income		**(216)**	(136)
Pensions interest cost and expected return on pension assets	(6)	**120**	228
Capital grants and contributions receivable		**(403)**	-
(Surplus)/Deficit on Provision of Services		**(21,511)**	4,132

	2014/15 £000's	£000's	2013/14 £000's	£000's
Balance on the HRA at the end of the previous year		**(12,113)**		(12,730)
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	**(21,511)**		4,132	
Adjustments between accounting basis & funding basis under regulations				
Depreciation and impairment charges	**5,918**		(17,943)	
Revaluation charges			62	
Capital grants applied in year				
Non-current assets written off	**(1,840)**		(1,844)	
Capital Expenditure funded by the HRA	**4,364**		2,580	
Income from non-current asset sales	**3,295**		2,996	
Transfer from Capital Receipts Reserve	**(1,052)**		(955)	
Transfer to Capital Receipts Reserve	**-**		-	
Depreciation costs met by MRR	**7,349**		7,151	
Retirement benefits	**441**		418	
Pension payments	**(537)**		(710)	
Applied grants transferred to CAA	**403**			
Transfer from Capital Adjustment Account				
Accumulated absences	**(18)**	**-**	5	-
Net Increase/Decrease before Transfers to or from reserves	**(3,188)**	**-**	(4,108)	-
Transfers to/(from) reserves	**1,280**		4,725	
(Increase)/Decrease in Year on the HRA		**(1,908)**		617
Balance on the HRA at the end of the current year		**(14,021)**		(12,113)

1. SIGNIFICANCE OF THE STATUTORY HOUSING REVENUE ACCOUNT

There is a surplus of £21.511m (2013/14 deficit of £4.132m) on the Housing Revenue Account Income and Expenditure Account this decreases to a surplus of £1.908m (2013/14 deficit of £617k) 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 £246k (2013/14 £218k) which represents 0.76% (2013/14 0.69%) of the gross rent income including charges for services. Average rents in March 2014 were £75.18 (2013 £72.07) a week. In April an increase of 4.95% (2013 4.36%) was applied increasing the average rent at that time by £3.72 (2013/14 £3.14).

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.

	2014/15 £000's	2013/14 £000's
Rents due from Tenants	**(13,882)**	(13,125)
Rents remitted by Rent Rebates through the Housing Benefit System	**(18,181)**	(18,264)
Total Rent Income	**(32,063)**	(29,663)

The Council was responsible for managing 7,796 (2013/14 7,848) dwellings at 31 March. In addition to this total are 225 (2013/14 207) properties that the Council manages on behalf of a Housing Association and 55 (2013/14 80) properties on behalf of private landlords through the social lettings agency, Yorhome, although these properties are not part of the HRA stock.

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

	Pre 1919	1919/ 1944	1945/ 1964	After 1964	Total
Low Rise Flats	-	539	647	729	1,915
Medium Rise Flats	4	3	826	755	1,588
Houses and Bungalows	18	2,081	1,507	687	4,293
	22	2,623	2,980	2,171	7,796

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

	2014/15			2013/14		
	Houses/ Bungalows	**Flats**	**Total**	Houses/ Bungalows	Flats	Total
Operational Stock						
Balance at 1 April	**4,325**	**3,523**	**7,848**	4,359	3,541	7,900
Sales	**(33)**	**(19)**	**(52)**	(34)	(19)	(53)
New Builds/Conversions	**-**	**-**	**-**	-	1	1
Acquisitions	**1**	**-**	**1**	-	-	-
Awaiting Demolitions	**-**	**-**	**-**	-	-	-
Dwellings declared surplus	**-**	**-**	**-**	-	-	-
Dwellings reprovided with Housing	**-**	**-**	**-**	-	-	-
Association	**-**	**-**	**-**	-	-	-
Re-categorisation	**-**	**-**		-	-	
To General Fund	**-**	**-**	**-**	-	-	-
To HRA non-housing stock	**(1)**	**-**	**(1)**	-	-	-
Balance at 31 March	**4,292**	**3,504**	**7,796**	4,325	3,523	7,848

4. PROVISION FOR BAD/DOUBTFUL DEBTS

A provision is made for bad and doubtful debts in accordance with the HRA (Arrears of Rent and Charges) Directions 1990. During 2014/15 rent arrears as a proportion of gross rent income have increased from 2.86% of the amount due to 3.04%. The rent arrears figures are as follows:

		2014/15	2013/14
		£000's	£000's
Arrears at 31 March	- Current tenants	**659**	546
	- Former tenants	**317**	351
Amounts Written Off during the Year		**120**	131
Increased/(Reduced) Provision during the Year		**175**	158
Provision for Bad and Doubtful Debts		**702**	647

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

		2014/15	2013/14
		%	%
Dwelling rent arrears as a % of gross rent debit			
	- Current tenants	**2.06%**	1.74%
	- Former tenants	**0.99%**	1.12%
		3.04%	2.86%

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

	2014/15	2013/14
	£000's	£000's
Arrears at 31 March	**13**	15
Amounts Written Off during the Year	**5**	8
Increased/(Reduced) Provision during the Year	**10**	6
Provision for Bad and Doubtful Debts	**18**	13

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

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

6. IAS19 TRANSACTIONS FOR THE HRA

The HRA share of pension adjustments is based on the proportion of employees charged to the HRA.

The IAS19 transactions included in the HRA are shown in the following table:

	2014/15		2013/14	
	£000's	**£000's**		£000's
Income and Expenditure Account Entries				
Net Cost of HRA Services				
Current service cost	**404**		448	
Past service cost	**1**			
Curtailment Cost	**12**		26	
		417		474
Financing and Investment Income and Expenditure				
Interest cost	**650**		618	
Expected return on assets in the scheme	**(530)**		(390)	
		120		228
Net Charge to the Income and Expenditure Account		**537**		702
Statement of Movement on the Housing Revenue Account Balance Entries				
Reversal of net charges made for retirement benefits				
Contribution to/(from) Pensions Reserve		**441**		418
Actual amount charged to the Housing Revenue Account for Pensions in the year		**(537)**		(702)

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

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

	2014/15	2013/14
	£000's	£000's
Dwellings	**8,271**	8,124
Other Land and Buildings	**282**	274
Intangible assets	**15**	-
Infrastructure	**1**	1
	8,569	8,399
Depcn adj for reversal of revaluation loss - Dwellings	**435**	-
	9,004	8,399
Reversal of Revaluation loss/Impairment	**(14,922)**	9,544
	(5,918)	17,943

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

	2014/15	2013/14
	£000's	£000's
Depreciation on other HRA assets	**-**	-
Depreciation on dwellings higher than MRA	**(1,204)**	(1,249)
Total Transfer from MRR	**(1,204)**	(1,249)

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:

	2014/15	2013/14
	£000's	£000's
Balance at 1 April	**(3,272)**	(2,661)
Depreciation on HRA dwellings	**(8,271)**	(8,124)
Depreciation on other HRA assets	**(282)**	(275)
Transfer to HRA during the financial year	**1,204**	1,249
Capital expenditure on houses within the HRA charged to the reserve	**7,278**	6,539
Balance at 31 March	**(3,343)**	(3,272)

8. MOVEMENT OF FIXED ASSETS

The HRA owns land, houses and other property where the value is included in the Council's balance sheet. The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements. The analysis of the movement on the HRA element of the tangible fixed assets is as follows:

2014/15 Movement of Fixed Assets

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

2013/14 Movement of Fixed Assets

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	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 2013	259,769	7,886	-	17	-	4	-	**267,665**	-
Category Transfer	-						-	**-**	-
Revised 1 April 2013	259,769	7,886	-	17	-	4	-	**267,676**	-
Additions	8,965	79						**9,044**	-
Acc Dep & Imp WO to GCA	-	(257)						**(257)**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	762	201						**963**	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,525)	(19)						**(9,544)**	-
Derecognition - Disposals	(1,844)							**(1,844)**	-
Derecognition - Other								**-**	-
Assets reclassified (to)/from Held for Sale		(80)						**(80)**	-
Assets reclassified (to)/from Investment Property		42						**42**	-
Other movements in Cost or Valuation		51						**51**	-
At 31 March 2014	258,127	7,903	-	17	-	4	-	**266,051**	-
Accumulated Depreciation & Impairment									
At 1 April 2013	-	(9)	-	(2)	-	-	-	**(11)**	-
Category Transfer								**-**	-
Revised 1 April 2013	-	(9)	-	(2)	-	-	-	**(11)**	-
Depreciation Charge for 2013/14	(8,124)	(274)		(1)			-	**(8,399)**	-
Acc. Depreciation WO to GCA	-	257					-	**257**	-
Other movements in Depreciation and Impairment	-	-	-	-	-		-	**-**	-
At 31 March 2014	(8,124)	(26)	-	(3)	-	-	-	**(8,153)**	-
Net Book Value									
At 31 March 2014	250,003	7,877	-	14	-	4	-	**257,898**	-
At 31 March 2013	259,769	7,877	-	15	-	4	-	**267,665**	-

9. VACANT POSSESSION VALUE OF COUNCIL DWELLINGS

In accordance with the Department for Communities and Local Government guidance, council house valuations are reduced from an open market value by a regional adjustment factor in recognition of their status as social housing. From 1 April 2010 the adjustment factor was increased from 53% to 69%, meaning that council houses from 2010/11 are included at 31% of the open market valuation. The Council recognises council dwellings at a value of £264.669m (2013/14 £250.003) on the balance sheet. At vacant possession the same dwellings would have a value of £827.623m (2013/14 £813.341m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £562.954m (2013/14 £563.338m).

10. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The capital expenditure to be financed in 2014/15 is £13.387m (2013/14 £9.119m). The analysis of the expenditure and the sources of financing used are set out in the following table:

	2014/15					2013/14				
	Dwellings	**Infra-structure**	**Equipment**	**Intangibles**	**Total**	Dwellings	Infra-structure	Equipment	Intangibles	Total
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	£000's	£000's	£000's	£000's	£000's
Total capital expenditure		**-**			**-**	6,759	-	33		6,792
Financing										
Borrowing	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Capital Receipts	**(158)**	**-**	**-**	**-**	**(158)**		-	-	-	-
Major Repairs Reserve	**(7,278)**	**-**	**-**	**-**	**(7,278)**	(6,539)	-	-	-	(6,539)
Grants	**(1,587)**	**-**	**-**	**-**	**(1,587)**		-	-	-	-
Revenue Contributions	**(4,265)**	**-**	**-**	**(99)**	**(4,364)**	(2,482)	-	(98)	-	(2,580)
	(13,288)	**-**	**-**	**(99)**	**(13,387)**	(9,021)	-	(98)	-	(9,119)

11. CAPITAL RECEIPTS

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

	2014/15			2013/14		
	Council Dwellings	**Land**	**Total**	Council Dwellings	Land	Total
	£000's	**£000's**	**£000's**	£000's	£000's	£000's
Sales proceeds	**(3,248)**	**(40)**	**(3,288)**	(2,992)		(2,992)
less: administrative costs			**-**			-
Net proceeds	**(3,248)**	**(40)**	**(3,288)**	(2,992)	-	(2,992)
Right to buy discount repaid	**(5)**		**(5)**			-
Mortgage principal repaid	**(2)**		**(2)**	(4)		(4)
	(3,255)	**(40)**	**(3,295)**	(2,996)	-	(2,996)
of which:						
Usable	**(2,202)**	**(40)**	**(2,242)**	(2,041)		(2,041)
Payable to Housing Pooled Capital Receipts	**(1,053)**		**(1,053)**	(955)		(955)
	(3,255)	**(40)**	**(3,295)**	(2,996)	-	(2,996)

12. INVESTMENT PROPERTIES

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

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

	2014/15	2013/14
	£000's	£000's
Balance 1 April	**2,435**	2,477
Additions:		
Acquisitions	**-**	-
Enhancements	**-**	-
Disposals	**-**	-
Net gain or loss on Fair Value		
Transfers:		
From Held for Sale		
To / From Property, Plant & Equipment	**(10)**	(42)
Other changes	**-**	-
Balance 31 March	**2,425**	2,435

13. ASSETS HELD FOR SALE

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

Description	**2014/15** **£000's**	2013/14 £000's
Balance outstanding at Start of Year	**80**	-
Assets newly classified as Held for Sale :		
Property, Plant and Equipment	**145**	80
Newly Acquired Assets	**-**	-
Revaluation Losses	**-**	-
Revaluation Gains	**-**	-
Impairment Losses	**-**	-
Assets declassified as Held for Sale:		
Property, Plant and Equipment	**-**	-
Investment Properties	**-**	-
Other Transfers	**-**	-
	-	
Assets Sold	**80**	-
Transfers from Non-Current to Current	**-**	-
Changes to Plan to Sell	**-**	-
Balance outstanding at End of Year	**145**	80

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

	Note	**2014/15 Business Rates £000**	**2014/15 Council Tax £000**	**2014/15 Total £000**	2013/14 Total £000
Income					
Council Tax Receivable	2	-	(92,241)	(92,241)	(88,347)
Business Rates Receivable	3	(103,429)	-	(103,429)	(95,879)
Total Income		**(103,429)**	**(92,241)**	**(195,670)**	(184,226)
Expenditure					
Apportionment of Prior Year Surplus					
Central Government		14	-	14	-
City of York Council		14	-	14	-
North Yorkshire Police & Crime Commissioner		-	-	-	-
North Yorkshire Fire & Rescue Authority		0	-	0	-
		28	-	28	-
Precepts, Demands and Shares					
Central Government		46,897	-	46,897	46,829
City of York Council		45,959	71,768	117,727	115,073
Parish Councils		-	601	601	580
North Yorkshire Police & Crime Commissioner		-	12,846	12,846	12,466
North Yorkshire Fire & Rescue Authority		938	3,900	4,838	4,710
		93,794	89,114	182,909	179,118
Charges to Collection Fund					
Write Offs		325	284	609	592
Increase/(Decrease) in Bad Debt Provision		559	188	747	(109)
Increase/(Decrease) in Provision for Appeals		3,517	2	3,519	12,184
Cost of Collection		295	-	295	296
Transitional Protection		206	-	206	432
		4,903	474	5,377	13,395
Total Expenditure		**98,725**	**89,587**	**188,312**	192,514
(Surplus)/Deficit Arising In Year		**(4,704)**	**(2,653)**	**(7,358)**	8,288
(Surplus)/Deficit Brought Forward		9,704	(1,418)	8,286	(3)
(Surplus)/Deficit Carried Forward		**5,000**	**(4,072)**	**928**	8,286

1. LEGISLATIVE BACKGROUND

This fund is an agent's statement that reflects the statutory obligation, under the Local Government Finance Act 1988, for billing authorities (i.e. City of York Council) to maintain a separate Collection Fund. This is a fund specifically for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR or uniform business rates).

