



Statement of Accounts

2019/20

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NARRATIVE REPORT

STATEMENT OF ACCOUNTS

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1. INTRODUCTION

These accounts set out the financial results of the City of York Council activities for the year ending 31st March 2020. They are prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) which requires that the accounts show a true and fair view of the financial position of the Council. Suitable accounting policies have been adopted and applied consistently. Where necessary judgements and estimates have been made which comply with the Code.

This narrative report explains the main information included in the accounts, gives an overview of the Council as at 31st March 2020 and provides further information about the most significant matters reported in the accounts, along with an analysis of the pressures and risks that may impact on future financial performance.

In the final week of the financial year the COVID-19 pandemic resulted in a significant change to the way we work and live. The financial impact of COVID-19 on 2019/20 has been limited and therefore it has not significantly changed the outturn. It does, however, have a significant effect on all areas of the council going forward and is considered further in section 10 of this narrative report

The structure of the accounts is as follows:

Statement of Responsibilities

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

Comprehensive Income and Expenditure Statement

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

Movement in Reserves Statement

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

Balance Sheet

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

Cash Flow Statement

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

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Notes and Accounting Policies

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

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

Expenditure and Funding Analysis (EFA)

The objective of the EFA is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Movement on the Housing Revenue Account Statement

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

Collection Fund

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

Annual Governance Statement (AGS)

This statement gives assurance that the Authority has conducted a review of the effectiveness of its systems of internal control and that the appropriate mechanisms are in place for the maintenance of good governance across the activities of the Authority.

Glossary

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

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2. ABOUT THE COUNCIL

The policies of the Council are directed by the political leadership and implemented by the Corporate Management Team and officers of the Council. There are 47 Councillors who are elected every four years by local residents on a ward by ward basis. The May 2019 elections resulted in a new administration when the Liberal Democrats and the Green Party formed a partnership to lead the council and councillors from both parties sit on the ruling Executive.

Our Council Plan 2019 – 2023 sets out our priorities over the coming years and details what steps we'll take to ensure York continues to make history and build communities. We've focused our plan on eight key outcomes (seven of which will improve the quality of life for all residents, and one will enhance the way we work):

- good health and wellbeing
- well paid jobs and an inclusive economy
- getting around sustainably
- a better start for children and young people
- a greener and cleaner city
- creating homes and world-class infrastructure
- safe communities and culture for all
- an open and effective council

It's really important that we have capable, confident people, working positively for York. Therefore we all share a set of values, to help guide what we do and how we engage with our communities, our residents and each other. Our three values are:

- We work together
- We improve
- We make a difference

The people plan for 2016-2020 sets out the high level plan, to ensure we will have the right workforce in place to achieve the objectives set out in the Council Plan. The plan focuses on five key areas:

- Performance and Change
- Resourcing
- Pay Reward & Recognition
- Skills and Behaviours Development
- Wellbeing & Engagement

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3. REVIEW OF THE FINANCIAL POSITION

Funding Context and Financial Planning

At the start of 2019/20 York had the 9th lowest band D council tax, the 4th lowest spend per head of population and the 4th lowest government funding per head of any unitary council in England. All aspects of the public sector were already facing challenging times and in recent years the Council has had to deal with large reductions in funding, combined with a range of significant pressures. The added pressure of additional expenditure and loss of income from fees and charges due to the COVID-19 pandemic adds to an already difficult financial position for local government as a whole.

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

However, the council will need to continue to secure further savings and to manage cost pressures 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 Medium Term Financial Strategy will ensure that the Council prepares effectively for these challenges.

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

In shaping the budget all the issues are carefully considered to ensure a budget that is both prudent and protects vulnerable people. Ensuring that there is the capacity to invest is a critical part of the budget deliberations. In relation to council tax, the 2020/21 budget includes a council tax increase in of 1.99%, plus an additional increase of 2% in line with the Government's Social Care precept.

The medium term strategy will continue to focus on a transformational approach, particularly in the area of adult social care and a significant amount of savings will be delivered by restructuring services. As outlined elsewhere in this report, the impact of the pandemic will be significant and the strategy will be refreshed to reflect this changing context.

Revenue Outturn 2019/20

The Council's General Fund budget for its own net expenditure was set at £123m. To this sum the parish precepts added a further £0.8m. Band D Council Tax, including both Police and Fire Authority precepts, was set at £1,657.29. This was a 4.2% increase on the previous year.

Comprehensive revenue and capital budget monitoring is carried out during the year and is supplemented by quarterly combined finance and performance reports presented to the Executive. This robust financial management has helped the Council to maintain good financial health, despite the continuing pressures on the public sector.

Overall, the net outturn shows an under spend of £128k. However, included within this net underspend are several service areas where there have been significant budgetary pressures, for example additional costs have arisen due to demographic pressures in relation to adult social care.

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These areas continue to present challenges and detailed monitoring will seek to ensure issues are identified and resolved.

These pressures have been mitigated by reduced expenditure or additional income in other areas, and this has been achieved through effective monitoring of the budget throughout the year so that, overall, spending has remained within budget. A review of earmarked reserves was carried out in March and this identified some £1.4m that could be released to support the position. Full details on the individual service areas position for 2019/20 will be reported to Executive in July 2020.

The overall outturn position for the Council is shown below;

| Directorate | 2019/20 Net Budget | 2019/20 Net expenditure | Variation |
|-------------------------------------|-----------------------|----------------------------|-------------|
| | £'000 | £'000 | £'000 |
| Children, Education & Communities | 25,252 | 26,812 | +1,560 |
| Economy & Place | 18,956 | 18,605 | -351 |
| Customer & Corporate Services | 20,261 | 19,589 | -672 |
| Health, Housing & Adult Social Care | 49,981 | 53,593 | +3,612 |
| Central budgets | 8,922 | 6,567 | -2,355 |
| Contingency | | -500 | -500 |
| Review of Reserves | | -1,422 | -1,422 |
| TOTAL | 123,372 | 123,244 | -128 |

Reserves

At the end of the financial year 2019/20 the useable reserves stood at £118m, compared to £138m at the end of 2018/19. This decrease is primarily due to the use of reserves as outlined above and the use of the DSG to support education expenditure. The table below summarises the position on useable reserves

| | Opening Balance | Net movement in year | Closing Balance at 31.3.20 |
|--|--------------------|----------------------------|----------------------------------|
| | £'000 | £'000 | £'000 |
| General Fund balance | 10,115 | -272 | 9,843 |
| Earmarked General Fund Reserves | 35,475 | -13,650 | 21,825 |
| Housing Revenue Account | 24,497 | +1,903 | 26,400 |
| Earmarked Housing Revenue Account Reserves | 17,310 | -4,551 | 12,759 |
| Major Repairs Reserve | 4,346 | +374 | 4,720 |
| Capital Receipts Reserve | 18,858 | -3,437 | 15,421 |
| Capital Grants Unapplied | 27,297 | -469 | 26,828 |
| Total | 137,898 | -20,102 | 117,796 |

The Council takes a risk based approach to the management of useable reserves and as part of setting the annual budget, the s151 Officer undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve, and this was incorporated into the Council budget reports. For 2019/20, it was determined that a level of £6.4m remained an appropriate figure. However in light of the risks facing the council, in particular the scale of future reductions on top of those already made, it was also considered that headroom should remain above the minimum level. This would then allow, if needed, a draw on reserves without the immediate breach of the minimum level. If reserves were maintained at minimum levels, any use would immediately require the restatement back to minimum in the following year. Taking all this into account, the year end balance was £7.5m.