The statement shows the transactions of the Council in relation to the collection from taxpayers of sums due for council tax and NNDR, and their distribution to the Council, North Yorkshire Police, North Yorkshire Fire and Rescue, parish councils and central government.

2. COUNCIL TAX

The Council Tax is a charge on domestic property. Each property has been independently valued and put into one of eight bands (A to H). The charge for each property is calculated by reference to the 'band' charge.

The Council Tax base for 2014/15 was 61,574.84 (61,785.28 in 2013/14).

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 2014/15 charges are included in the table below.

In addition, the government makes a contribution for properties classed as "Crown" properties in lieu of paying Council Tax. These contributed £459k (2013/14 £479k) to the Council Tax income.

Property Band	Property Value			Estimated Chargeable dwellings	Proportion of Band D	Estimated Tax Base	Average Charge In Year
A reduced	up to		£40,000	9.72	5/9	5.40	£807.16
A	up to		£40,000	6,041.86	6/9	4,027.91	£968.59
B	£40,000	to	£52,000	17,442.87	7/9	13,566.68	£1,130.03
C	£52,000	to	£68,000	20,579.90	8/9	18,293.24	£1,291.46
D	£68,000	to	£88,000	10,788.32	9/9	10,788.32	£1,452.89
E	£88,000	to	£120,000	6,373.01	11/9	7,789.23	£1,775.75
F	£120,000	to	£160,000	2,945.81	13/9	4,255.07	£2,098.62
G	£160,000	to	£320,000	1,438.12	15/9	2,396.86	£2,421.48
H	over		£320,000	64.02	18/9	128.04	£2,905.78
TOTAL				65,683.63		61,250.74	
Crown Properties						324.10	
Tax Base for the calculation of Council Tax						61,574.84	

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 £387k (2013/14 £135k) were written off against the provision for bad/doubtful debts. An annual assessment of the level of arrears and their age and recoverability, the amount to be provided as provision for future write-offs and the value of outstanding appeals against the council tax band that has been awarded for new properties is undertaken. Following this exercise the level of provision set-aside against bad debts on the current level of arrears was increased by £188k (increase in 2013/14 of £254k).

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 2015 was 247,678,158 (2013/14 240,218,340) and the rate for 2014/15 was 48.2p (2013/14 47.1p), with a reduction to 47.1p (2013/14 46.2p) for small businesses. The Council has no control over these values.

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

The business rates shares payable for 2014/15 were estimated before the start of the financial year as £46.897m (£46.289m in 2013/14) to Central Government, £0.938m (£0.926m in 2013/14) to NYFRA and £45.959m (£45.363m in 2013/14) to City of York Council. These sums have been paid in 2014/15 and charged to the collection fund in year.

The total income from business rate payers collected in 2014/15 was £103.429m (£95.879m in 2013/14). This sum includes £0.206m of transitional protection payments from ratepayers, which under government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government to £47.103m.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VAO) and hence business rates outstanding as at 31 March 2015. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The increase in provision charged to the collection fund for 2014/15 has been calculated at £3.517m.

4. DISTRIBUTION OF YEAR END (SURPLUS)/DEFICIT

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

	2014/15 Business Rates £'s	**2014/15 Council Tax £'s**	**2014/15 Total £'s**	2013/14 Total £'s
Central Government	**2,500,017**		**2,500,017**	4,852,062
City of York Council	**2,450,017**	**(3,293,806)**	**(843,789)**	3,605,104
North Yorkshire Police Authority		**(596,714)**	**(596,714)**	(205,823)
North Yorkshire Fire and Rescue Authority	**50,000**	**(181,143)**	**(131,143)**	34,560
	5,000,034	**(4,071,663)**	**928,471**	8,285,903

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 the Accounts and Audit Regulations to review the systems of internal control and prepare an annual governance statement.

2. The Purpose of the Governance Framework

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

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

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

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

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

The Purpose of the Governance Framework cont'd

The governance framework has been in place at the council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts for 2014/15.

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. A new Council plan will be developed following the recent local elections. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

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

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

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

A Joint Standards Committee comprising members of the City Council and Parish Councils is responsible for promoting good ethical governance within the organisation and within local Parish

Councils. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a Member of either, the City of York Council, or the parish councils within its administrative boundary. The council has appointed independent persons to assist in making decisions on complaints and in promotion of high standards generally.

The Council's Governance Framework cont'd

During the year the Local Government Association (LGA) carried out a peer review into member-officer relations. This resulted in members signing up to an Action plan to address the recommendations set out in the report.

The Office of the Surveillance Commissioners undertook a periodic inspection of the Council's surveillance arrangements and found:

> "Overall the City of York Council is compliant with the legislation and its officers are enthusiastic that they remain so". The OSC made recommendations for further improvement which are being implemented

The Council is committed to making further improvements in Information Governance, and has asked the Information Commissioner to carry out an Audit during 2015 to identify any further improvements that can be made.

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

<u>Management and Decision Making Processes</u>

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. The Council has a Workforce Strategy which sets out the way the Council will develop the skills of our staff to effectively deliver our priorities.

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

<u>Policies and Guidance</u>

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 . Amendments to the constitution are normally scrutinised by the Audit & Governance Committee prior to approval by full Council.

Financial Management

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

The Council's Governance Framework cont'd

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

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

In delivering these responsibilities:

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

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

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

Compliance Arrangements

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

- The Section 151 Officer
- The Monitoring Officer

- The Head of Internal Audit
- Finance officers and other relevant service managers.

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

Compliance with the council's governance arrangements is subject to ongoing scrutiny by the external auditors, Mazars and other external agencies. The Officer Governance Group (OGG) also monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Audit & Governance Committee.

The Council's Governance Framework cont'd

Risk Management

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

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

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

Internal Audit and Fraud

The council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The service in 2014/15 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 governance, risk management and 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
- helps to maintain the council's counter fraud arrangements including policy framework
- supports managers in the prevention and detection of fraud, corruption and other irregularities.

Performance Management

The council recognises the importance of effective performance management arrangements and established the Business Intelligence Hub, within the Office of the Chief Executive. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and finance based monitoring. Each directorate reports finance and performance monitoring progress to members through the established Scrutiny arrangements.
Finance and Performance monitoring is reported regularly at CMT and Executive, and there is ongoing regular discussion of financial performance at CMT to ensure that the Council is able to manage the major savings programmes.

The Council's Governance Framework cont'd

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
- public consultation events – in the Council offices, public transport and supermarkets
- 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
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

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

4. **Review of Effectiveness**

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

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

- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the Head of Internal Audit, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the external auditors, Mazars/ or other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the council's risk register and any other issues highlighted through the Council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2013/14 Annual Governance Statement.
- The councils counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption

Having considered all the principles, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

5. Significant Governance Issues

General Comments and Financial Matters

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

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

- **Significant Matters within the accounts (e.g. liabilities)** -
  As first highlighted within the 2013/14 AGS there are ongoing issues in respect of Lendal Bridge/ Coppergate in terms of repayment of fine income which has been subject to public interest. The Committee received a report on Lendal Bridge during the year, and the financial issues will continue to be considered/ addressed as part of the preparation of the Statement of Accounts and reports to the Executive.

Review of 2013/14 Significant Issues

(i) Areas no longer considered a major concern

A review has been undertaken of the significant internal control issues that were contained within the 2013/14 AGS. The following items have all made significant progress/improvement and are no longer considered to be significant concerns:

- **Partnership Governance –** The Committee received a progress report during the year setting out the work that has taken place to ensure the council has a methodology and approach to ensure that partnerships across the council continue to operate effectively.

- **Adult Social Care-** The Committee received two update reports during the year updating Members on the progress being made by Adult Social Care as part of their Action Plan in response to External Audit recommendations and continuing demographic growth and financial constraints. In taking this item off it reflects progress against the review undertaken by External Audit. It does not however mean that there are not significant financial/operational issues associated with Adult Social Care, but these issues are more a general financial risk than a specific control/governance issue.

(ii) Areas where concerns still remain

The following areas were included in the 2013/14 AGS as significant Governance matters, and whilst there has been progress made, there remains some concerns/ongoing risks. The progress is identified below, along with the recommended actions.

- **Information security –** The council has worked to communicate its Information security policies during the year, however, due to the nature of the issue there remains ongoing risks in terms of the control of data, particularly in electronic form, and risks of financial, service and reputational damage. It is therefore recommended that the Committee continue to receive reports on this matter though out the year.

- **Absence Management Process –** The Committee received a report during the year setting out actions planned to address improvements required in the Council wide process for accurately reporting and managing absences. Further time is required however to embed the improvements desired, therefore it is recommended Members receive a further report during the year to confirm sufficient improvements have been made.

New Issues

One new area has been identified through the effectiveness review at Section 4 above and is outlined below with details of the plans which will be monitored by the OGG, and the Audit and Governance Committee during 2015/16 for evidence of improvement:

- **Role of Scrutiny/ Executive/Audit Committee in managing risk/ major projects**
  Improvements are considered necessary to the role Scrutiny/ Executive/Audit Committee play in proactively managing the risks and governance issues, and monitoring progress, around all major projects.
  It is recommended that the Committee receive a report during the year addressing potential improvements that can be made and implemented.

  In summary:

- Good progress has been made to address a range of issues identified in last year's Annual Governance Statement, and details of the work done have been reported to the Committee during the last 12 months.

- The following areas are identified as major areas requiring focus by the Committee in the next 12 months :-

  - Information Security,
  - Absence Management
  - Role of Scrutiny/ Executive/Audit Committee in managing risk/ major projects

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 C Steward

Leader of the Council

GLOSSARY

Accounting Concepts

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

Accounting Period

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

Accounting Policies

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

Accruals

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

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

Actuarial Gains and Losses

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

Agency

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

Amortisation

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

Appropriation of Land or Buildings

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

Asset

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

Assets Under Construction

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

Authorised Limit

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

Balance Sheet

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

CDS

Credit Default Swap

Capital Charge

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

Capital Expenditure

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

Capital Expenditure charged to Revenue Account (CERA)

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

Capital Financing

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

Capital Adjustment Account

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

Capital Programme

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

Capital Receipts

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

Cash Flow Statement

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

Charging Council

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

Cipfa Accounting Code of Practice

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

Collection Fund

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

Commutation Option

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

Community Assets

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

Community Charge

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

Consistency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost

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

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).

Defined Contribution Pension Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing-out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passing of time or obsolescence through, for example, changes in technology or demand for the goods and services provided by the asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Economic Infrastructure Fund (EIF)

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

Emoluments

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

Exceptional Items

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

Expected Rate of Return on Pension Assets

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

Extraordinary Items

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

Fixed Asset Register (FAR)

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

Fees and Charges

Income arising from the provision of services.

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

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

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

Financial Year

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

Fixed Assets

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

General Fund

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

Going Concern

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

Government Grants

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

Gross Carrying Amount

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

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical

Housing Revenue Account (HRA)

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

Impairment

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

Income and Expenditure Account

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

Infrastructure Assets

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

Intangible Fixed Asset

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

Interest Cost

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

International Financial Reporting Standards (IFRS)

Accounting standards set by the International Accounting Standards Board. The standards provide guidance and advice for the preparation of financial statements.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:
• Goods or other assets purchased for resale
• Consumable stores
• Raw materials and components
• Products and services in intermediate stages of completion
• Finished goods

Investment

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the

investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.

Investment Properties

An interest in land and/or buildings where construction work and development has been completed and which is held for its investment potential, any rental income being negotiated at arms length.

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

Lenders Option Borrowers Option (LOBO)

A LOBO loan is a loan that permits the lender to nominate a revised interest rate payable on the debt at periodic dates and also gives the borrower the option as to whether to pay the revised rate or repay the debt in its entirety.

Liability

An account due to an individual or organisation that will be paid at some future date.

Liquid Resources

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

Materiality

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Minimum Revenue Provision (MRP)

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

Monitoring Officer

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Non-Operational Assets

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

Operational Assets

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

Operational Boundary

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

PA92

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

Past Service Cost

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

Post Balance Sheet Events

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

Precept

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

Precepting Council

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

Prior Year Adjustments (or Prior Period Adjustments)

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

Provisions

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

Prudence

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

Prudential Indicators

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

Public Works Loan Board (PWLB)

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

Realisable Value

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

Related Party

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

Reserves

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

Residual Value

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

Retirement Benefits

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Revenue Support Grant (RSG)

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

Scheme Liabilities

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

Section 151 Officer (S151)

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves. In York the Section 151 Officer is Ian Floyd, Director of Customer and Business Support Services.

Service Reporting Code of Practice (SeRCOP)

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

Settlement

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

Subsidiary

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

Support Services

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

Tangible Fixed Assets

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

Temporary Borrowing/Investment

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

Trading Services

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

Treasury Management

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

Trust Funds

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

Unapportionable Central Overheads

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

Useful Life

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

Vested Rights

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

Work in Progress

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

Write Out

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

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Audit & Governance **29th July 2015**

Report of the Director of Customer and Business Support Services (Portfolio of the Leader of the Council)

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

Summary

1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). Prudential Indicators are attached at Annex A of Annex One.

2. Attached at Annex One is the Treasury Management Annual Report & Review of Prudential Indicators 2014/15 per the Executive agenda on the 30 July 2015.

Recommendations

3. It is recommended that Audit & Governance Committee note the Treasury Management Annual Report 2014/15 & Review of Prudential Indicators at Annex One;

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

Background

4. This covering report aims to assist Audit & Governance members in their review of the Treasury Management Annual Report & Prudential Indicators 2014/15 at Annex One.

5. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

6. For reporting, scrutiny and training arrangements during 2014/15 the Council has met the reporting requirements and received the following reports.

   - an annual treasury strategy in advance of the year as part of Budget Council
   - a mid year treasury update report
   - an annual report following the year describing the activity compared to the strategy (Annex One)

7. Significant points to note from the report at Annex One include
   - During the year the Council has drawn down 3 new loans to funds its Capital Financing Requirement.
   - There was no restructuring of borrowing during the year
   - The Council's borrowing requirement for capital purposes (the Capital Financing Requirement) increased in year in line with the Capital programme.
   - There are no issues of concern in the Prudential Indicators with all indicators being adhered to

Options

8. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice.

Corporate Priorities

9. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments and minimises the cost of its debts.

Implications

10. The implications are
    - Financial – the security of the Council's capital funds is a priority, maximising returns on investments and minimising finance costs of debt is key.
    - 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. The treasury management function is a high-risk area due to the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice 2009 (the code) are all adhered to as required.

Conclusion

12. The Treasury management function continues to operate in full accordance with the Prudential Code ensuring the Council's treasury activities are prudent, affordable and sustainable.