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The General Fund reserve balance of £9.8m in the table above also includes individual school balances of £2.2m. These earmarked reserves are not for Council use and the level of reserve, in accordance with the Code, forms part of the Movement in Reserves Statement. In compliance with the Education Reform Act 1988, individual school balances will be carried forward into 2020/21. The slight reduction in the general fund balance from £10.1m to £9.8m is due to the use of these balances by schools.

The other usable reserves are set aside to cover future expenditure, including capital schemes. Capital grants unapplied are grants received but not yet used and the capital receipts reserve holds the balance of receipts from the disposal of assets. These funds are considered in the annual capital programme report presented to Executive and Full Council in February each year.

The Housing Revenue Account, Major Repairs Reserve and Earmarked Housing Revenue Reserves are considered as part of the business planning process and are held for future use on maintaining existing council homes, as well as investment in developing new build schemes.

Risks and opportunities

The financial impact of the COVID-19 pandemic is significant and likely to last for a number of years. Central Government funding of £10.4m has been received to support the financial pressures being faced by councils, but this is unlikely to be sufficient. The latest estimate of the financial impact on this council identified a potential budget gap of some £24m, although this is an indicative estimate and the true scale of the financial impact very much depends how quickly the local economy recovers. It is likely that the full impact will not be felt for some months to come. This is the single largest risk facing the council but, at the time of writing, there are still many unknowns. An initial review of the budget has been undertaken and further work is ongoing to review capital expenditure and funding assumptions. The Medium Term Financial Strategy will also be reviewed to ensure a clear plan is in place for the budget in 2021/22 and beyond.

Through the 2020/21 budget setting process the council continues to support economic growth, recognising the significant financial benefits in the form of retained business rates, and creation of jobs. Ensuring that there is a strong link between the capital and revenue budgets to support the delivery of council priorities is essential. The Capital Strategy sets out significant capital investment, and details regarding some of the major capital schemes that will impact on the economy of the city.

At a time of significant reductions in grants and rising demand it is absolutely essential to set a prudent, stable and achievable budget. Many councils across the country are now experiencing very severe financial challenges. Whilst the challenges for this council are significant, through sound financial planning, and in year management, the council retains strong financial health. In response to a shift in demand led expenditure pressures and reductions in grant funding, the council is taking steps to enable itself, residents and communities to work together as equal partners to meet their future needs and priorities.

The financial impact of Brexit is as yet uncertain but it could potentially impact on interest and inflation rates, property and rental values as well as the local business economy.

In terms of investment, the council spends a significant amount of its budget on protecting vulnerable people through its social care services. In 2019/20 the net cost of adult social care was £54.9m, 44% of the council's net budget.

The scale of future budget reductions required will inevitably affect all services and all residents to some extent. In considering what savings can be made we have taken long term approaches to the development of future services and this approach will help to protect the needs of the most vulnerable people in York.

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The budget process adopted a risk based approach, and in particular prioritises statutory services to vulnerable adults and children, and key frontline services. Whilst all areas are asked to consider the long term implications of up to a 30% reduction in their net spend over a 4 year period, assessment of options, risks, and links with priorities took place in formulating the final proposals.

Alongside the revenue budget, there are proposals for further major investment in a variety of schemes. These continue the council's approach to prioritise investment in the economy, housing, transport, and to invest to save. In addition, the council is continuing to make a significant investment in Information and Communications technology (ICT), recognising that the need for high quality technology will be crucial to delivering services in the most effective manner in the future, particularly in relation to continued remote working as a result of the pandemic.

Key performance indicators

The Executive for the Council Plan (2019-23) agreed a core set of indicators to help monitor the council priorities and these provide the structure for performance updates in this report. The indicators have been grouped around the eight outcome areas included in the Council Plan

Further detailed performance information is provided on a quarterly basis via www.yorkopendata.org.uk

4. HOUSING REVENUE ACCOUNT (HRA)

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

In 2015 the Government announced a reduction in social housing rents by 1% per year for a period of four years with 2019/20 being the last year, as such the HRA has made significant efficiencies in order to mitigate the reduction in income without reducing the HRA balance below prudent and sustainable levels.

Throughout 2019/20 an additional £2m was invested to improve the housing stock condition and make the properties more energy efficient, this additional funding resulted in a deficit HRA budget of £489k for 2019/20. The year ended with a surplus of £1,903k, £2,392k above the agreed budget. The majority of the underspend, £2,040k, related to delays in the capital schemes funded from revenue, other significant variances were an overspend of £219k on repairs and maintenance, savings of £384k on general management, reduced income from rents of £184k and a savings of £207k from lower than budgeted contribution to the bad debt provision.

5. BUSINESS RATES AND COUNCIL TAX

The main aim of the Business Rates scheme is to give Councils a greater incentive to grow business in their area. However, it also increases financial risk to the Council through additional liabilities in respect of backdated appeals.

Abolition of the national Council Tax benefit system and replacement with the Local Council Tax Scheme has transferred significant risk from Central to Local Government, as any non collection must now be borne in part by the Council.

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The Council is a member of the North and West Yorkshire Business Rates Pool. The pool is a voluntary arrangement which allows local authorities to retain locally a proportion of any growth in business rates income. The pool was established on 1st April 2019 with the aim of furthering economic development activities across the region. It is funded from “levies” on business rates growth which would otherwise be paid over to central government.

The operation of the pool is governed by a formal agreement between the fourteen authorities. The pool is led by a Joint Committee made up of the leaders from nine authorities and is administered by Leeds City Council. The Joint Committee is responsible for making decisions about the use of pool receipts.

The North and West Yorkshire pool was successful in an application to be a 75% business rates pilot from 2019/20. This opportunity builds on many years of successful regional collaboration, providing members and partners with the opportunity to further develop existing relationships and processes to help in the move towards powers, resources and decision-making being undertaken at the optimum level to deliver a growing, inclusive economy. This scheme, along with national changes to business rates in future years will see an increase in the amount of growth in business rates retained by the council and the council will also benefit from one off gains. As the 75% pilot is for only for one year, these gains cannot be assumed as ongoing.

In 2020/21, the Council remains a member of the North and West Yorkshire business rates pool. In this scheme the pool retain 50% of retained business rates.

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

The account shows a surplus on Council Tax and a deficit on Business Rates at 31 March 2020. 97.6% of the total sum collectable for 2019/20 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 97.8% of the 2019/20 bills..

6. CAPITAL EXPENDITURE

Capital expenditure for the year totalled £85.707m (2018/19 £77.402m). This was funded by capital receipts, internal borrowing, Government Grants and other contributions and revenue contributions.

A summary of where the money was spent in 2019/20 and how it was funded is shown below:

| | 2019/20 Outturn £m |
|--|--------------------------|
| Capital Expenditure | |
| Children, Education & Communities | 7.081 |
| Health, Housing & Adult Social Care – Adult Social Care | 4.606 |
| Health, Housing & Adult Social Care – Housing & Community Safety | 30.652 |
| Economy & Place – Transport, Highways & Environment | 18.652 |
| Economy & Place – Regeneration & Asset Management | 11.707 |
| Community Stadium | 8.285 |
| Corporate Schemes | 0.844 |
| IT Development Plan | 3.880 |
| Total expenditure | 85.707 |
| Funding | |
| Prudential Borrowing | 27.293 |
| HRA & RTB Receipts | 10.353 |

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|--------------------------------|---------------|
| Capital Receipts | 1.421 |
| Grants and other contributions | 32.503 |
| Earmarked Reserves | 14.137 |
| Total Funding | 85.707 |

Over a 5 year programme investment of some £560m is planned in a wide range of projects. Significant sums have been set aside in the Venture Fund to assist with the delivery of a number of major projects where there are some short term cash flow issues. This makes adequate provision to ensure these projects do not impact on the revenue budget and that they can be progressed to completion. Some of the major projects are outlined in the following paragraphs.

Progress continues with the development of York Central, a large brownfield site to the west of the city's railway station. This development presents a unique opportunity for housing and economic growth in the centre of York. It lies between the A19 and A59 road corridors, and is contained by operational rail lines. The area contains existing buildings which will be retained which include the National Railway Museum, private housing and businesses. The rest of the site is largely underused, having historically been occupied by the rail industry. A collaborative development partnership which includes the Council, Network Rail, the National Railway Museum and Homes England is progressing investment and delivery for the site. The site has been designated a Housing Zone as well as an Enterprise Zone and public investment is planned to deliver key infrastructure with a view to de-risk and accelerate this project. The outline planning application was approved by Planning Committee in March 2019. Following an announcement by the Government in the Budget in March 2020 the council has been awarded funding of £77m from MHCLG and the council currently awaits the detailed conditions of the funding. This should allow a funding package to be finalised along with West Yorkshire Transport Funding and CYC funding and allow the first stage of infrastructure to be commenced including the construction of a new bridge over the East Coast Main Line and new road into the York Central site.

The programme also includes significant investment in the York Station Frontage scheme. This scheme will result in the removal of Queen Street bridge to enable the reorganisation of the highway and relocation of bus stops, removal of "Parcel Square" to enable the relocation of taxis away from the station portico, relocation of short stay parking and provision of new public realm at Tea Room square. The council currently has identified £11m funding from West Yorkshire Transport Fund and a further sum of £14.5m from the Transforming Cities fund.

Following the approval of the New Home Building Programme of £153.9m in January 2019 the first site at Lowfield Green is currently under construction and the first properties will be completed and occupied in 2020/21. Planning applications for the next sites at Burnholme, Duncombe Barracks and Hospital Fields Road are due to be submitted in the first half of 2020/21 and construction due to commence in 2021/22.

The York Stadium Leisure Complex project, or York Community Stadium, is a council-led scheme to deliver a new football and rugby stadium for professional and community sport and leisure facilities for the city of York and will provide a unique combination of sporting, health and educational facilities. Construction is primarily complete and the site will include an 8,000 all seater stadium to be shared by York City Football Club and York City Knights Rugby League Club and new community leisure facilities. These are expected to open later in 2020/21.

Construction to refurbish and redevelop the Guildhall commenced in 2019/20 and the scheme is due to be completed in 2021/22. This £20m scheme will provide safeguard this historic city asset and provide a Business Hub and restaurant with river views.

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In October 2019 the Department for Transport (DfT) announced that a £26m funding package for dualling a section of the A1237 from the A19 to A64 Malton Rd had been approved. In February 2020 the council agreed to amalgamate the delivery of the scheme alongside the West Yorkshire Transport Fund scheme of roundabout improvements. The combined schemes total £72m to be delivered over the 5 year programme.

The delivery strategy for the Castle Gateway scheme was approved in January 2020 which includes a new coach and multi-storey car park at St George's Field, junction improvements on Fishergate gyratory and a new apartment building on the former car park site at Castle Mills. Further work includes replacing Castle Car Park with a new public space and events area, opening up the rear of the Castle Museum with a new pedestrian bridge over the Foss and new commercial and apartment developments on the rear of the Coppergate Centre and on Piccadilly.

The Covid 19 outbreak has impacted the financial assumptions around a number of the major projects and going forward these will be reviewed prior to further Executive report decision points

7. TREASURY MANAGEMENT

The Council's year end treasury debt position for 2019/20 compared to 2018/19 is summarised in the table below:

| Debt | 31/03/2020 £000 | 31/03/2019 £000 |
|--|----------------------------|----------------------------|
| Balance brought forward | 245,432 | 260,083 |
| Reversal of previous years carrying value | (2,967) | (3,024) |
| Add new loans taken | 20,000 | 406 |
| Less loans matured in year | (6,000) | (15,000) |
| Total debt as per Treasury Management Outturn Report | 256,465 | 242,465 |
| In year carrying value adjustment | 1,018 | 2,967 |
| Total Debt at 31 st March | 257,483 | 245,432 |

Two new PWLB loans were taken during the year totalling £20m; £10m at 2.67% interest with a fixed repayment date of 20/09/2033 and £10m at 2.77% interest with a fixed repayment date of 20/09/2067. Two PWLB loans totalling £6m were repaid during the year.

The Council maintained an average investment balance of £48.699m in 2019/20 compared to £93.531m in 2018/19. The surplus funds earned an average rate of return of 0.74% in 2019/20 compared to 0.69% in 2018/19. These balances are not available in the longer term and will start to decrease as capital investment is made in a range of projects, as outlined in the Capital Strategy approved by Council in February 2020.

Looking ahead, there has been significant market uncertainty since the end of March 2020 but the Bank of England (MPC) and UK Government have introduced unprecedented measures to protect the UK economy and financial markets. This includes a cut in UK Bank Rate to 0.10% and the approval of additional £200bn Quantitative Easing. The Chancellor has also implemented financial support packages for businesses and employees to mitigate some of the initial risks arising from the enforced Covid-19 lockdown during April and May 2020. Therefore the continued economic uncertainty is forecast to continue.

NARRATIVE REPORT

8. PENSIONS

The cost of pensions to the Council continues to increase year on year and remains a major item of expenditure. The Council is a member of the North Yorkshire Pension Fund (NYPF) and the last full actuarial valuation of the fund was carried out as at 31st March 2019. This has been updated by independent actuaries to take account of the requirements of International Accounting Standard 19 in order to assess liabilities as at 31st March 2020.

The Council's overall pension liability is £142.400m (an increase from £139.864m in 2018/19). The Fair Value of assets has remained relatively constant with the increase being primarily due to an increase in the present value of funded defined benefit obligation. Further details can be found in the pensions note 49.

9. NON CURRENT ASSETS

The council holds various non current assets which are categorised as follows:

- property, plant and equipment (PPE) – this includes council dwellings, land & buildings, infrastructure assets, community assets, surplus assets, assets under construction and tangible plant, vehicle and equipment assets
- intangible assets
- heritage assets
- investment property
- assets held for sale

The accounting standard IFRS 13 Fair Value Measurement was adopted by the council in 2015/16. In accordance with this accounting standard, the council's Investment Properties and Surplus Assets are valued at fair value and measured at their highest and best use. Assets Held for Sale are measured at the lower of the carrying value on reclassification to this category, or the fair value less costs to sell. The fair value measurements are carried out in accordance with IFRS 13.

All other property, plant and equipment assets, with the exception of assets under construction, community assets and infrastructure assets, are carried at current value. Further details of the measurement bases used are provided in the accounting policies section. Infrastructure and community assets are measured at depreciated historic cost, whilst assets under construction are measured at historic cost. Heritage assets are measured at market value where this exists, or replacement cost. Intangible assets are measured initially at cost and then usually carried at amortised cost.

The Valuation techniques adopted for each category of Non Current Assets are in accordance with the requirements set out in the CIPFA Code of Practice.

The 2019/20 balance sheet value of the council's non current assets (including current assets held for sale) is £1,202.945m. This has increased by £147.149m from the 2018/19 value of £1,055.796m.

Capital enhancements to the value of £78.971m were made to these assets during 2019/20 and Assets to the value of £13.028m were disposed of during the year. The disposals figure includes £5.070m in relation to 6 schools which converted to Academies during 2019/20 and are therefore accordingly removed from the council's balance sheet.