Contact Details

Author:	**Chief Officer responsible for the report:**
Ross Brown Principal Accountant 01904 (551207)	Ian Floyd Director of Customer and Business Support Services
	Report approved √ Date 08/06/15

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

One – Treasury Management Annual Report & Review of Prudential Indicators 2014/15 Report

Executive **30 July 2015**

Report of the Director of Customer and Business Support Services (Portfolio of the Leader of the Council)

Treasury Management Annual Report & Review of Prudential Indicators 2014/15

Purpose of Report

1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). Prudential Indicators are attached at Annex A.

2. The information detailed in this report ensures the Council's treasury management activities are affordable, sustainable and prudent as approved by Council on 27 February 2014 and that the Council's debt and investment position ensure adequate liquidity for revenue and capital activities, security for investments and manages risks within all treasury management areas.

Recommendations

3. The Executive, in accordance with the Local Government Act 2003 is asked to:

   (i) Note the 2014/15 performance of Treasury Management activity and

   (ii) Note the compliance with and movements of the Prudential Indicators in Annex A

4. Recommend to Full Council the amendment to the Treasury Management Annual Investment Strategy per Annex B and the Creditworthiness Policy wording to:

   Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1 and Long Term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5. Reason: to ensure the continued performance of the Council’s Treasury Management function can be monitored.

Summary of Issues

6. The Council‘s year end treasury debt and investment position for 2013/14 compared to 2012/13 is summarised in the table below:

   Debt

	31/03/2015 £m	**Rate %**	**31/03/2014 £m**	**Rate %**
General Fund Debt	128.8	4.18	118.3	4.24
Housing Revenue Account Debt	140.3	3.40	140.3	3.40
Total Debt	**269.1**	3.74	**258.6**	3.76

Investments

	31/03/2015 £m	Rate %	31/03/2014 £m	Rate %
Councils Investment Balance	60.997	0.52	44.2	0.48

Table 1 a & b – Summary of the treasury management

Borrowing Outturn 2014/15

7. The Councils capital expenditure activity on long-term assets undertaken as part of the approved Capital programme impacts (dependant on the way that the capital programme is financed) the level of borrowing. The prudential indicators which control the borrowing activity of the Council are contained in Annex A

8. The purpose of the Council's underlying need to borrow is to finance capital expenditure, termed the Capital Financing Requirement (CFR). The total CFR for the council at the end of 2014/15 was £317.4m (compared to £ 311.3m 2013/14) split between the General Fund at £177.1m and the HRA at £140.3m.

9. The CFR suggests the Councils level of borrowing (that is actual debt) could be as high as £317.4m, however in accordance with the flexibility allowed by the borrowing strategy; it currently stands at £269.1m. The Council continues make efficient use of its strong cash balance position to support its current capital expenditure requirements in cash terms but has also taken the decision to secure some long tem borrowing whilst rates are favourable to reduce its exposure to financing risk in future years.

10. Table 2 shows a summary of the debt position reflecting the new loans taken during 2014/15:

	Loan Value £m	**Rate of Interest**	**Maturity Date**
Opening Debt Position	**258.6**	**3.76%**	
New loans:			
PWLB	5.000	3.68%	2064
PWLB	5.000	3.69%	2063
PWLB	5.000	3.49%	2064
Repayments:			
PWLB	4.500	3.91%	2014
Closing Debt Position	**269.1**	**3.74%**	

Table 2 – 2014/15 Debt summary and movement detailed

11. Debt rescheduling opportunities remain limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. Consequently the Council did not restructure any of its borrowing portfolio during the year as no opportunities arose when taking into consideration the associated premium that would be generated.

12. For context figure 1 shows the PWLB interest rates from 1 October 2010 to 31 March 2015.

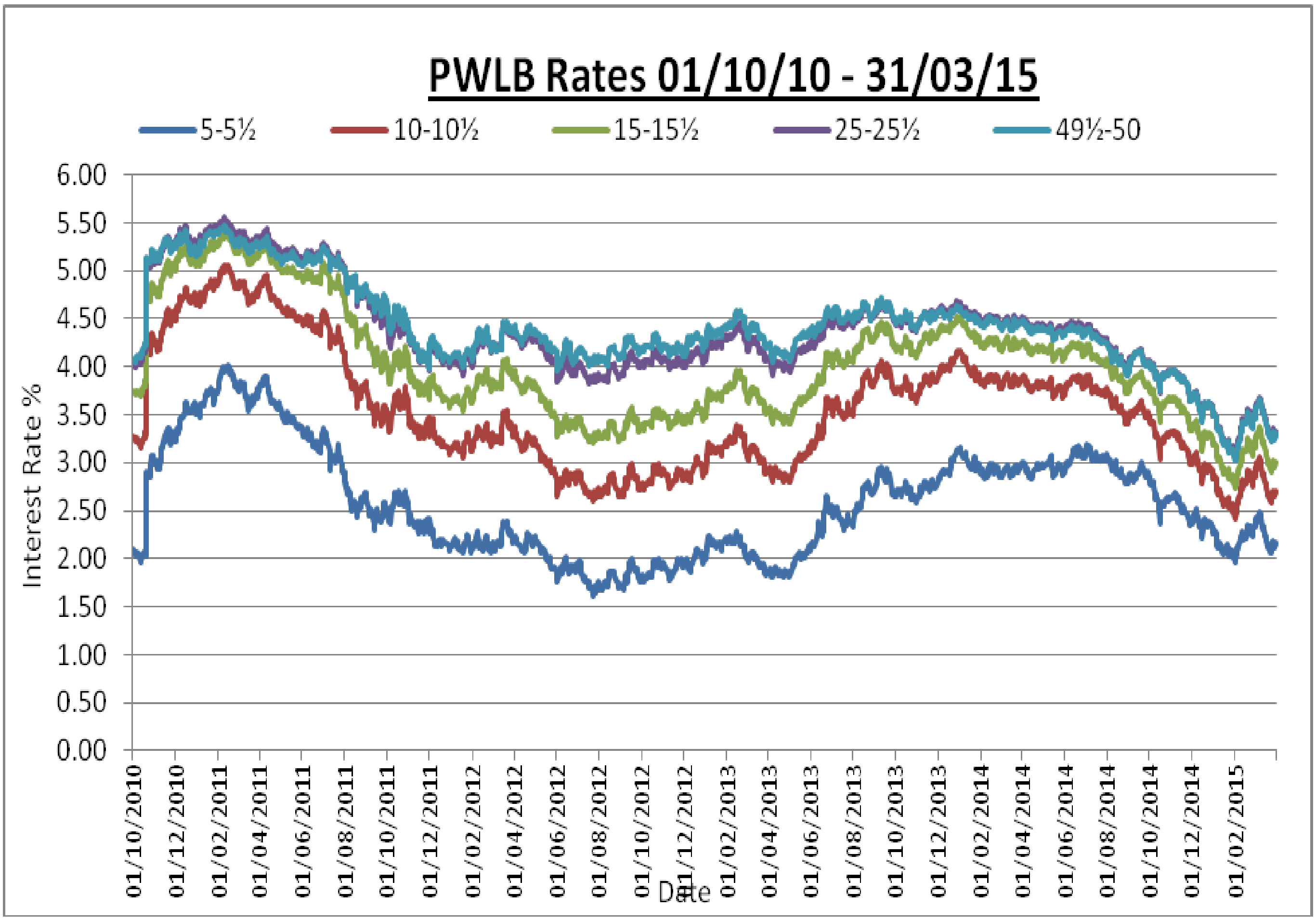

Figure 1 - PWLB rates and CYC borrowing levels

Investment Outturn 2014/15

13. The investment activity during the year conformed to the approved Treasury Strategy that reflects the DCLGs guidance on Local Authority investments issued in 2010, all investments were made in full accordance with the Councils investment practices and the Council had no liquidity difficulties in meeting its obligations

14. Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Consequently, with bank rate not expected to increase to 0.75% until quarter 2 2016 investment levels have remained relatively flat with rates above 0.5% only being available for longer dated maturities.

15. The Council maintained an average investment balance of £74.792m compared to £61.150m in 2013/14. The surplus funds earned an average rate of return of 0.521% in 2014/15 compared to 0.484% in 2013/14. The increase in cash balances is

attributable to the receipt of high value developer's contributions and the continued early receipt of grant funding from Government.

16. The comparable performance indicator for the Councils investment performance is the average London Inter Bank Bid Rate that represents average interest rate which major London banks borrow Eurocurrency deposits from other banks. Table 3 shows the rates for financial year 2014/15 aligned to the Councils financial year and shows that for all cash holdings (includes amounts held to meet day to day payments) the rate of return is comparable with 6 month benchmark, far exceeding the levels of the usual 7 day and 3 month benchmarks.

Benchmark	Benchmark Return	Council Performance	CYC Variance
7 day	0.35	0.52	+0.17
1 month	0.37	0.52	+0.15
3 month	0.43	0.52	+0.09
6 month	0.56	0.52	-0.04
12 month	0.87	0.52	-0.35

Table 3 – LIBID vs. CYC comparison

Consultation

17. This report in the main is for information purposes and reports on the performance of the treasury management function. Members through the budget process set the level of budget and expected performance of the Councils treasury management function.

Options

18. In accordance with the Local Government Act 2003, it is a requirement under the CIPFA Prudential code and the CIPFA Treasury Management in Local Authorities that the Cabinet

receives an annual treasury management review report of the previous year (2014/15) by 30 September 2015. It is also a requirement that the Council delegates the role of scrutiny of treasury management strategy and policies to a specified named body which in this Council is the Audit & Governance Committee. This annual treasury management report is scheduled at Audit & Governance Committee on 29th July 2015.

Corporate Priorities

19. Treasury Management is aimed at ensuring the Council has sufficient liquidity to allow it to operate, safeguards its investments through a prudent investment approach and maximises its return on investments and minimises the cost of its debts. Effective management allows more resources to be freed up to invest in the Council's priorities, values and imperatives, as set out in the Council's plan. Treasury management covers the management of the council's cash flows, its banking, money market and capital transactions, the management of debt, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

Financial Implications

20. Contained throughout the main body of the report.

Human Resources Implications

21. There are no HR implications as a result of this report.

Equalities Implications

22. There are no Equalities implications as a result of this report.

Legal Implications

23. Treasury Management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice.

Crime and Disorder

24. There are no Crime and Disorder implications as a result of this report.

Information Technology

25. There are no Information Technology implications as a result of this report.

Property

26. There are no Property implications as a result of this report.

Risk Management

27. The treasury function is a high-risk area due to the level of large money transactions that take place. As a result of this there are strict procedures set out as part of the Treasury Management Practices statement. The scrutiny of this and other monitoring reports is carried out by Audit & Governance Committee as part of the council's system of internal control

Contact Details

Authors:	**Chief Officer Responsible for the report:**			
Ross Brown Principal Accountant Corporate Finance Ext 1207	Ian Floyd Director of Customer & Business Support Services			
	Report Approved	√	**Date**	*08/06/15*
Wards Affected: *All*				

For further information please contact the authors of the report

Specialist Implications:
Legal – Not Applicable
Property – Not Applicable
Information Technology – Not Applicable

Annexes

Annex A: Prudential Indicators 2014/15
Annex B: Revised Specified and Non-Specified Investments Categories

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Annex A

Prudential Indicators 14/15 Outturn

	Prudential Indicator		**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
1	**Capital Expenditure** To allow the authority to plan for capital financing as a result of the capital programme and enable the monitoring of capital budgets.	GF HRA Total	£34.8m £13.4m £48.2m	£83.2m £16.4m £99.6m	£26.6m £10.8m £37.4m	£17.1m £8.6m £25.7m	£13.9m £7.2m £21.1m	£13.9m £8.5m £22.4m
2	**Ratio of financing costs to net revenue stream** An estimate of the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from rents.	GF HRA Total	10.63% 13.15% 11.17%	12.43% 13.57% 12.68%	13.55% 13.54% 13.55%	13.60% 13.51% 13.58%	13.73% 13.48% 13.67%	12.85% 13.48% 12.99%
3a	**Incremental impact of capital investment decisions – Council Tax** Shows the actual impact of capital investment decisions on council tax. The impact on council tax is a fundamental indicator of affordability for the Council to consider when setting forward plans. The figure relates to how much of the increase in council tax is used in financing the capital programme and any related revenue implications that flow from it.	Increase in band D Council Tax per annum	£8.83	£21.35	£32.42	£9.76	£5.67	£5.24
3b	**Incremental impact of capital investment decisions – Housing Rents** Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.		£0.00	£0.00	£0.00	£0.00	£0.00	£0.00

Annex A

	Prudential Indicator		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
4	**CFR as at 14/15 Outturn** Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	GF HRA Total	£177.1m £140.3m £317.4m	£204.3m £140.3m £344.6m	£204.8m £140.3m £345.1m	£201.0m £140.3m £341.3m	£196.7m £140.3m £337.0m	£192.5m £140.3m £332.8m
5	**External Debt** To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR.	Gross Debt Invest Net Debt	£274.7m £60.6m £214.1m	£294.6m £46.0m £248.6m	£300.4m £25.0m £275.4m	£300.3m £25.0m £275.3m	£305.1m £20.0m £285.1m	£304.0m £20.0m £284.0m
6a	**Authorised Limit for External Debt** The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities for 3 financial years.	Borrowing / Other long term liabilities Total	£343.5m £30.0m £373.5m	£357.7m £30.0m £387.7m	£357.7m £30.0m £387.7m	£357.7m £30.0m ££387.7m	£357.7m £30.0m £387.7m	£357.7m £30.0m £387.7m

Annex A

	Prudential Indicator		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
6b	**Operational Boundary for external debt** The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.	Borrowing Other long term liabilities Total	£333.5m £10.0m £343.5m	£347.7m £10.0m £357.7m	££347.7m £10.0m £357.7m	£347.7m £10m £357.7m	£347.7m £10.0m £357.7m	£347.7m £10.0m £357.7m
7	**Adoption of the CIPFA Code of Practice for Treasury Management in Public Services**		✓					
8a	**Upper limit for fixed interest rate exposure** The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.		127%	117%	109%	109%	107%	107%
8b	**Upper limit for variable rate exposure** The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an		-27%	-17%	-9%	-9%	-7%	-7%

Annex A

	Prudential Indicator		**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.							
9	**Upper limit for total principal sums invested for over 364 days** The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio.		£0	£0	£0	£0	£0	£0
10	**Maturity structure of new fixed rate borrowing** To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk.	Maturity profile of debt against approved limits	**Maturity Profile**	**Debt (£)**	**Debt (£)**	**Approved Minimum Limit**	**Approved Maximum Limit**	
			Less than 1 yr	£12.0m	4%	0%	30%	
			1 to 2 yrs	£7.0m	3%	0%	30%	
			2 to 5 yrs	£21.0m	8%	0%	40%	
			5 to 10 yrs	£41.3m	15%	0%	40%	
			10 yrs and above	£187.8m	70%	30%	90%	
			Total	£269.1m	100%	-	-	

Annex B

Specified and Non-Specified Investments Categories

A variety of specified and non-specified investment instruments will be used to place the Council's surplus funds. These investment instruments are, subject to the credit quality of the institution. The criteria, time limits and monetary limits applying to institutions or investment vehicles are list in the tables below.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, treasury officers will review the accounting implications of new transactions before they are undertaken.