Non current assets were depreciated by £22.345m during 2019/20. This figure includes amortisation of intangible assets.

NARRATIVE REPORT

Valuations on the council's properties are carried out by qualified valuers within the council's Asset and Property Management Team. A revaluation programme exists which set out when each category of Asset will be valued and during 2019/20 this programme included Park & Ride sites, libraries, Day & Training Centres, and Travellers Sites. Investment Properties over £0.5m were also valued as these are valued annually.

The council's housing stock normally has a full revaluation every 5 years, and desktop revaluations are undertaken on the interim years. The five yearly full revaluation was last undertaken in 2015/16, however an additional full revaluation was undertaken in 2017/18. This was to ensure accurate valuations due to changes in the housing market causing large increases in some housing areas. In 2019/20, a desktop revaluation was undertaken. The value of the council's housing stock increased by £21.155m as a result of the desktop revaluation this year.

The HRA has increased the type of housing offered with the Shared Ownership Programme. In total, 31 properties have been purchased to date, including 20 in 2019/20. Of the properties purchased, 30 have now been sold, with customers purchasing initial shares of between 50 and 75%. The budget for this scheme is modelled on 50% of each home being funded by the HRA and resources from Homes England funding. The matched funding is received as a capital receipt when the purchaser buys an equity share of the property, as such the receipts from the sale of the shared ownership homes are required to be reinvested back in to programme. The budget for this programme is currently £8.119m.

The revaluation of some investment properties led to an increase in their valuation of £0.070m. This is reflected in note 14 and in the Comprehensive Income and Expenditure statement.

The council's heritage assets increased in value by £52.213m during 2019/20. This is mainly due to an increase in the insurance valuation for the Art Gallery collection following a review of the value of assets insured. This increase is reflected in note 13 and also in note 26.

10. COVID-19 ISSUES

When a new strain of coronavirus, Covid-19, was noted in Wuhan, China, in late 2019, few could have realised the global significance of this illness. As a new strain, there was no immunity within the general population, which led to a rapid spread across most parts of the world. The first cases in the UK were identified in York on 31 January.

Countries across the globe have responded to reduce the likelihood of infection, through social distancing and lockdown measures. On 23 March, the UK entered what is commonly termed "lockdown", meaning people were required to stay at home apart from leaving for only exceptional reasons. These restrictions have been eased gradually throughout May and June of this year.

Responding to COVID-19 has required a complete transformation of the way the council operates, reprioritising support to those most in need and facilitating the ongoing delivery of critical services. From late March onwards a huge number of changes were made, supporting the city's wider response to keep people safe.

The degree of change required across the city and in the way the council operates as a result of coronavirus cannot be overstated. In a short period, the lives of every resident have been impacted and every service has been affected. Each area has had to rework business processes and approaches to work remotely and support staff members working in different ways. Where services were suspended or changed in nature, the situation was kept under review to ensure that as those services have resumed, it has been when it was safe and possible to do so.

NARRATIVE REPORT

This challenge, however, has seen an incredible response in York, from residents, communities and organisations. The city is indebted to those individuals, including Council Officers, who have worked tirelessly to keep people safe and supported at this time.

The council's immediate priority was to both connect the most vulnerable to the help they needed and where possible, and provide assistance to local businesses. In response, we provided a package of support for vulnerable residents, including residents who have been impacted financially and local small / micro businesses.

To achieve this, we identified and redeployed staff from nonessential roles into priority areas, including community, care, frontline or customer service roles, in order to ensure that we could quickly distribute support to those who most needed it.

The commitment and response from staff has been exemplary, with many staff working weekends and evenings to ensure residents and communities are supported across the city. The Council's Executive and Corporate Management Team have been issuing regular communications to staff, in order to highlight support on offer to them during this period and to thank staff for their efforts.

As part of the North Yorkshire Local Resilience Forum (LRF), information sharing commenced on 31st January and the emergency response arrangements were enacted fully on 3rd March. The LRF brings together partners from health, police, fire and rescue, local authorities, military and a range of other organisations to coordinate responses to emergencies. It has a range of protocols, used in response to all emergency situations, for ensuring information is passed between the relevant agencies and Government, that risks are identified and addressed, and that action is taken in a coordinated way. In doing so, the emergency response was coordinated at a sub-regional, regional and national level, working across all responding organisations.

City of York Council is a full part of these arrangements. It does, however, retain the decision-making responsibilities around council services and their safe operation. Internal Gold and Silver command meetings were established (initially in person and then via Skype) to provide coronavirus-specific decision-making forums. Gold provides strategic decisions, involving the Interim Head of the Paid Service, Directors and leads for corporate services. Silver includes representatives from all service areas and takes tactical or operational decisions.

Executive and other elected members have been kept involved in a number of ways. At Executive level, regular discussions have taken place including on all key decisions and other significant matters. Weekly meetings with Group Leaders have also been held to ensure all elected members are aware of events, and a daily communications briefing has been provided to all members.

The council also took part in a wide range of regular meetings with regional and national partners, including NHS, Police and Government Agencies and Departments. These arrangements have worked effectively with the council responding rapidly to the changing operating context in tandem with key partners.

On 7 May, the Council reported to Executive on the council's initial response to the pandemic. Since then, the council has continued to prioritise the support of residents, communities and businesses to protect people's health and wellbeing. This will continue to be a primary focus for the council whilst coronavirus remains a threat. Specific examples of work undertaken to date include:

- a. The swift processing of the Government's Business Support Grants, and the Business Rates relief scheme, to ensure that money was in businesses' bank accounts as quickly as possible. Over £100m has been paid out in direct grants or in business rates relief.

NARRATIVE REPORT

b. Additionally, the creation of a small and micro business fund direct from the council to support those businesses who were not eligible for Government Support. This was subsequently when the Government released further funding for discretionary grants.

c. The prioritisation of ongoing communications to households, including through print and online media, social media, direct leaflets and Our City, addressed to all residential properties.

Work has continued within services to adapt to the changing environment and to allow service levels to return to normal as far as possible. Significant work across the council and with education partners has been undertaken to facilitate an increase the number of pupils attending schools across York.

Democratic Services have recommenced meetings, with Executive, Licensing and Planning committees, and Corporate and Scrutiny Management committees being scheduled as remote meetings.

Activities to bring services back to full operational delivery in a new operating context and adapt to changing circumstances will continue. To shape and coordinate this, the Council agreed a Recovery and Renewal Strategy in late June to set out the approach that the council will take and the priority activities required.

The Recovery and Renewal Strategy itself discusses the role of the plan and how it relates to other recovery work. In summary, it describes the key areas of focus for the coming year for the council in order to prioritise recovery for the city and continue to deliver the outcomes described within the Council Plan 2019-2023.

During 2020/21, the Council Plan will be reviewed to take into consideration the changed context of the city. At this point, we believe the outcomes contained within with Council Plan remain appropriate and correct, but the activities needed in order to achieve them may need to change. From 2021 onwards, the Council Plan will include the ongoing recovery activity as part of the core-business of the council.

Alongside the 1 year Recovery and Renewal Strategy, a 10 year City Plan is being discussed with partner organisations, to define and promote a longer term set of ambitions for the city as a whole.