Specified Investments:
All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

Institution / Counterparty	**Minimum 'High' Credit Criteria**	**Use**
Debt Management Agency Deposit Facility	*UK Sovereign rating*	*In-house*
Term deposits – Local Authorities	*UK Sovereign rating*	*In-house*
Term deposits – banks and building societies	*Coded: Green on Capita's Matrix.*	*In-house*
UK Part nationalised banks	*Coded: Blue on Capita's Matrix.*	*In-house and Fund Mangers*
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	*Coded: Blue on Capita's Matrix.*	*In-house and Fund Mangers*
Collateralised deposit	*Coded: Yellow on Capita's Matrix*	*In-house and Fund Mangers*
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	*Coded: Blue on Capita's Matrix / UK Sovereign rating*	*In-house and Fund Mangers*
Certificates of deposits issued by banks and building societies	*Coded: Green on Capita's Matrix /*	*In-house and Fund Mangers*
UK Government Gilts	*Coded: Yellow on Capita's Matrix /*	*In-house buy and hold and Fund*

	UK Sovereign rating	*Managers*
Bonds issued by multilateral development banks	*Coded:* Yellow *on Capita's Matrix*	*In-house buy and hold and Fund Managers*
Bonds issued by a financial institution which is guaranteed by the UK government	*Coded:* Yellow *on Capita's Matrix / UK Sovereign rating*	*In-house buy and hold and Fund Managers*
Sovereign bond issues (other than the UK govt)	*Coded:* Yellow *on Capita's Matrix / Sovereign rating*	*In-house buy and hold and Fund Managers*
Treasury Bills	*Coded:* Yellow *on Capita's Matrix / UK Sovereign rating*	*Fund Managers*
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	*AAA Rated*	*In-house and Fund Managers*
2. Money Market Funds	AAA Rated	*In-house and Fund Managers*
.3. Enhanced cash funds	AAA Rated, Volatility Rating V1	*In-house and Fund Managers*
4. Bond Funds	*AAA Rated*	*In-house and Fund Managers*
5. Gilt Funds	*AAA Rated*	*In-house and Fund Managers*
6. Property Funds		*In-house and Fund Managers*
UK Nationalised Banks	*Coded:* Blue *on Capita's Matrix*	*In-house and Fund Managers*
UK Part nationalised Banks	*Coded:* Blue *on Capita's Matrix*	*In-house and Fund Managers*

NON-SPECIFIED INVESTMENTS:

A maximum of 100% can be held in aggregate in non-specified investment

1. Maturities of ANY period

Institution / Counterparty	***Minimum Credit Criteria***	***Use***	***Max % of total investments***	***Max. maturity period***
Term deposits – banks and building societies	*Coded: red (6mths) and green* (100 days*) on Capita's Matrix.*	*In-house*	*100%*	*3-6 Months*
Fixed term deposits with variable rate and variable maturities: -Structured deposits	*Coded: orange (1*yr) red (6mths) and green (100 days*) on Capita's Matrix.*	*In-house*	*40%*	*1 Year*

Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee	*Coded: orange (1yr) red (6mths) and green (*100 days*) on Capita's Matrix.*	*In-house buy and hold and Fund Managers*	*30%*	*1 Year*
Commercial paper issuance covered by a specific UK Government guarantee and issued by banks covered by the UK bank support package	*UK Sovereign rating*	*In-house and Fund Managers*	*30%*	*1 Year*
Commercial paper other	*Coded: orange (1*yr) red (6mths) and green (100 days*) on Capita's Matrix.*	*In-house*	*30%*	*1 Year*
Corporate Bonds	*Coded: orange (1*yr) red (6mths) and green (100 days*) on Capita's Matrix.*	*In-house and Fund Managers*	*30%*	*1 Year*
Other debt issuance by UK banks covered by UK Government guarantee	*UK Government explicit guarantee*	*In-house and Fund Managers*	*30%*	
Floating Rate Notes: the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank	*Long-term AAA*	*Fund Managers*	*N/A – Capital Expenditure*	*N/A – Capital Expenditure*
Property fund: the use of these investments would constitute capital expenditure	*--*	*Fund Managers*	*N/A – Capital Expenditure*	*N/A – Capital Expenditure*
Local Authority mortgage guarantee scheme	*Coded: orange (1yr) red (6mths) and green (100 days) on Capita's Matrix.*	*In-house*		

2. *Maturities in excess of 1 year*

Term deposits – local authorities	*--*	*In-house*	*10%*	*> 1 year*
Term deposits – banks and building societies	*Coded: Purple(2yrs) or Yellow (5yrs) on Capita's Matrix.*	*In-house*	*10%*	*> 1 year*
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	*UK Sovereign*	*In house and Fund Managers*	*10%*	*> 1 year*
Certificates of deposits issued by banks and building societies covered by the UK government banking	*UK Sovereign*	*In house and Fund Managers*	*10%*	*> 1 year*

support package				
Certificates of deposits issued by banks and building societies NOT covered by the UK government banking support package	*Coded: Purple(2yrs) or Yellow (5yrs) on*	*In house and Fund Managers*	*10%*	*> 1 year*
UK Government Gilts	*UK Sovereign rating*	*In-house and Fund Managers*	*10%*	*> 1 year*
Bonds issued by multilateral development banks	*Long term AAA*	*In-house and Fund Managers*	*10%*	*> 1 year*
Sovereign bond issues (i.e. other than the UK govt)	*Long term AAA*	*In-house and Fund Managers*	*10%*	*> 1 year*
Collective Investment Schemes structure as open Ended Investment Companies (OEICs)				
1. Bond Funds	*AAA*	*In-house and Fund Managers*		
2. Gilt Funds	*AAA*	*In-house and Fund Managers*		

Audit & Governance Committee **29 July 2015**

Report of the Assistant Director, Customers & Business Support Services, Customers & Employees

Key Corporate Risk Monitor 1 2015/16

Summary

1. The purpose of this paper is to present to Audit & Governance Committee (A&G) an update on the key corporate risks for City of York Council (CYC), and the present refreshed Key Corporate Risk (KCR) Register 2015.

2. Risk management at CYC identifies the key risks for the authority and how they are being managed. This process may demonstrate that risks are being managed very well but need ongoing monitoring, others need action taken to manage the risk effectively. The role of this Committee is to assess whether the full risk environment is being adequately reviewed, key risks are identified and receive assurances that risks are being mitigated through targeted monitoring and/or action.

Background

3. The risk management process at CYC ensures that all key and emerging risks are reported regularly to A&G on at least a quarterly basis. The purpose of this paper is to provide assurance that the council identifies understands, effectively manages and reviews its key risks.

4. A key element in the work to revitalise risk management throughout the authority was to get risk back onto the corporate agenda.

5. This work has been very successful and we now see risk routinely featuring on Directorate Management Team agendas on a quarterly basis. These sessions are used to update both the departmental and any key corporate risk (KCR)

responsibility which has been allocated to the Director. It is also an opportunity to consider any risks which might be on the horizon and facilitate dialogue around risk in general.

Key Corporate Risk (KCR) update

6. By their very nature, the KCRs remain reasonably static with any real movement in further actions that are undertaken which strengthen the control of the risk. The current and updated KCRs can be found at Annex A with key changes outlined below:

Safeguarding

7. This KCR relates to both childrens and adults safeguarding and arises out of the council's statutory duties.

8. With regard to the childrens safeguarding risk, the cause of the risk has been updated to reflect the radicalisation of young people. Whilst it is not suggested that this is a particular risk specific to York, there is an issue nationally and as such it is sensible for it to be on the risk radar locally.

9. This issue is also dealt with as part of the Prevent programme which is part of the Government's counter terrorism strategy. It places responsibilities on local agencies to identify individuals who are at risk or who have already succumbed to radicalisation.

10. Significant work has been undertaken in relation to the management of risk around safeguarding of adults. This position is evidenced by the Assistant Director, Adults Safeguarding who asked that the following be appended to the risk:

> "*Veritau Audit completed May 2015 reported that considerable amounts of work have been put into ensuring that Safeguarding Adults processes in York are robust and fit for purpose. Arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation."*

Local Plan

11. This will be a statement of the planning strategy and vision for the City of York which sets out the opportunities and development management policies on what will or will not be permitted and where, including new homes and businesses.

12. Given the delays in the agreement and adoption of a Plan the risk has been amended to include further detail around the consequences of not having a plan as these have become clearer, they are:

    - inability to maximise planning gain from investment;
    - adverse impact on investment in the City;
    - unplanned development do not meet the authority's aspiration for the City;
    - ongoing costs of the preparation of the Local Plan.

13. To reflect the severity of the potential consequences, the risk scores have been revisited and increased. Further work to mitigate the risk is ongoing.

14. Whilst there have been no significant changes to the KCR number 1 relating to the financial pressures, it must be borne in mind that the financial environment remains challenging and there is a need to constantly monitor the risk in light of the Government budget decisions and the impact these might have on the council including pay implications and the devolution agenda.

Risk Management Policy and Strategy

15. As work to get risk embedded throughout the organisation is continuing, the documentation which supports the council's vision and approach becomes more critical.

16. There has been a corporate policy and strategy for some years, however, this has not been revisited since it was initially developed and as such did not reflect the current thinking and approach to risk.

17. The new approach is one of simplicity and ease of understanding, to engage all in the authority and genuinely place risk at the heart of everything they do.

18. A draft copy of the revised policy and strategy is attached at Annex B for discussion and approval.

Options

19. Not applicable.

Council Plan 2015 - 2019

20. The effective consideration and management of risk within all of the council's business processes helps support achieving 'evidence based decision making' and aid the successful delivery of the three priorities.

Implications

21.

(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

22. 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

23. Audit and Governance Committee is asked to:

(a) Consider and comment on the refreshed key corporate risks which can be found in detail at Annex A;

(b) Consider and approve the draft policy and strategy and associated guidance document which can be found at Annex B.

Reason
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	Pauline Stuchfield Assistant Director Customer & Business Support Services
	Report Approved √ 21July 2015

Specialist Implications Officer(s) Not applicable

Wards Affected Not applicable

For further information please contact the author of the report

Annexes

A – Refreshed Key Corporate risk register

B – Draft policy and strategy

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KCR 01 Financial Pressures

Over the course of the last 4 years there has been a substantial reduction in government grants leading to significant financial savings delivered. The expectation is that £10million annually will be required in future years. The council needs a structured and strategic approach to deliver the savings in order to ensure that any change to service provision is aligned to the council's key priorities.

Risk Owner: Ian Floyd

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Reduction in government grants leading to the necessity to make savings*
- *Increased service demand and costs (for example an aging population).*

Consequence

- *Major savings required to balance budget, with potential major implications on service delivery*
- *Impacts on vulnerable people*
- *Spending exceeds available budget*

Controls	Owner
Regular budget monitoring	
Two year budget cycles and effective medium term planning and forecasting	Ian Floyd
Chief finance officer statutory assessment of balanced budget	Ian Floyd
Regular communications on budget strategy and options with senior management and politicians	Ian Floyd
Skilled and resourced finance function, supported by managers with financial awareness	Ian Floyd

Net Risk Rating: Medium **14**

Net Risk Likelihood: Possible

Net Risk Impact: Moderate

Actions	Target Date	Revised Date
Development of a new Medium term plan after May elections	31/03/2016	

Comments:

KCR 02 Governance

With the current scale and pace of transformation taking place throughout the organisation, it is now more important than ever that the council ensures that its key governance frameworks are strong including those around information governance and transparency.

Risk Owner: Ian Floyd

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Member/Officer relations may not be effective*
- *Increased interactions in relation to FOI and transparency*
- *Failure to comply with information security policy*

Consequence

- *Breach of Data Protection Act and other non compliance*
- *Fines levied by Information Commissioner*
- *Impact on the end user/customer*
- *Public safety may be put at risk*
- *Further incidents occur*
- *Adverse media coverage*
- *Reputational impact*

Controls	Owner
Electronic Communication Policy	Ian Floyd
IT security systems in place	Ian Floyd
Corporate Information Governance Group	Ian Floyd
Secure paper storage and confidential waste disposal available in office accommodation	Ian Floyd
Internal Audit reviewing information security	Ian Floyd
New Head of Health and Safety	Pauline Stuchfield
Health and Safety monitoring by CMT and DMTs	Pauline Stuchfield
Regular monitoring to Audit & Governance committee	Ian Floyd
New governance structure	Andrew Docherty

Net Risk Rating: High **19**

Net Risk Likelihood: Possible

Net Risk Impact: Major

Actions	Target Date	Revised Date
Review of Health and Safety governance frameworks	30/09/2015	
Health and Safety training programmes at all levels	31/03/2016	

Comments:

KCR 03 Transformation/rewiring

Delivering the objectives set for the transformation programme moving from the existing model to the desired outcome, will require looking at innovative ways of meeting business objectives and service delivery going forward whilst ensuring that services continue to be delivered effectively whilst the work is ongoing.

Risk Owner: Stewart Halliday

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Ineffective programme management*
- *Failure to engage with the community on the changes required*
- *Failure to support and manage change effectively*

Consequence

- *Adverse impact on service delivery*
- *Fail to meet the needs of vulnerable people*
- *Unable to lower the cost base*
- *Opportunities missed*
- *Reputational impact*

Controls	Owner
Effective engagement activity	Stewart Halliday
Detailed business cases	Stewart Halliday
Programme governance	Stewart Halliday

Net Risk Rating: High **19**

Net Risk Likelihood: Possible

Net Risk Impact: Major

Actions	Target Date	Revised Date
Ongoing monitoring	31/03/2016	
Fuller consultation and engagement	31/03/2016	

Comments:

KCR 04 Changing demographics

York has a rapidly changing demographic and this brings with it significant challenges particularly in the delivery of adult social care. On the converse, the results of the recent baby boom will have a future impact on school places and services not to mention social care. There has also been significant inward migration and as such the council needs to ensure that community impacts are planned for and resourced.