The Recovery and Renewal Strategy is underpinned by a variety of more detailed plans and strategies which will continue to be developed over coming weeks and months. It is also likely that additional plans will be required as the context changes

We have carried out a review of the impact of Covid-19 on the Statement of Accounts for 2019/20. Given the lockdown was introduced on 23rd March 2020, the last week of the 2019/20 financial year, the review has concluded that there is no material impact on the Statement of Accounts this year. We do however expect there to be an impact during 2020/21 and will report back on the details of this in next year's Statement of Accounts.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS REPORT

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STATEMENT OF ACCOUNTS



STATEMENT OF RESPONSIBILITIES

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STATEMENT OF RESPONSIBILITIES

1. THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Customer and Corporate 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 SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 officer 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 Section 151 officer has:

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

The Section 151 officer 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 2020 and its income and expenditure for the year ended 31 March 2020. These audited accounts replace the un-audited statement of accounts previously published on 30 June 2020.

Signed

Dated

Debbie Mitchell, ACMA

Chief Finance Officer

4. APPROVAL OF THE ACCOUNTS

I certify that the Statement of Accounts has been approved by a resolution of the Audit & Governance Committee of City of York Council in accordance with the Accounts and Audit Regulations 2015.

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

Signed

Dated

Cllr Pavlovic

Chair, Audit and Governance Committee

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CORE FINANCIAL STATEMENTS



COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income and Expenditure Statement

| | Note | 2019/20 | | | 2018/19 RESTATE | | |
|--|-------------|-------------------------|------------------|-----------------------|-------------------------|------------------|-----------------------|
| | | Gross Exp. £000's | Income £000's | Net Exp. £000's | Gross Exp. £000's | Income £000's | Net Exp. £000's |
| Service Costs | | | | | | | |
| Customer and Corporate Services | | 81,698 | (48,585) | 33,113 | 80,640 | (49,170) | 31,470 |
| Childrens and Education Services | | 119,263 | (92,450) | 26,813 | 120,235 | (91,034) | 29,201 |
| Communities and Equalities | | 9,195 | (3,194) | 6,001 | 9,167 | (3,477) | 5,690 |
| Housing Revenue Account | | 28,335 | (39,028) | (10,693) | 25,650 | (35,278) | (9,628) |
| Adult Social Care | | 95,425 | (32,053) | 63,372 | 85,608 | (26,303) | 59,305 |
| Housing and Community Safety | | 14,885 | (9,991) | 4,894 | 7,042 | (5,163) | 1,879 |
| Public Health | | 9,721 | (9,187) | 534 | 6,888 | (9,476) | (2,588) |
| Economy and Place | | 65,536 | (45,086) | 20,450 | 56,944 | (30,212) | 26,732 |
| Cost of Services | | 424,058 | (279,574) | 144,484 | 392,174 | (250,113) | 142,061 |
| Other Operating Expenditure | (9) | | | 7,392 | | | 42,016 |
| Financing and Investment Income and Expenditure | (10) | | | 12,420 | | | 11,630 |
| Taxation and Non-Specific Grant Income | (11) | | | (162,673) | | | (162,727) |
| (Surplus)/Deficit on Provision of Services | (30) | | | 1,623 | | | 32,980 |
| Revaluation (gains) on non current assets | (26) | | | (93,687) | | | (10,139) |
| Impairment losses on non current assets | | | | - | | | - |
| Surplus/loss arising on the revaluation of available-for-sale financial assets | | | | - | | | - |
| Re-measurement of net defined benefit/ liability | (49) | | | (11,367) | | | (27,397) |
| Other Comprehensive Income and Expenditure | | | | (105,054) | | | (37,536) |
| Total Comprehensive Income and Expenditure | | | | (103,431) | | | (4,556) |

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

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

| | 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 |
| 2019/20 | | | | | | | | | | |
| Balance at 1 April 2019 | (10,115) | (35,475) | (24,497) | (17,310) | (4,346) | (18,858) | (27,297) | (137,898) | (523,322) | (661,220) |
| Movement in Reserves during 2019/20 | | | | | | | | | | |
| (Surplus) /Deficit on Provision of Services | 8,753 | - | (7,130) | - | - | - | - | 1,623 | - | 1,623 |
| Other Comprehensive Income and Expenditure movement | - | - | - | - | - | - | - | - | (105,054) | (105,054) |
| Total Comprehensive Expenditure and Income | 8,753 | - | (7,130) | - | - | - | - | 1,623 | (105,054) | (103,431) |
| Adjustments between accounting basis & funding basis under regulations | 7 5,169 | - | 9,778 | - | (374) | 3,437 | 469 | 18,479 | (18,479) | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 13,922 | - | 2,648 | - | (374) | 3,437 | 469 | 20,102 | (123,533) | (103,431) |
| Transfers to/from Earmarked Reserves | 8 (13,650) | 13,650 | (4,551) | 4,551 | - | - | - | - | - | - |
| Increase/Decrease in Year | 272 | 13,650 | (1,903) | 4,551 | (374) | 3,437 | 469 | 20,102 | (123,533) | (103,431) |
| Balance at 31 March 2020 carried forward | (9,843) | (21,825) | (26,400) | (12,759) | (4,720) | (15,421) | (26,828) | (117,796) | (646,855) | (764,651) |

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

MOVEMENT IN RESERVES STATEMENT

2018/19:

| | | 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 RESTATED | Total Authority Reserves |
|--|------|----------------------|---------------------------------|-------------------------|------------------------|-----------------------|--------------------------|--------------------------|-----------------------|----------------------------|--------------------------|
| | Note | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance at 1 April 2018 | | (10,931) | (49,433) | (29,420) | (9,014) | (3,568) | (18,116) | (29,178) | (149,660) | (507,005) | (656,665) |
| Movement in Reserves during 2018/19 | | | | | | | | | | | |
| (Surplus) /Deficit on Provision of Services | | 38,203 | - | (5,223) | - | - | - | - | 32,980 | - | 32,980 |
| Other Comprehensive Income and Expenditure movement | | - | - | - | - | - | - | - | - | (37,536) | (37,536) |
| Total Comprehensive Expenditure and Income | | 38,203 | - | (5,223) | - | - | - | - | 32,980 | (37,536) | (4,556) |
| Adjustments between accounting basis & funding basis under regulations | 7 | (23,429) | - | 1,850 | - | (778) | (742) | 1,881 | (21,218) | 21,218 | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | | 14,774 | - | (3,373) | - | (778) | (742) | 1,881 | 11,762 | (16,318) | (4,556) |
| Transfers to/from Earmarked Reserves | 8 | (13,958) | 13,958 | 8,296 | (8,296) | - | - | - | - | - | - |
| Increase/Decrease in Year | | 816 | 13,958 | 4,923 | (8,296) | (778) | (742) | 1,881 | 11,762 | (16,318) | (4,556) |
| Balance at 31 March 2019 carried forward | | (10,115) | (35,475) | (24,497) | (17,310) | (4,346) | (18,858) | (27,297) | (137,898) | (523,322) | (661,220) |

MOVEMENT IN RESERVES STATEMENT

Split of General Fund Balance between Schools and GF

| | 31-Mar-20 £000's | 31-Mar-19 £000's |
|---|---------------------|---------------------|
| Amount of General Fund Balance held by governors under schemes to finance schools | (2,274) | (2,535) |
| Amount of General Fund Balance generally available for new expenditure | (7,569) | (7,580) |
| Total General Fund Balance | (9,843) | (10,115) |

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BALANCE SHEET

Balance Sheet

| | Note | 31 March 2020 | 31 March 2019 Restated |
|---|-------------|------------------|------------------------------|
| | | £000's | £000's |
| Property, Plant and Equipment | (12) | 1,038,906 | 945,778 |
| Investment Property | (14) | 60,260 | 57,399 |
| Intangible Assets | (15) | 3,060 | 3,265 |
| Heritage Assets | (13) | 99,559 | 47,346 |
| Long - Term Investments | (16) | 5,271 | 5,507 |
| Long - Term Debtors | (20) | 5,170 | 5,288 |
| LONG - TERM ASSETS | | 1,212,226 | 1,064,583 |
| Short-Term Investments | (16) | 0 | 5,000 |
| Assets Held for Sale | (22) | 1,160 | 2,008 |
| Inventories | (17) | 417 | 451 |
| Short-Term Debtors | (19) | 49,378 | 39,615 |
| Cash and Cash Equivalents | (21) | 11,430 | 41,356 |
| CURRENT ASSETS | | 62,385 | 88,430 |
| Short-Term Borrowing | (16) / (52) | (11,698) | (9,698) |
| Provisions due to be settled within 12 months | (24) | (1,192) | (1,184) |
| Short-Term Creditors | (23) | (45,940) | (43,135) |
| Other Short-Term Liabilities | (23) | (4,628) | (4,402) |
| CURRENT LIABILITIES | | (63,458) | (58,419) |
| Provisions | (24) | (13,395) | (11,755) |
| Long-Term Borrowing | (16) / (52) | (245,489) | (235,399) |
| Other Long-Term Liabilities | (16) | (45,218) | (46,326) |
| Liability related to Defined Benefit Pension Scheme | (26) / (49) | (142,400) | (139,894) |
| LONG-TERM LIABILITIES | | (446,502) | (433,374) |
| NET ASSETS | | 764,651 | 661,220 |
| RESERVES | | | |
| <u>Usable Reserves</u> | | | |
| Capital Receipts Reserve | | (15,421) | (18,858) |
| General Fund Balance | | (9,843) | (10,115) |
| Housing Revenue Account Reserve | | (26,400) | (24,497) |
| Major Repairs Reserve | | (4,720) | (4,346) |
| Capital Grants Unapplied | | (26,828) | (27,297) |
| Earmarked Reserves | (8) | (34,584) | (52,785) |
| | MIRS | (117,796) | (137,898) |
| <u>Unusable Reserves</u> | | | |
| Revaluation Reserve | | (386,182) | (297,993) |
| Capital Adjustment Account | | (406,525) | (365,213) |
| Financial Instruments Adjustment Account | | 1,309 | 1,397 |
| Financial Instruments Revaluation Reserve | | (2,651) | (2,887) |
| Pensions Reserve | | 142,400 | 139,894 |
| Collection Fund Adjustment Account | | 1,274 | (1,914) |
| Employee Benefit Adjustment Account | | 3,520 | 3,394 |
| | (26) | (646,855) | (523,322) |
| TOTAL RESERVES | | (764,651) | (661,220) |

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

CASH FLOW STATEMENT

Cash flow Statement

| | Note | 2019/20 | 2018/19 restated |
|--|------|-----------------|---------------------|
| | | £000's | £000's |
| Net (Surplus)/Deficit on the provision of Services | | 1,623 | 32,976 |
| Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements | (27) | (34,733) | (83,235) |
| Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities | (27) | 41,915 | 49,369 |
| Net Cash Flows from Operating Activities | | 8,805 | (890) |
| Investing Activities | (28) | 34,947 | (7,049) |
| Financing Activities | (29) | (13,826) | 15,312 |
| Net (Increase)/Decrease in Cash and Cash Equivalents | | 29,926 | 7,373 |
| Cash and Cash Equivalents at the beginning of the reporting period | (21) | (41,356) | (48,729) |
| Cash and Cash Equivalents at the end of the reporting period | (21) | (11,430) | (41,356) |

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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1. ACCOUNTING POLICIES

I. General

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2019/20 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 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

IV. Exceptional Items

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

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

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

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

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

VI. Charges to Revenue for Non-Current Assets

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

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

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

VII. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement 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 provide 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, using a discount rate of 2.3% as at 31st March 2020.
- 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
 - 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
 - o 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
 - o 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
 - o contributions paid to the NYPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

VIII. Events After the Balance Sheet Date

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

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

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

IX. Fair Value Measurement

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

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

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

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

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

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

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

X. Financial Instruments

In the 2018/19 Statement of Accounts the Council transitioned to the accounting standard IFRS 9 Financial Instruments which introduced new classifications and measurement of financial assets along with a new model for impairing financial assets based on expected credit loss. The accounting policy that follows recognises the IFRS 9 standard and further information detailing the judgements and classifications for the Council's Financial Instrument assets can be found in note 16.

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.

For loans taken out at concessionary rates, either interest free or at less than prevailing market rates, the effective interest rate is calculated. The value of the loan is discounted using a prevailing market rate at the date of drawdown to reflect the benefit obtained by the Council. The fair value of the loan is taken to the Financial Instruments Adjustment Account and amortised based on the assumed interest rate per annum. The balance on the Financial Instruments Adjustment Account is written down annually in line with the loan amortisation until the value of the loan at redemption equals the value of the loan originally drawn down. Notional interest is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement reflecting the prevailing market rate used to discount the loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The reconciliation of amounts between the Comprehensive Income and Expenditure Statement and Balance Sheet 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, 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.

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Where material, impairment and expected Credit Losses are recognised in the Statement of Accounts as either a debit or credit to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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.

Fair Value through Other Comprehensive Income

IFRS 9 permits equity instruments not held for trading to be considered for designation to Fair Value through Other Comprehensive Income. The decision to designate is based on which accounting treatment and presentation of fair value best reflects the Council's reason for investment and the business model for holding the investment. Designation can only be made at initial recognition and the decision to designate an equity instrument is irrevocable.

For equity instruments designated at fair value through Other Comprehensive Income the Council holds these at fair value on the Balance Sheet. The fair value measurements of the financial assets are based on the following techniques:

- 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 – IFRS 13 Adjusted Net Asset Value method.

The fair value is measured annually with increases and decreases credited or debited to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. In order that gains and losses from movements in fair value are not reflected in the General Fund Balance, the movement in fair value is balanced off in the Financial Instruments Revaluation Reserve Account in the Movement in Reserves Statement.

When an equity instrument is derecognised the fair value is reversed out of the Financial Instruments Revaluation Reserve Account and transferred to the General Fund balance.

Further information on designated equity at Fair Value through Other Comprehensive Income can be found in the Financial Instruments section of the Statement of Accounts under note 16.

XI. Government Grants and Contributions

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

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

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

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

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

XII. Heritage Assets

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

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

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

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

Records for Heritage Properties are maintained by the Council's Asset & Property Management team, whilst records for the contents of the Art Gallery are held by York Museums Trust. Items from the Museum, Art Gallery and Mansion House collections are on view for members of the public to see at these sites.

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 and are consequently not included in the council's balance sheet:

- (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 on the 2019/20 balance sheet using the valuations provided by a fine art external valuation expert who revalued the assets in the collection in March 2018. 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 e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity, it is recognised and measured in accordance with the Council's general policies on impairment – see section on impairment in PPE note XX 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 XX 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

An assessment of the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. The Council does have a number of interests in companies and other entities, the majority of which are not material and thus the production of group accounts is not required for these interests. The main Council interests relate to CYT Ltd which, whilst material, is fully disclosed within the Related Parties disclosure rather than group accounts.

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures but, due to the values involved, these do not require the Council to prepare Group Accounts. Further detail on all these arrangements can be found with in the Related Parties note 41.

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.

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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are reviewed annually by the Council's Property and Asset Management team (Royal Institute of Chartered Surveyors registered valuer) according to market conditions at the year-end. Properties over £0.5m are revalued annually whilst properties below this level are revalued under the rolling programme or in the intervening periods if there is considered to be a material difference between the carrying value and the fair value of the property reflecting market conditions at the balance sheet date. 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 (e.g. 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 (e.g. 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 2019/20 (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 costs relating to the Council's status as a multifunctional, democratic organisation which are charged under Corporate and Customer Services in the Comprehensive Income and Expenditure Statement.