Risk Owner: Jon Stonehouse & Guy Van Dichele

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Baby boom coming through*
- *Inward migration*
- *Development and regeneration makes York more desirable and accessible*
- *An aging population requiring services from the council placing significant financial and delivery challenges*
- *Increased ethnicity*
- *Growning SEN - in particular autism*
- *Popularity of universities*

Consequence

- *Increased service demand; school placements, SEN, emotional mental health*
- *Impact on reducing budgets and resources*
- *Statutory school places have to be found*
- *Rise in delayed discharges*
- *Impact on service users*
- *Reputational impact*

Controls	Owner
Analysis of need and work around options	Jon Stonehouse
Stakeholder and officer group	Jon Stonehouse
DfE returns	Jon Stonehouse
Inclusion review	Jon Stonehouse
Caseload monitoring	Jon Stonehouse

Net Risk Rating: High **19**

Net Risk Likelihood: Possible

Net Risk Impact: Major

Actions	Target Date	Revised Date
Build more social and affordable housing		
Annually refresh statistical projection of population change	30/04/2015	31/03/2016
Review KPIs to assess impact of population increase and project service resource needs reporting to CMT	30/05/2015	31/03/2016
Ensure adequate supply of schools places (CYC Place Planning Strategy, Governance Structure)	01/09/2015	

Comments:

Action dates have been revised following the risk session at CSES DMT on 9th July 2015, to reflect that the work is ongoing and has not yet been completed.

KCR 05 Safeguarding

Ensuring that vulnerable adults and children in the city are safe and protected is a key priority for the council. The individual, organisational and reputational implications of ineffective safeguarding practice are acute.

Risk Owner: Guy Van Dichele & Jon Stonehouse

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Failure to comply with safeguarding policy and practice*
- *Radicalisation of young people*

Consequence

- *Vulnerable person not protected*
- *Serious case review or lessons learned exercise*
- *Reputational damage*
- *Serious security risk*

Controls	**Owner**
Safeguarding adults Board	Guy Van Dichele
Safeguarding sub groups	Guy Van Dichele
Multi agency policies and procedures	Guy Van Dichele
Adults - Multi agency safeguarding hub (MASH)	Guy Van Dichele
Specialist safeguarding cross sector training	Guy Van Dichele
Quantitative and qualitative performance management	Jon Stonehouse
Reporting and governance to lead Member, Chief Executive and Scrutiny	Jon Stonehouse
Annual self assessment, peer challenge and regulation	Jon Stonehouse
Audit by Veritau of Safeguarding Adults processes	Michal Melvin
Children's Safeguarding Boards (LSCB & ASB)	Jon Stonehouse
Ongoing inspection preparation & peer challenge	Jon Stonehouse
National Prevent process	Jon Stonehouse
DBS checks and re-checks	Jon Stonehouse

Net Risk Rating: Medium **14**

Net Risk Likelihood: Possible

Net Risk Impact: Moderate

Actions	**Target Date**	**Revised Date**
Regular monitoring of controls	31/03/2016	
Schools Prevent training	31/03/2016	

Comments:

Michael Melvin (04/06/2015) - Veritau Audit completed May 2015 reported that considerable amounts of work have been put into ensuring that Safeguarding Adults processes in York are robust and fit for purpose. Arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation.

KCR 06 Workforce/Capacity

It is crucial that the council remains able to retain essential skills and also to be able to recruit to posts where necessary, during the current periods of uncertainty caused by the current financial climate and transformational change. The health, wellbeing and motivation of the workforce is therefore key in addition to skills and capacity to deliver.

Risk Owner: Ian Floyd

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *The necessity to deliver savings has resulted in a reduced workforce*
- *Recruitment and retention difficulties as the council is seen as a less attractive option than the private sector*
- *Lack of succession planning*
- *Single points of failure throughout the business*

Consequence

- *Increased workloads for staff*
- *Impact on morale and as a result, staff turnover*
- *Inability to maintain service standards*
- *Impact on vulnerable customer groups*
- *Reputational damage*

Controls	Owner
Workforce Strategy	Pauline Stuchfield
Stress Risk Assessments	Pauline Stuchfield
PDRs	Pauline Stuchfield
Comprehensive Occupational Health provision including counselling	Pauline Stuchfield
HR policies e.g. whistleblowing, dignity at work	Pauline Stuchfield

Net Risk Rating: Medium **14**

Net Risk Likelihood: Possible

Net Risk Impact: Moderate

Actions	Target Date	Revised Date
Production of new workforce strategy	31/12/2015	
Ongoing Monitoring	01/01/2016	
Staff survey Sept 2015 and establish new action plans by 2016	01/01/2016	
Delivery of organisation development plan	31/03/2016	

Comments:

KCR 07 Health and Wellbeing

The council now has the responsibility for the provision of public health services and also for the formation of the Health & Wellbeing Board, which has the ambition to bring together local organisations to work in partnership to improve outcomes for the communities in which they work. Failure to adequately perform these functions could result in the health and wellbeing of communities being adversely affected.

Risk Owner: Sally Burns

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Outcomes may be difficult to evidence due to longevity*
- *Lack of resources: numbers and/or specialist skills*
- *Other priorities means less focus on Health and Wellbeing outcomes*
- *Failure to deliver Health and Wellbeing responsibilities*
- *Failure to integrate Public Health outcomes*
- *Reliance on partners outside of the council's control*
- *Failure to take on board the new responsibility*

Consequence

- *Health and wellbeing of the community adversely affected*
- *Key objectives are not delivered*
- *Reputational damage*

Controls	Owner
Health and Wellbeing Board own the strategy and receives reports on progress	Sally Burns/Julie Hotchkiss

Net Risk Rating: High **19**

Net Risk Likelihood: Possible

Net Risk Impact: Major

Actions	Target Date	Revised Date
Review of strategy and policy under way including delivery structure	31/01/2016	

Comments:

KCR 08 Local Plan

The council has a statutory duty to develop a Local Plan, a citywide plan, which helps shape future development in York over the next 20-years. It sets out the opportunities and policies on what will or will not be permitted and where, inc. new homes and businesses. The Local Plan is a critical part of helping to grow York's economy, create more job opportunities and address our increasing population needs. Failure to develop a suitable Plan could result in York losing its power to make planning decisions.

Risk Owner: Interim CES Director

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Fail to adopt and agree a Local Plan*
- *Local Plan adoption process delayed*
- *Significant opposition to the plan that may impede its progression*

Consequence

- *Significant negative impact on the council's strategic economic goals*
- *Council continues to have no adopted development plan/framework*
- *Legal and probity issues*
- *Reputational damage*
- *Increased resources required to deal with likely significant increase in planning appeals*
- *Development processes and decision making is slowed down*
- *Widespread public concern and opposition*
- *Inability to maximise planning gain from investment*
- *Adverse impact on investment in the city*
- *Unplanned planning does not meet the authority's aspirations of the city*
- *Ongoing costs of the preparation of the Local Plan*

Controls	Owner
Develop strategy for cross party working on long term strategic issues	Interim CES Director
CMT and DMT to work closely with key Members on Local Plan issues	Interim CES Director
Proactive communication strategy	Interim CES Director
Effective programme and project management to ensure timescales and milestones are met	Interim CES Director
Effective project resourcing	Interim CES Director
Continued close liason with neighbouring authorities	Interim CES Director
Continued close liason with DCLG and Planning Inspectorate	Interim CES Director

Net Risk Rating: High **19**

Net Risk Likelihood: Possible

Net Risk Impact: Major

Actions	Target Date	Revised Date
Monitoring of controls	30/06/2015	31/03/2016

Comments:
Action date revised to reflect the ongoing nature of the activity.

KCR 09 Communities

The council needs to engage in meaningful consultation with communities to ensure decisions taken reflect the needs of the residents, whilst encouraging them to be empowered to deliver services that the council is no longer able to do. Failing to do this effectively would mean that services are not delivered to the benefit of those communities or in partnership.

Risk Owner: Sally Burns

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Failure to effectively engage with the communities we serve*
- *Failure to contribute to the delivery of safe communities*
- *Failure to effectively engage stakeholders in the decision making process*
- *Failure to manage expectations*

Consequence

- *Lack of buy in and understanding from stakeholders*
- *Alienation and disengagement of the community*
- *Relationships with strategic partners damaged*
- *Impact on community wellbeing*
- *Services brought back under council provision*
- *Budget overspend*
- *Create inefficiencies*
- *Services not provided*

Controls	Owner
Proactive resource to engage management across the council	Sally Burns
Communication and consultation Strategy	Sally Burns

Net Risk Rating: High **19**

Net Risk Likelihood: Possible

Net Risk Impact: Major

Actions	Target Date	Revised Date
Rewiring project will identify specific workstreams	01/01/2016	

Comments:

KCR 10 Effective and strong partnerships

In order to continue to deliver some services the council will have to enter into partnerships with a multitude of different organisations whether they are third sector or commercial entities. There needs to be robust, clear governance arrangements in place for these partnerships as well as performance monitoring arrangements to ensure delivery of the objectives.

Risk Owner: Stewart Halliday

Gross Risk Rating: High **20**

Gross Risk Likelihood: Probable

Gross Risk Impact: Major

Cause

- *Failure to effectively monitor and manage partnerships*
- *Lack of centralised register of partnerships*

Consequence

- *Key partnerships fail to deliver of break down*
- *Ability to deliver transformation priorities undermined*
- *Adverse impact on service delivery*
- *Funding implications*
- *Reputational impact*

Controls	**Owner**
Partnership code of practice	Stewart Halliday

Net Risk Rating: Medium **14**

Net Risk Likelihood: Possible

Net Risk Impact: Moderate

Actions	**Target Date**	**Revised Date**
Publish, publicise and implement the CYC Partnership Code of Practice corporately	31/03/2015	31/12/2015

Comments:
Work to develop the CYC Partnership Code of Practice is currently underway and it is hoped that this may be delivered by the end of the calendar year, the action target date has been amended to reflect this.

KCR 11 Capital Programme

The capital programme currently has approximately 85 schemes with a budget of £203 million. The schemes range in size and complexity but are currently looking to deliver two very high profile projects, the Community Stadium and York Central, which are key developments for the city.

Risk Owner: Ian Floyd

Gross Risk Rating: High **19**

Gross Risk Likelihood: Possible

Gross Risk Impact: Major

Cause

- *Inadequate monitoring/project management in relation to large capital projects*
- *Complex projects with inherent risks*
- *Large capital programme being managed with less resource*

Consequence

- *Additional costs and delays to delivery of projects*
- *The benefits to the community are not realised*
- *Reputational Damage*

Controls	Owner
Project boards and project plans	Ian Floyd
Regular monitoring of schemes	Ian Floyd
Capital programme reporting to Cabinet	Ian Floyd
Strong financial, legal and procurement support included within the capital budget for specialist support skills	Ian Floyd
Mazars review of the EPH project	Ian Floyd

Net Risk Rating: Medium **14**

Net Risk Likelihood: Possible

Net Risk Impact: Moderate

Actions	Target Date	Revised Date
Quarterly reports on major projects-capital programme to executive to be put in place		

Comments:

Risk Matrix

Impact					
Catastrophic	17	22	23	24	25
Major	12	18	19	20	21
Moderate	6	13	14	15	16
Minor	2	8	9	10	11
Insignificant	1	3	4	5	7
	Remote	**Unlikely**	**Possible**	**Probable**	**Highly Probable**
	Likelihood				

Risk Management Policy and Strategy

July 2015

Introduction

City of York Council aspires to be a well-managed and successful organisation. A vital aspect to achieving this is the integration of risk management into its systems and processes. Having an established risk management policy, embedded into the culture of the organisation, will contribute to the achievement of the corporate strategy and in particular organisational effectiveness.

Definitions

A risk can be described as:
"The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood."

Risk management can be described as:
"A planned and systematic approach to the identification, evaluation and control of risk, used to manage potential threats to the achievement of objectives."

Policy Statement

The council recognises that there is an element of risk in everything it does in order to achieve the corporate strategy and to enhance the value of the services it provides to the community. The risk management policy of City of

York Council is to apply best practice in the identification, evaluation, and cost-effective control of risk to ensure that risks are managed, eliminated or reduced to an acceptable level, and that opportunities are recognized and exploited where appropriate. Due to the diversity of services provided, the risks faced by the authority are many and varied. The authority is unable to manage all risks at corporate level and so the focus is on the significant risks to the council's objectives, known as the Key Corporate Risks (KCRs).The KCRs will be reviewed every quarter at Directorate Management Team meetings and updated as required.

The basic principles underpinning this policy statement are as follows:

1. It is every employee's responsibility to identify and ensure the management of risks within their remit and to flag risks outside their remit to the risk management section.
2. All significant risks and their associated controls are documented in the council's risk register.
3. It is the responsibility of risk owners to ensure their entries within the council's risk register are maintained.
4. High and critical risks should be reduced to an acceptable level, within an appropriate timeframe and when possible to do so.
5. High and critical risks are reported to the appropriate senior management team, board or committee.
6. KCRs are reviewed and reported on a quarterly basis.

For further information about risk management within the council, please contact:

Lisa Nyhan, Corporate Transactional and Business Services Manager
Tel: 01904 552953
Email: Lisa.Nyhan@york.gov.uk

Or

Stephanie Kelly, Insurance & Risk Officer
Tel: 01904 552210
Email: Stephanie.Kelly@york.gov.uk

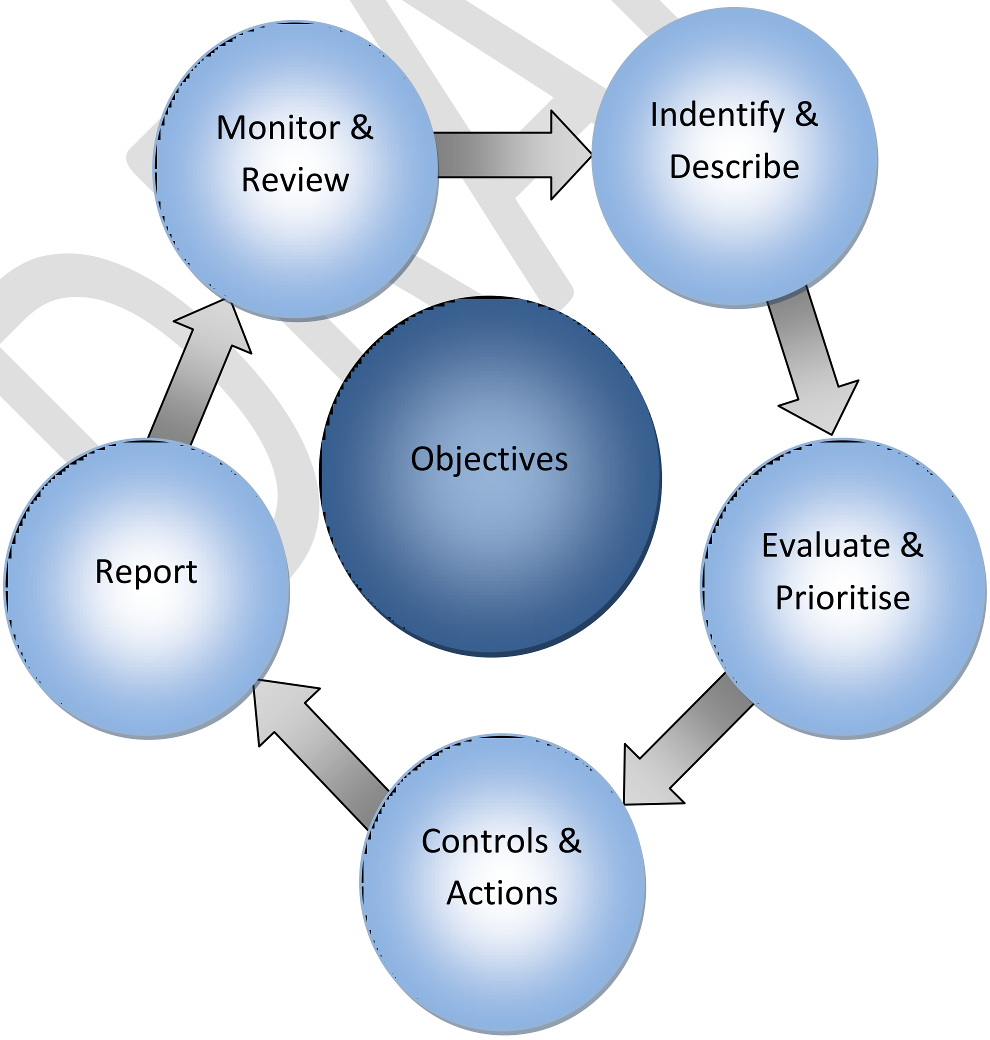
Strategy Objectives

The objectives of this strategy are to:

- Assist to integrate and embed risk management into the culture of the authority, its day-to-day business and major partnerships and projects
- Enable the council to manage and mitigate negative risks and threats, to support the achievement of objectives
- Allow the council to recognise and maximise opportunity risks, to support innovation
- Provide a guide of practical advice for the application of risk management within all activities of the council

Risk Management Cycle

To be considered in conjunction with the Risk Management Guide at Annex A.