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 has a de minimis level of £10k for Property assets. Any properties valued at less than this are not generally added to the Council's balance sheet. The exception to this is when capital money has been used to buy the property, and it would then be included on the balance sheet.

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

The 9 Voluntary Aided and 10 Voluntary Controlled schools are not recognised within the Council's financial statements as the Council does not exercise sufficient influence on the governing bodies to warrant recognition. The Council does, however, include the playing fields where these are owned by the Council and have not been included in any Academy conversion.

All elements of the 17 Local Authority controlled schools are shown in the Council's financial statements.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure and community assets – depreciated historical cost
- assets under construction – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- all other assets:
 - – intangibles and equipment fair value market value,
 - – buildings and land are measured at current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Componentisation

All Property assets containing a building are split into two components - Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set, below which this additional review will not be done. Only buildings with a valuation greater than £1m will be considered for componentisation, which accounts for approximately 68% 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 3-10 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).

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 was previously owned by the council however converted to Academy during 2018/19, therefore the accounting treatment is now the same as the other schools which are Voluntary Aided and belong to the church diocese.

As Hob Moor has now converted to an Academy and St Oswalds and St Barnabas are VA schools 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.

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.

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

Earmarked Reserves

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

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

Usable Reserves

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

Councils are required by the Accounts and Audit Regulations 2015 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. Under the new arrangements in the self-financing HRA, to establish the resources available on an annual basis in the Major Repairs Reserve, the regulations require the MRR to be credited with an amount equivalent to the total depreciation charges for all HRA assets.

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.

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. Value Added Tax (VAT)

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's income and expenditure account.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the balance sheet date, the following new standards have been published but not yet adopted by the Code of Practice:

IFRS 16 Leases – This standard will require local authorities that are lessees to recognise most leases on their balance sheets and right-of-use assets with corresponding lease liabilities. Cipfa/LASAAC have deferred implementation of IFRS16 for local government until 1st April 2021.

IAS19 Employee Benefits – This standard will require the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

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. The Government has already announced that the move to 75% business rates retention and changes to how funding is distributed between councils under the fair funding review will not now go ahead next year and therefore whilst this uncertainty continues it is highly likely that there will be no immediate change to the level of funding. Given that this increased uncertainty is directly linked to the COVID-19 pandemic it is considered that, with the Government funding already received and reprioritisation of existing budgets, this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision

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

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

Accounting for schools – Balance sheet recognition – The Council recognises schools in line with the provisions of the Code of Practice, consequently schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the

Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria. The Council has undertaken a detailed review to assess the level of control it exercises in relation to both the VA & VC schools. The analysis undertaken considered the governing bodies majority appointment rights and concluded that in all cases the Council did not exercise sufficient influence to warrant recognition of assets in relation to the schools on its balance sheet.

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

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

Group Accounts Boundaries – The Councils group boundaries have been assessed using the criteria outlined in the Code of Practice, which has confirmed the Council has a number of interests in other entities which therefore fall within the boundary. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. The Council therefore considers that the reader of the accounts is better served by expanding the related party disclosure note in respect of these interests rather than completing separate group accounts statements. The enhanced related parties note can be found at Note 41.

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

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

The items in the Council's Balance Sheet at 31 March 2020 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. Variations in the key assumptions would have the following impact on the net liability:

- A 0.1% increase in the discount rate would reduce the net pension liability by £16.624m
- A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £15.041m
- An increase in one year of longevity would increase the net pension liability by £25.332m

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.

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of 'material valuation uncertainty' per the RICS red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. In the valuer's opinion this was too close to the valuation date on 31 March 2020 to have any material impact on the reported values, however the Council will continue to analyse the impact on the council's assets as more reliable evidence emerges

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Other than specifically disclosed elsewhere, there are no material items of income and expenditure requiring separate disclosure.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Corporate Finance & Procurement (Interim S151 officer) on 30 June 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Adjusting Events:

Adjusting events after the balance sheet date are those that are indicative of conditions that arose after the reporting period. The Code sets out that where material the financial statements should be amended to reflect the impact of these events.

Non- adjusting Events:

Non Adjusting events after the balance sheet date are those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect these events however material items are disclosed in terms of the nature of the events and their financial effects.

There are no adjusting or non-adjusting events after the balance sheet in 2019/20.

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 – 2019/20

2019/20

| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (12,888) | (8,381) | | | | 21,269 |
| Revaluation losses on Property Plant and Equipment | 10,658 | (853) | | | | (9,805) |
| Movements in the market value of Investment Properties | 44 | 25 | | | | (69) |
| Amortisation of intangible assets | (1,053) | (23) | | | | 1,076 |
| Capital grants and contributions applied | 28,133 | 5,373 | | | | (33,506) |
| Revenue expenditure funded from Capital under statute | (6,736) | - | | | | 6,736 |
| Revenue expenditure funded from Capital under statute - Prior Year Reversal | - | - | - | | | - |
| 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 | (6,120) | (6,908) | | | | 13,028 |
| Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 9,745 | | | | | (9,745) |
| Capital expenditure charged against the General Fund and HRA balances | 82 | 6,958 | | | | (7,040) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 1,777 | | | | (1,777) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | (2,246) | | | | 2,246 | - |
| 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 | 510 | 8,368 | | (8,878) | | - |
| Transfer of cash loan repayment to the Capital Receipts Reserve | | | | (100) | | 100 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | 9,850 | | (9,850) |
| Contribution from the Capital Receipts Reserve towards revenue costs under Capital Receipts flexibility | | | | | | - |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool | | (1,179) | | 1,179 | | - |
| Contribution from the Capital Receipts Reserve to finance disposal costs | | (75) | | 75 | | - |
| Contribution from the Capital Receipts Reserve to finance repayment of 141 RTB receipts | | (1,311) | | 1,311 | | - |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 8,380 | (8,380) | | | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | 8,006 | | | (8,006) |
| 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 | 89 | | | | | (89) |
| Adjustments primarily involving the Financial Instruments Revaluation Reserve | | | | | | |
| Movement in fair value of Financial Instruments | (236) | | | | | 236 |
| Adjustment primarily involving the Pensions Reserve: | | | | | | |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 15,320 | 664 | | | | (15,984) |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (28,596) | (1,260) | | | | 29,856 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (3,188) | | | | | 3,188 |
| 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 | (126) | | | | | 126 |
| Total Adjustments: | 5,169 | 9,778 | (374) | 3,437 | 469 | (18,479) |

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments between Accounting Basis and Funding Basis under Regulations – 2018/19