Identify & Describe

The objectives of the service, Directorate and/or the authority should always be should be a primary focus when identifying risks. What could pose a potential threat, or opportunity, to the achievement of those objectives?

Risks and issues often get confused and a useful way of remembering the difference is;

- Risks are things that **might happen** and stop us achieving objectives, or otherwise impact on the success of the organisation.

- Issues are things that **have already happened** and require management action.

Once identified, it is essential the risk is clearly described to ensure it is understood by all potential audiences.

Risks are usually identified in three ways at City of York Council:

1. A risk identification workshop to initiate and/or develop and refresh a risk register
2. Risks are raised or escalated on an ad-hoc basis by any employee
3. Risks are identified at quarterly Directorate Management Team (DMT) meetings

Annex A provides further guidance on how to write a risk.

Evaluate & Prioritise

Risks are evaluated at a gross and net level, which are sometimes known as the inherent and residual score.

Gross risk scoring assumes required controls are in place. For example, minimum staffing levels, statutory requirements etc.

Net scoring should then take into account any additional measures, such as training, reporting, local policies and procedures etc. that are currently in place.

The net score is therefore the assessment of the risk at the current level.

For example, if scoring the risk of a safeguarding failure, it should be assumed that the council will have qualified social workers in place as a minimum when determining the gross score. Further governance checks, policies and procedures, training etc. should then be considered when assessing the net score.

When scoring risks, City of York Council uses the risk matrix below:

Impact	**Catastrophic**	**17**	**22**	**23**	**24**	**25**
	Major	**12**	**18**	**19**	**20**	**21**
	Moderate	**6**	**13**	**14**	**15**	**16**
	Minor	**2**	**8**	**9**	**10**	**11**
	Insignificant	**1**	**3**	**4**	**5**	**7**
		Remote	**Unlikely**	**Possible**	**Probable**	**Highly Probable**
				Likelihood		

Further guidance on risk scoring is provided in Annex A.

Controls & Actions

A **control** is a measure currently in place which aims to reduce the likelihood and/or impact of a risk where possible. This is also known as mitigation.

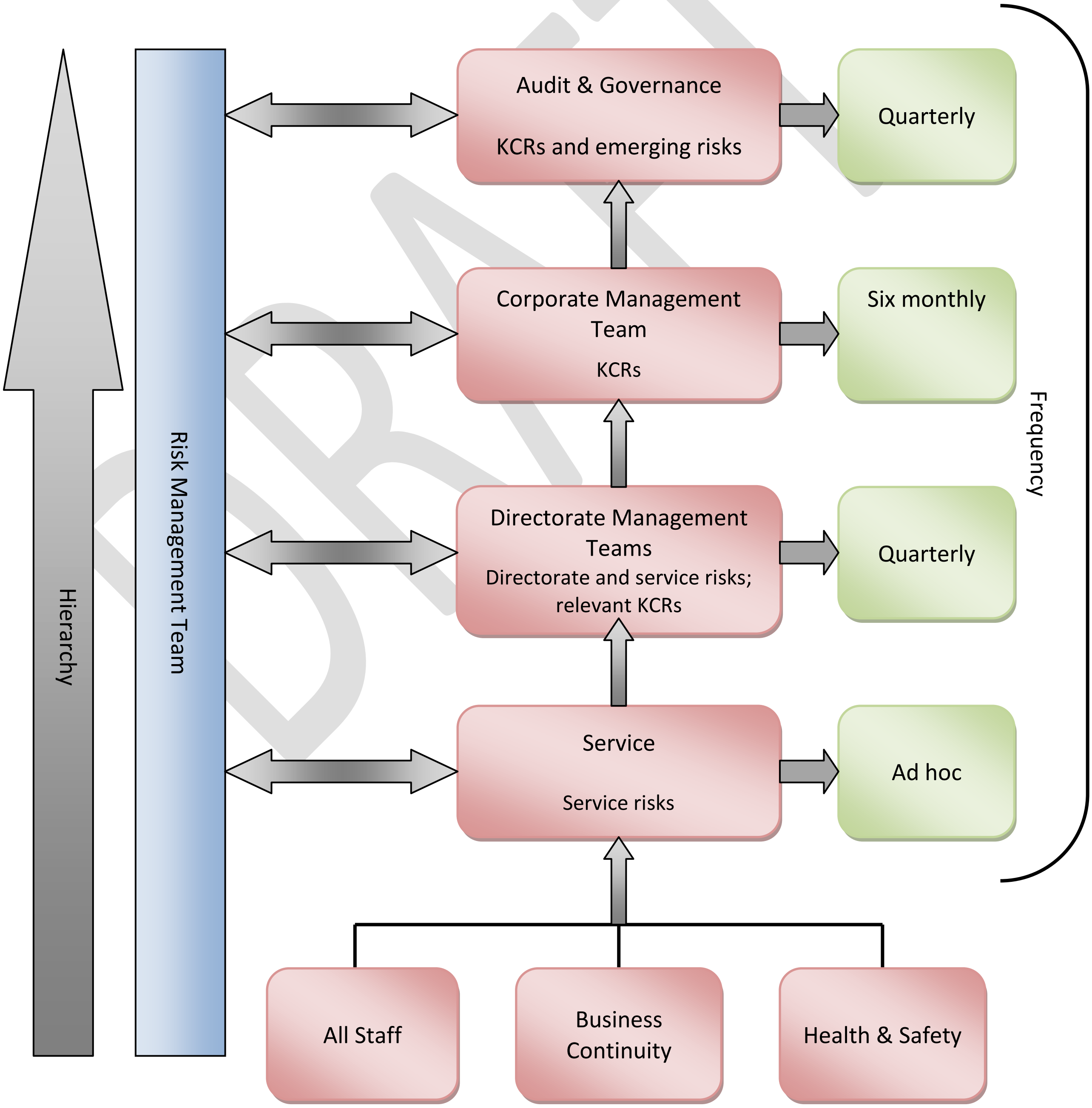
An **action** is a future management activity which aims to reduce the likelihood and/or impact of the risk further where possible.

Controls and actions should always be in proportion to the risk. Dedicating time and funds to a low scoring risk should be avoided to allow resources to be better used elsewhere.

Reporting

Risk reporting should always be a two-way communication process, to ensure risk management becomes fully embedded as a day-to-day management tool.

The risk reporting structure is shown below.



Monitor & Review

Risk scores, controls and actions should be reviewed regularly and discussed at least quarterly with risk owners, to ensure they are current and that there is full accountability. If a risk is no longer current, it should be removed from the risk register. Risk registers should be taken regularly to Directorate Management Teams for review and to horizon scan for any new or emerging risks.

Roles and Responsibilities

Elected Members

- Consider risk as an integral part of strategic planning and decision making
- Evaluate the effectiveness of officers' risk considerations as documented in the risk management paragraph in all committee reports

Audit & Governance Committee

- Corporate responsibility for risk management
- Oversee and approve the risk management framework
- Provide independent assurance on the effectiveness of controls

Chief Executive

- Charged by Members to embed an effective risk management system throughout the council

Corporate Management Team (CMT)

- Responsible for key corporate risks (KCRs)
- Identify, manage and review KCRs
- Report KCRs in more detail with relevant risk owners

Directorate Management Team (DMT)
- Identify and manage risks in their areas
- Report on movement of KCRs as required

Director of Customer & Business Support Services
- Chief officer responsible for leading and championing risk management across the organisation and for discharging these duties through the team

All Employees
- All employees should regard risk management as one of their fundamental duties.
- They have the responsibility to report and escalate risks in their business area

Risk Management Team
- Facilitate risk identification and review sessions
- Provide constructive challenge to risk registers
- Monitor and support the reporting structure
- Ensure risk registers are robust, current and that risks are effectively described and assessed
- Provide advice, support and training throughout authority where required

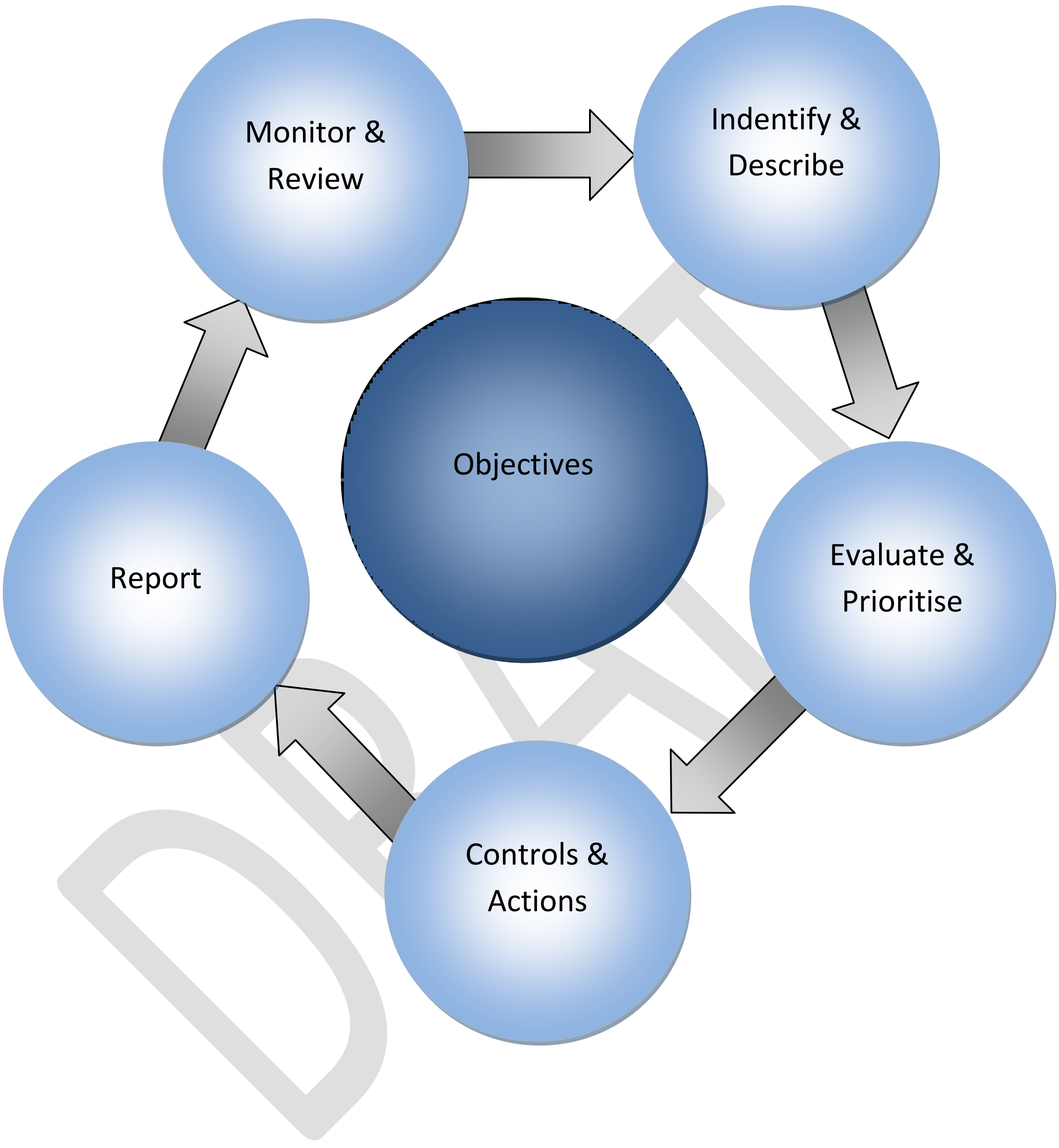
CITY OF YORK COUNCIL

Risk Management Guide

July 2015

Contents

Risk Management Cycle at City of York Council



Your objectives should be at the heart of your Risk Management decisions and should be considered at each stage of the process.

Identify & Describe

When identifying a risk consideration should be given to what could pose a potential threat, or opportunity, to the achievement of the objectives of your department, directorate and/or the council as a whole.

Risks are usually identified in three ways at City of York Council:

1. A risk identification workshop to initiate and/or develop and refresh a risk register
2. Risks are raised or escalated on an ad-hoc basis by any employee
3. Risks are identified at quarterly Directorate Management Team (DMT) meetings

Thinking about your objectives, Appendix A provides some potential areas of risk that you may consider. All risks identified should be documented within the council's corporate risk register Magique.

What information to include when describing a risk:

To ensure that each risk within the risk register is fully captured there is certain mandatory information required; see Appendix B for a template of a risk report from Magique.

The risk description should be clear and understood by anyone reading the risk. Use plain English and do not use acronyms or abbreviations.

Each risk should be given a clearly defined **Risk Title** that details what the actual risk to your objectives is. An appropriate risk title could include a starting descriptor, such as:

- Reduction of….
- Loss of….
- Disruption to….
- Inability to….
- Increase in….

The **Risk Detail**, or cause, should specify those factors that could, either on their own or in conjunction with other factors, lead to a risk occurring.

Implications, or consequences, are those factors that could occur should a risk transpire, and should relate to the affect on your service and the council.

For example:

Cause

- Weather event - snow prevents inspections
- Insufficient staff with relevant training - unable to have multi-skill flexibility
- Failure of technology

Risk

Failure to comply with Statutory Duties

Consequence

- Injury to a member of the public
- Increased claims and an inability to defend them
- Reputational damage
- HSE fines
- Inability to obtain future funding

Each risk should be assigned a **Risk Owner**, who should understand the risk including the causes and consequences. The sole responsibility for managing the risk may not fall to the risk owner, but it would be his/her role to ensure that the controls and actions are appropriate and being implemented.

Select the most appropriate **Risk Category** from those detailed in Appendix C. There may be some cross-over, however, you should select the one that is most appropriate for the risk.

Evaluate & Prioritise

Risks are scored at two levels, gross and net.

When scoring a risk the **gross** score assumes required controls are in place. For example, minimum staffing levels, statutory requirements etc.

When scoring a risk the **net** score should then take into account any additional measures, such as training, reporting etc. which are currently in place.

The net score is the assessment of the risk at the current level.

Each risk is given a score based on the likelihood of an event occurring and the impact of the event should it occur; Appendix D provides criteria to determine the level of likelihood and impact.

The score you give for both the likelihood and the impact will then determine the overall score of the risk and where the risk sits within the council's risk matrix; Appendix E.

For example, a risk that is given a gross likelihood score of 4, and a gross impact score of 5, will give a gross risk score of 24 within the risk matrix.

When determining the risk score you may find the consequence of the risk has an impact in more than one category, see Appendix D, and that the scores in these categories are not the same. If this is the case you should rate the risk using the highest score.

For example, the Operational impact may score 3, and the Financial impact may score 2, in which case the overall impact score would be 3.

Controls & Actions

Controls are those things that you have in place that reduce the likelihood of an event occurring and/or reduce the impact of an event that occurs.

Any control identified should contribute to reducing the risk score. If it does not affect the scoring then you should not commit resources and funds to the control.

Actions are future activities required that aim to reduce the risk score further if possible.

Controls and actions should always be in proportion to the risk. Dedicating time and funds to a low scoring risk should be avoided to allow resources to be better used elsewhere.

What information to include when describing a control or action:

Control:

Each control should have a **title**, which concisely describes what the control measure is. This information will be shown in any report from the risk register; Appendix B. Further information can be provided within the actual risk register that details how the control will reduce the likelihood or impact, however, this is not shown in most reports.

The risk controls should be effective enough to reduce the gross risk score and be allocated to a specified **Control Owner**, who may not be the same as the risk owner. The control owner is responsible for ensuring that the control measures are relevant and being undertaken.

Action:

Every action requires a **title** that describes the action required. Further information can be provided regarding the action, however, only the title will appear in any report; Appendix B.

All actions should be allocated a specific **Action Owner**, who will be responsible for ensuring that action is completed.

A **priority** should be given to each action, whether it high, medium or low. Finally each action should have a **target date** of when the work should be completed.

Report

A two-way flow of information with the Risk Management Team is important to enable the use of Risk Management as a day-to-day management tool.

Appendix F shows the usual risk reporting mechanism at City of York Council.

The Risk Management Team are able to provide you with a risk report on an ad hoc basis for use at meetings or to review. Just contact a member of the team to arrange this.

All employees should raise any potential risks to their manager to record within the risk register where appropriate.

Monitor & Review

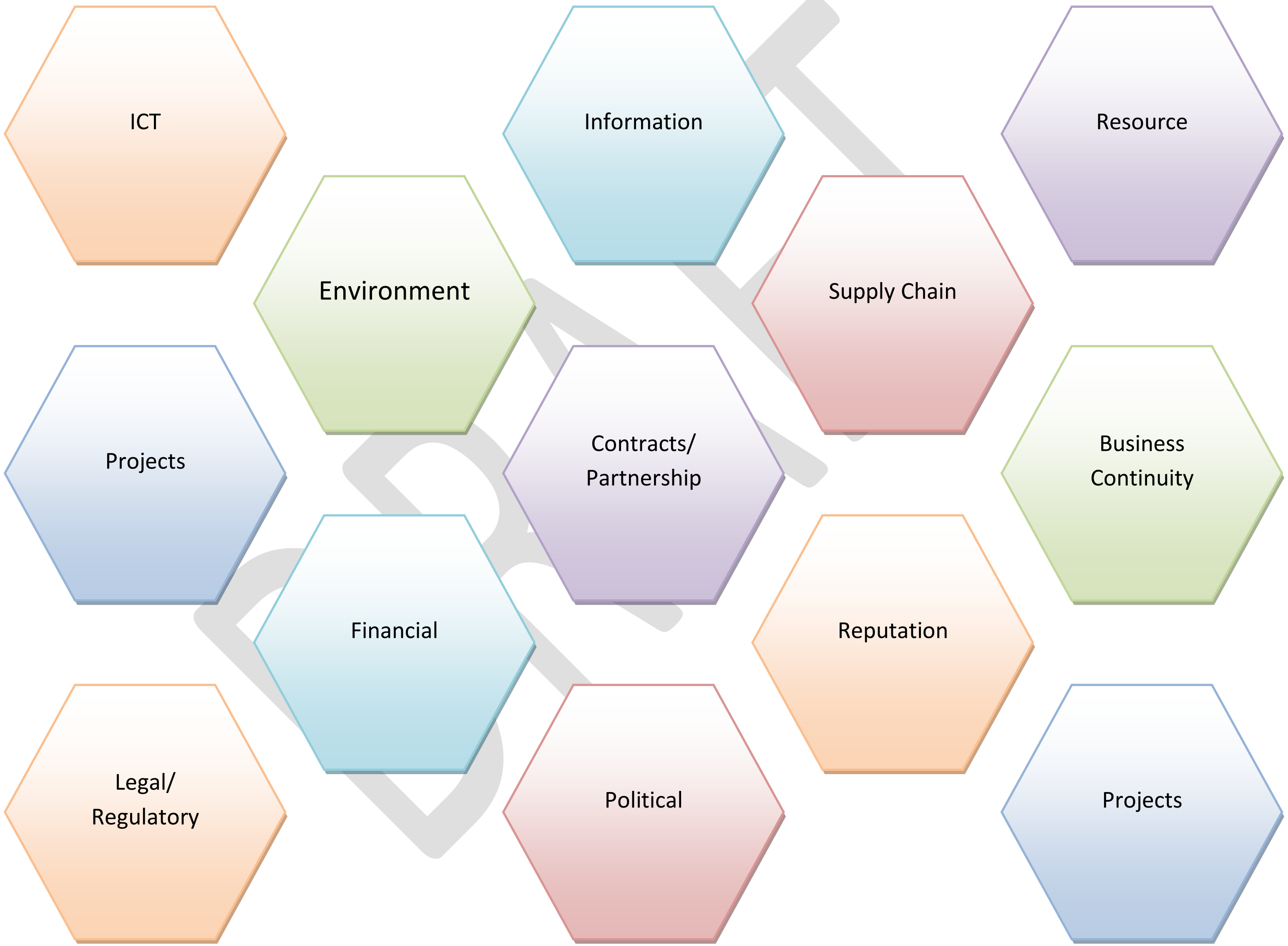
On a quarterly basis each Risk Owner is sent a copy of his/her risks to be reviewed. They should be checked to ensure that the risks are relevant and also that the information contained in the risks is up-to-date.

Particular attention should be paid to any target dates and officer names to ensure that these are still valid.

When an action target date is reached it is important that the action is reviewed and updated, or closed accordingly. As a result of completing an action consideration should also be given as to whether new controls can be added to the risk.

When a risk is not longer applicable, a project ends for example, it is important that the risk is removed from the risk register.

Potential Areas of Risk



Magique Risk Report Template

YORK
DETAILED RISK REGISTER - BY BUSINESS UNIT

	Risk Title (event)	Risk Detail (cause)	Implications (consequence)	Risk Category	Risk Owner	Gross Score	Gross Rating	Controls	Net Score	Net Rating	Actions - (Owner Due Date Priority)
Example	*Failure to comply with Statutory Duties*	*• Weather event - snow prevents inspections* *• Insufficient staff with relevant training - unable to have multi-skill flexibility* *• Failure of technology*	*• Injury to a member of the public* *• Increased claims and an inability to defend them* *• Reputational damage* *• HSE fines* *• Inability to obtain future funding*	*02 - Legal & Regulatory*	*Andy Binner*	*19*	*H*	*01 - Mobile working solutions* *02 - Performance management data collected and monitored*	*18*	*H*	

Risk Categories

Ref	Category	Detail
1	**Governance & Management**	Risks arising from the stewardship of the Council including conflicts of interest.
2	**Legal & Regulatory**	Risks arising from failure to comply with laws and regulations.
3	**Health & Safety**	Risks arising from or in connection with our work activities that present hazards to people.
4	**Financial & Efficiency**	Risks affecting the Council's ability to meet its financial commitments and improve efficiency.
5	**Competition & Procurement**	Risks affecting the competitiveness of the service (cost or quality) and/or it's ability to deliver best value.
6	**Stakeholder**	Risks affecting the council's employees, customers and partners.
7	**System & Technology**	Risks include changes in pace and scale of customer demands and reliance on ITT.
8	**External**	Risks arising from changes to the world outside the organisation's control: political, economic, social, technological, legal and environmental.
9	**Data Quality**	The risk arising out of the use of inaccurate and poor quality data.
10	**Reputational**	Risks affecting the reputation of the Council

Risk Scoring Criteria

Likelihood Scoring					
Likelihood Score	**1**	**2**	**3**	**4**	**5**
Description	Remote	Unlikely	Possible	Probable	Highly Probable
How likely is it to happen?	• This probably will never happen • Exceptional circumstances	• It is possible it may happen	• Might happen occasionally	• Will probably happen	• Very likely to happen • Possibly occur frequently

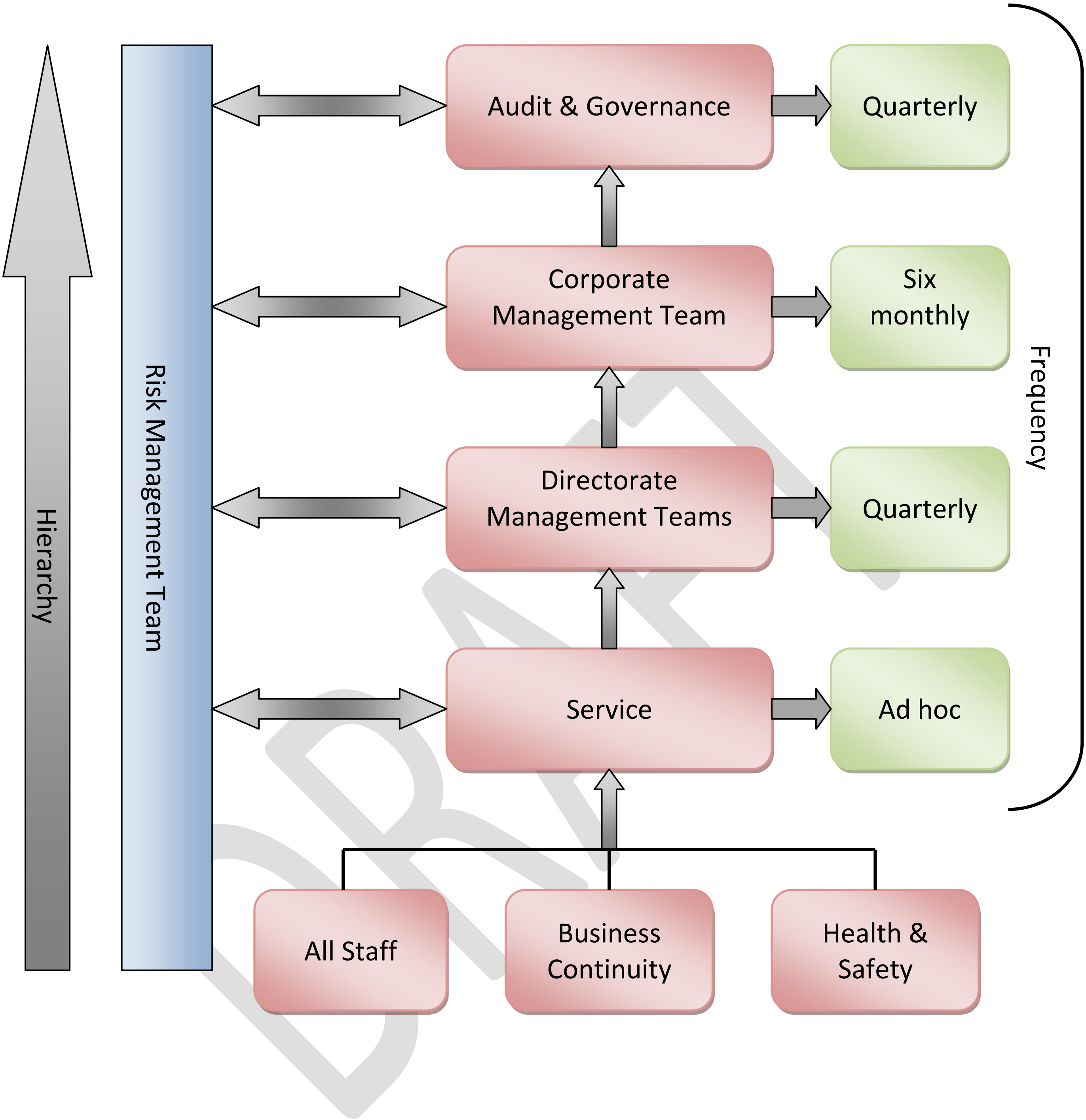
Impact Scoring					
Impact Score	1	2	3	4	5
Description	Insignificant	Minor	Moderate	Major	Catastrophic
Operational	• Minor reduction in service • No or minimal effect for customers	• Low effect for a small number of customers	• Moderate effect for multiple customers	• Significant effect for numerous customers	• Unable to provide a service • Very significant effect for a large number of customers
Reputational	• No adverse media coverage • No negative recognition from the public	• Low level of adverse media coverage • Small amount of negative public interest	• Moderate amount of adverse media coverage • Moderate amount of negative public interest	• High level of adverse media coverage • Negative impact on public confidence	• National adverse media coverage • Total loss of public confidence
Financial	• <2% of budget	• 2-5% of budget	• 5-10% of budget	• 10-25% of budget	• >25% of budget

Risk Scoring Matrix

Impact					
Catastrophic	17	22	23	24	25
Major	12	18	19	20	21
Moderate	6	13	14	15	16
Minor	2	8	9	10	11
Insignificant	1	3	4	5	7
	Remote	Unlikely	Possible	Probable	Highly Probable
	Likelihood				

Appendix F

Risk Management Reporting at City of York Council



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CITY OF YORK COUNCIL

Audit and Governance Committee **29 July 2015**

Report of the Monitoring Officer

Consultation on Governance Issues

1. Summary

1.1 The new council leadership want policy and scrutiny committees to have the opportunity to debate and make recommendations on matters requiring an executive decision before a final decision is taken. The report annexes a report which the Executive are due to consider and asks for Members' views which will be fed back to the Executive.

1.2 This report also asks Members whether to consider further changes to the Council Procedure Rules.

2. Executive Decision Making

2.1 The Executive will be considering a report at their meeting on 30th July 2015 proposing options to be consulted on for implementing this new system. Because of the timing of the meetings this Committee and the Corporate and Scrutiny Management Policy and Scrutiny Committee are being consulted prior to the Executive. It is then proposed that there will be a further period of consultation with a view to reporting back to the Executive in August. This will allow any new working arrangements which do not require constitutional change to be implemented as speedily as practicable. The proposed Executive report appears at Annex A to this report.

3. Council Procedure Rules

3.1 Council adopted new Procedure Rules at its meeting in October 2014. It was agreed that they should be implemented following the Annual Meeting in the new Municipal Year and will therefore apply from the July Council meeting.

3.2 The revised rules had been consulted upon and debated at some length by the political groups and were recommended to Council by Audit and Governance Committee. In the main there was cross party support for their adoption. The rules were approved without any amendment being proposed at Council. That being said one area which did give rise to considerable discussion was the removal of the opportunity to ask Executive Members written questions on notice in respect of matters within their portfolio responsibility. Those questions invariably received a written answer after the meeting. Some Members saw the formal public minuting of these responses to be of value. The new rules instead provide for a question time period without prior notice being given of the questions.

3.3 This Committee is now being asked whether:

- There is any wish to revisit the issue of written questions to meetings within the Council Procedure Rules; or whether
- There is an alternative system which Members would like to explore such as having a webpage on which questions from Members to the Executive could be formally recorded; or whether
- Members are happy with an informal system whereby they raise issues directly with Executive Members and seek to publicise responses as appropriate.

3.4 The new Rules still provide for the Leader to present a written report at each Council. He now has five minutes to do so and may be questioned for a further fifteen minutes. At each meeting an Executive Member will also submit a written report to be formally moved without discussion and on which he or she may be questioned for up to ten minutes. These opportunities are in addition to the fifteen minute provision for general questions to Executive Members.

3.5 To reflect the new joint administration and to contribute to scrutiny of the Executive, Members are asked to consider whether there should be provision for a report from the Deputy Leader and an opportunity for questions to be asked on his report. There are three options on how a report could be tabled:

- Formally moving the report but not taking questions on the report.
- Taking questions on the report within the existing time allocated for questions e.g. reducing one of the three existing question slots.
- Taking questions on the report by extending the overall time allocated for questions.

Members' views are invited on this matter.

4. **Consultation**

4.1 This report is being presented to this Committee by way of consultation. The Executive, Corporate and Scrutiny Management Policy and Scrutiny Committee, political groups and the Independent Members are being consulted on the proposals in respect of executive decision making.

5. Council Plan

5.1 Effective and inclusive decision making will assist in achieving all Council Plan priorities

6. Implications

6.1 The implications of changing executive decision making arrangements are set out in the annexed report. Changing the Council Procedure rules would be a constitutional change requiring Council approval. There are no other implications.

7. Recommendations

7.1 Members are requested:

a) to consider this report and make comments in respect of the proposed executive decision making arrangements for consideration by the Executive.

Reason

To enable revised decision making arrangements to be put in place

b) to indicate whether there is a wish to revisit the issue of written questions and to ask the Monitoring Officer to bring forward firm proposals in line with the Committee's recommendations

c) to indicate whether they would support the introduction of a Deputy Leader's report to Council and if so ask the Monitoring Officer to bring forward proposals for amendments to the Procedure Rules reflecting the Committee's deliberations.

Reason

To ensure that the Council meeting continues to be a forum for constructive challenge and debate.

Author and Chief Officer responsible for the report:
Andy Docherty
Assistant Director
Tel No. 01904 551004

Report Approved	√	**Date**	02/07/2015

Wards Affected: **All** √

For further information please contact the author of the report

Background Papers:
None

Annexes

Annex A - Proposed report to the Executive

Executive **30 July 2015**

Report of the Monitoring Officer

Consultation on Decision Making Arrangements

1. Summary

1.1 A key priority of the new council leadership is to ensure there is greater cross-party involvement in the decision making process and that these decisions are taken in a more open and transparent way.

The new leadership want policy and scrutiny committees to have the opportunity to debate and make recommendations on matters requiring an executive decision before a final decision is taken.

This report sets out proposals for how such a system could be introduced and identifies some issues which may arise. It is proposed that this report form the basis for consultation with Audit and Governance Committee, Corporate and Scrutiny Management Policy and Scrutiny Committee, political groups and independent members.

1.2 The proposals seek to balance three key principles:

- That there should be an opportunity for scrutiny of executive decisions before they are made
- That proper decision making should not be unduly delayed or fettered
- That there should be greater transparency not only of what decisions are made but by whom.

2. Who will undertake pre decision scrutiny?

2.1 It is proposed that the arrangements for scrutiny will vary according to whether the decision is proposed to be taken by the full Executive or an Executive Member acting alone.

2.2 For an Executive Member decision it is suggested that the policy and scrutiny committee within whose remit the issue lies will have the scrutiny responsibility. For matters coming to the Executive it is proposed that CSMC will be the scrutiny committee.

2.3 The suggestion that CSMC have oversight of Executive reports is made simply for reasons of effective administration. There may be concerns that this means that members of the relevant scrutiny committee will not get to scrutinise the most significant decisions relating to their area. This concern could be mitigated by one or more of the following:

- Scrutiny committees asking for early reports on significant issues in advance of Executive reports being drafted and thereby influencing policy development and the contents of the final Executive report

- Arrangements for representatives of the scrutiny committee to have a right to participate in the debate at CSMC

- Considering the make up of CSMC – could it, for example, be largely made up of the Chairs of the other scrutiny committees?

3. How will a decision come for scrutiny?

3.1 It has always been possible for a Scrutiny Committee to identify issues which will, in due course, require an Executive decision and for the Committee to review those issues. Such scrutiny at an early stage of policy development can help frame future debates and reports and is not in any way affected by these proposals.

3.2 What these proposals do seek to achieve is to give Scrutiny and Policy Committees the opportunity to see a report in its final (or close to final) form and to debate recommendations on the report prior to the final decision being made.

3.3 There are various ways that the Council could arrange to bring a report to the relevant scrutiny and policy committee including:

- All decisions coming for scrutiny routinely
- Any Member being able to request a proposed decision be added to the Scrutiny agenda

- Replicating the post decision "call in process" requiring three Members to call the decision to Committee
- Have the Chair/Vice Chair operate as a filter for Member requests in much the same way as Planning Committee operates in bringing to Committee matters which would normally be decided under delegated powers.

3.4 Having all matters come for scrutiny routinely may not be the best use of Committee or Officer time and so some filter system is recommended. That in use for planning matters works well and may be an appropriate model.

4. How will Members know what decisions are to be made?

4.1 The Forward Plan is key to this and there will need to be considerable discipline in adding matters to the Plan in good time and with sufficient detail as to what is to be decided.

5. What would the timescales be?

5.1 Working backwards a possible **minimum** timeline for a decision to be taken at a meeting of the Executive might look something like:

Day 0 (Thursday)	Executive meets
Day minus 8 (Wednesday)	Executive agenda published with CSMC recommendations
Day minus 14 (Thursday)	CSMC meets
Day minus 22 (Wednesday)	CSMC agenda published
Day minus 24 (Monday)	Democratic services notified that decision is to be scrutinised
Day minus 41 (Friday)	Forward plan published

5.2 This timeline has some issues.

- The only practical way to make this system work is to move CSMC from a six weekly to a monthly cycle, meeting a fortnight before each Executive meeting.

- The Forward plan is currently published monthly as standard (previously this was a legal requirement). 28 days notice is required between publication and decision. It is suggested that a move to a rolling Forward Plan with weekly publication would make sense and the timetable above requires it.

- More seriously this time line allows only one full working day between notification that the decision will be scrutinised and the report needing to be with democratic services. Accordingly either Officers would have to work to having final reports ready for the CSMC agenda deadline or the timetable needs to be pushed back.

- The timeline is based on giving Members at least two week's notice to "call in" a decision. There is a question as to whether that is reasonable notice. Whatever the right notice period is, it is suggested that it needs to be set by reference to the decision date.

5.3 The issue is perhaps even greater for Executive Member decisions. The proposal is that decision sessions will run to the same timetable as the relevant scrutiny committee. With the exception of Health Scrutiny, those Committees are scheduled to meet seven times a year. If that continues then this may have consequences for the timeliness of proposed decisions. Given publication deadlines, some decision may wait up to twelve weeks. Possible options discounting a return to private decision making are:

  - Move all Scrutiny Committees to a monthly cycle
  - Schedule Executive Member decisions sessions between as well as alongside Scrutiny meetings allowing matters which have not been called in to be progressed more swiftly

5.4 Under current arrangements any decision made by the Executive or an individual Member is open to post decision call in. That could, of course, further stretch the timetable.

5.5 None of these issues are insurmountable and most decisions should be able to follow this process. There does though need to be a level of pragmatism which accepts that some urgent decisions will have to be made sooner than this system allows. Some decisions have a statutory timeline which may be difficult to meet while following this process – for example the Council has eight weeks to designate a Neighbourhood Area in connection with neighbourhood plan applications. Officers can determine these if straightforward but where there are objections they will be presented to the Executive Member. At best this will be known four weeks into the process. Other decisions may be urgent because of potential financial or reputational impacts on the Council. These decisions ought to be very much in the minority.

6. Urgent decisions

6.1 There are several ways that the issue of urgent decisions could be tackled. Options might include:

- A “special urgency” process for decisions which are particularly urgent. There is such a process for making key decisions which are not on the Forward Plan. That involves seeking the consent of the Chair of the relevant scrutiny committee to the decision being taken. An alternative would be for the Leader to certify that the decision cannot wait and then be accountable to CSMC for so certifying.

- A “general urgency” process for decisions which cannot wait until the next scheduled meeting but can be taken after normal notice of a meeting has been given and the meeting held.

6.2 A general urgency process might then involve one of the following:

a) Scheduling a special meeting of the appropriate scrutiny committee
b) Refer the decision to CSMC if it has a scheduled meeting within an appropriate timescale
c) Establishing an “urgency” sub committee of CSMC to be called on an ad hoc basis. Such a committee could even meet immediately before the Executive or the decision session.
d) Referring these decisions to Staffing Matters and Urgency Committee (which has fortnightly meetings scheduled but is not a scrutiny committee)

6.3 Whatever system is implemented Members may wish to consider reviewing its use periodically.

7. How would the scrutiny committee/decision session operate?

7.1 Under current procedures decision sessions operate as though they are a formal local authority meeting. If we continue on that basis then logically the new system would either have:

- the Committee meet, adjourn to allow the decision session to take place and then reconvene or
- the executive business would be the final item on the agenda and the decision session would open on the committee meeting closing.

7.2 Of these two options the latter provides a clearer distinction between the two sets of proceedings but may mean an Executive Member and members of the public interested in an executive decision having to wait some time before the executive business can be completed.

7.3 An alternative solution might be that the executive business is an early agenda item for the Scrutiny committee, public participation takes place at least on that item, an officer presents the report, the Executive Member participates in the debate and at the close of the debate the Chair asks the Executive Member whether he or she is able to announce his or her decision. That decision would then be recorded in a decision notice in accordance with legal requirements. If a decision is delayed it would either be referred to the full Executive or taken at another decision session.

7.4 One potential downside to this suggestion is that it might not be clear who the decision maker is. While it is to be expected that the views of the Committee would be given very great weight, legally the decision rests with the Executive and decisions would be open to challenge if the Executive member does no more than rubber stamp a decision.

8. What about decisions requiring Council approval?

8.1 There are relatively few decisions which require Full Council approval but they include:

- Agreeing the budget

- Agreeing expenditure outside of virement limits – typically significant capital spend
- Agreeing specified key plans – including the local plan and the Council plan

These decisions would not currently be subject to post decision scrutiny.

8.2 Cross party engagement in the local plan is already ensured through the Local Plan Working Group.

8.3 The budget report is inevitably finalised close to the deadlines for an Executive recommendation and in any case opposition parties tend to like to propose a full budget amendment for Council. Scrutinising the Executive's budget report, even if it can be made available, may not be terribly productive. However, Scrutiny could develop a more significant role in looking at the principles underpinning the budget in the run up to the Executive producing its draft.

8.4 It is therefore suggested that Executive recommendations to Council should not be subject to the new pre decision scrutiny process.

9. Scrutiny Committee remits

9.1 There is a further consequence for Executive Members in that many of the portfolios come within the remit of more than one Scrutiny Committee. It seems appropriate to review those remits to see whether it is possible to bring them more in line with portfolios.

10. Officer in consultation decisions

10.1 To improve openness and transparency the new council leadership also proposes to end the occasional practice whereby decisions may have been taken by an officer in consultation with the Executive Member. Where a decision requires the active involvement of the Executive Member the new leadership believe that the decision should be taken by the relevant Executive Member in a public decision session. This will allow reports to be published in advance and for residents and councillors to speak at the meetings.

11. Options

11.1 The Executive may accept or reject any of the proposals put forward and may put forward alternatives.

12. Analysis

12.1 The analysis is contained in the body of the report.

13. Consultation

13.1 This report is being presented to the Executive, Audit and Governance Committee and Corporate and Scrutiny Management Committee by way of consultation. Political groups and the independent Members will also be asked for their views.

14. Council Plan

14.1 Effective and inclusive decision making will assist in achieving all Council plan priorities

15. Implications

15.1 The implications are:

- Financial – there are no financial consequences arising directly from this report. The final proposals following consultation may have a resource impact, particularly for the staffing of the Democratic Services team, which will need to be considered in due course.
- Equalities - none
- Legal - as York operates a Leader and Cabinet model of decision making under the Local Government Act 2000, executive decisions must be taken in accordance with the provisions of that Act and Regulations issued under it. Decisions will be open to challenge if the Executive or an Executive Member were to slavishly follow the recommendations of a Scrutiny Committee without applying their own independent judgment.

16. Risk Management

16.1 The report identifies risks in respect of the timeliness of decision making and the transparency of decision making.

17. Recommendations

17.1 Members are requested to:

- Indicate any immediate views on the proposals contained in this report

- Agree to consult with both the Audit and Governance Committee and the Corporate and Scrutiny Management Policy and Scrutiny Committee along with political groups and independent members on the proposals in July. Before a final proposal is brought forward in August.

Reason: To enable revised decision making arrangements to be put in place

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Report Approved	√	**Date**	01/07/2015

Wards Affected: **All** √

For further information please contact the author of the report

Background Papers:
None

Annexes:

None

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