2018/19

| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (13,076) | (7,999) | | | | 21,075 |
| Revaluation losses on Property Plant and Equipment | 752 | 7 | | | | (759) |
| Movements in the market value of Investment Properties | (533) | | | | | 533 |
| Amortisation of intangible assets | (973) | (38) | | | | 1,011 |
| Capital grants and contributions applied | 39,040 | 832 | | | | (39,872) |
| Revenue expenditure funded from Capital under statute | (4,318) | | | | | 4,318 |
| Revenue expenditure funded from Capital under statute - Prior Year Reversal | 1,164 | | | | | (1,164) |
| 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 | (45,129) | (5,204) | | | | 50,333 |
| Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 9,524 | | | | | (9,524) |
| Capital expenditure charged against the General Fund and HRA balances | 293 | 2,269 | | | | (2,562) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 3,363 | | | | (3,363) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | (5,244) | | | | 5,244 | - |
| 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 | 4,622 | 6,757 | | (11,379) | | - |
| Transfer of cash loan repayment to the Capital Receipts Reserve | | | | (100) | | 100 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (43) | | 8,098 | | (8,055) |
| Contribution from the Capital Receipts Reserve towards revenue costs under Capital Receipts flexibility | (268) | | | 268 | | - |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool | | (1,179) | | 1,179 | | - |
| Contribution from the Capital Receipts Reserve to finance disposal costs | | (35) | | 35 | | - |
| Contribution from the Capital Receipts Reserve to finance repayment of 141 RTB receipts | | (1,157) | | 1,157 | | - |
| Adjustment primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 7,999 | (7,999) | | | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | 7,221 | | | (7,221) |
| 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 | (395) | | | | | 395 |
| Adjustments primarily involving the Financial Instruments Revaluation Reserve | | | | | | |
| Movement in fair value of Financial Instruments | 2,887 | | | | | (2,887) |
| Adjustment primarily involving the Pensions Reserve: | | | | | | |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 13,513 | 1,658 | | | | (15,171) |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (28,514) | (2,017) | | | | 30,531 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 224 | | | | | (224) |
| 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 | (361) | | | | | 361 |
| Total Adjustments: | (23,429) | 1,850 | (778) | (742) | 1,881 | 21,218 |

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 2019/20:

| | Transfers Out During Year £000's | Transfers In During Year £000's | Net mov't During Year £000's | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|---------------------------------------|---|---|---------------------------------------|-----------------------------------|-----------------------------------|
| General Fund | | | | | |
| Venture Fund | 1,434 | (1,685) | (251) | (3,980) | (3,729) |
| Developers Contributions Unapplied | 7,176 | (5,088) | 2,088 | (8,446) | (10,534) |
| Waste Management Reserve | 231 | - | 231 | (1,933) | (2,164) |
| Pay and Pensions Reserve | 630 | (248) | 382 | (349) | (731) |
| Yearsley Pool Reserve | 243 | (281) | (38) | (1,421) | (1,383) |
| York Central | 200 | - | 200 | (661) | (861) |
| Employment Matters reserve | 729 | (299) | 430 | - | (430) |
| WYTF Reserve | 450 | - | 450 | (165) | (615) |
| Contingency Reserve | 805 | (155) | 650 | - | (650) |
| Insurance Fund | 609 | (649) | (40) | (278) | (238) |
| Bus Lane enforcement | 375 | - | 375 | (150) | (525) |
| Miscellaneous | 30,875 | (21,702) | 9,173 | (4,442) | (13,615) |
| Subtotal General Fund | 43,757 | (30,107) | 13,650 | (21,825) | (35,475) |
| HRA | | | | | |
| 53rd Week Rent | 525 | (1,050) | (525) | - | 525 |
| HRA Investment Reserve | 5,087 | (11) | 5,076 | (12,759) | (17,835) |
| Subtotal HRA | 5,612 | (1,061) | 4,551 | (12,759) | (17,310) |
| Total Earmarked Reserves | 49,369 | (31,168) | 18,201 | (34,584) | (52,785) |

Reserves

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

Venture Fund - This fund was established with an initial capital balance 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

Waste Management Reserve – When the Long Term Waste Contract was agreed by Council, it was agreed to set aside additional funds in order to build up sufficient budget to fund the contractual obligations. These increased budgets have funded waste contractual increases such as Landfill Tax and the balance has been added to a Waste Reserve. This reserve has funded and will continue to fund one off costs relating to the Waste Project such as s106 obligations, highway improvements and lease payments.

Pay and Pensions Reserve – Underspends from the Pay and Pensions budgets are included in this reserve to enable the Council to spread out the pay and pension growth required in the annual budget process as evenly as possible over the medium term.

Yearsley Pool Reserve – This reserve was created following a Council decision in February 2015 to approve a sum of £1.5m over a 5 year period towards support for maintaining Yearsley Pool, to be funded from unallocated New Homes Bonus monies

York Central Reserve – This reserve holds the earmarked revenue contributions agreed by the Council towards the York Central development in addition to other external contributions to the projects

Employment Matters Reserve – This reserve relates to costs for ongoing and future pay and employment claims

WYTF Reserve – From 1st April 2017 the council has formally joined the West Yorkshire Transport Fund and the expenditure on delivery of its key major schemes (York Central and York Outer Ring Road) is reimbursed from West Yorkshire Combined Authority. The council pays an annual levy to WYCA to contribute towards the overall debt costs of the capital expenditure. Prior to the arrangement to formally join the West Yorkshire Transport Fund the council had set aside funds in order to progress its major schemes in lieu of joining the fund. Over 3 years a total of £1,500k had been identified in the budget through a combination of Economic Infrastructure Fund and Council budgets. As at 31st March 2017 a total of £530k had been spent progressing these schemes leaving a balance of £970k which was transferred to a reserve at year end

Contingency Reserve – This includes prior year Council Underspend and contingency budget underspend. All allocations made from this reserve are agreed at Full Council.

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

Insurance Fund – This reserve was established to absorb any unexpected liabilities such as claims paid under the MMI scheme of arrangement and where historical cover cannot be proven.

Bus Lane Enforcement - This reserve was established to hold the remaining fine income received from the Lendal Bridge and Coppergate ANPR enforcements following the closure of the fine repayment process. The funds are earmarked towards supporting various transport schemes.

In 2012 the Localism Act introduced a significant change to the way that Council Housing is financed by dismantling the previous system of HRA subsidy and introducing self financing. As part of the self financing HRA Business Plan a reserve was created for HRA investment in new build / redevelopment opportunities.

9. OTHER OPERATING EXPENDITURE

| | 2019/20 | 2018/19 |
|--|----------------|---------|
| | £'000's | £'000's |
| Parish council precepts | 752 | 726 |
| Payments to the Government Housing Capital Receipts Pool - Prior Year Repayments | 1,311 | 1,157 |
| Payments to the Government Housing Capital Receipts Pool | 1,179 | 1,179 |
| Gains/losses on the disposal of non-current assets | 4,150 | 38,954 |
| Total | 7,392 | 42,016 |

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £'000's | £'000's |
| Interest payable and similar charges | 13,733 | 15,194 |
| Net interest on the net defined benefit liability | 3,140 | 3,678 |
| Interest receivable and similar income | (329) | (779) |
| Income and expenditure in relation to investment properties and changes in their fair value | (3,963) | (3,211) |
| Changes in value of Financial Instruments | 236 | (2,887) |
| Other investment income | (397) | (365) |
| Total | 12,420 | 11,630 |

11. TAXATION AND NON SPECIFIC GRANT INCOME

| | 2019/20 | 2018/19 |
|--------------------------------------|------------------|-----------|
| | £'000's | £'000's |
| Council tax income | (90,803) | (86,917) |
| Non domestic rates | (30,431) | (35,986) |
| Non-ring fenced or government grants | (17,033) | (16,794) |
| Capital grants and contributions | (24,406) | (23,030) |
| Total | (162,673) | (162,727) |

NOTES TO THE CORE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

| 2019/20 | Council Dwellings | Other Land & Buildings | Plant / Vehicle / Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment | Service concession assets included in Property, Plant & Equipment |
|--|-------------------|------------------------|-----------------------------|-----------------------|------------------|----------------|---------------------------|-----------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| <u>Cost or Valuation (GCA)</u> | | | | | | | | | |
| At 1 April 2019 | 461,616 | 266,517 | 32,897 | 171,082 | 115 | 20,592 | 68,349 | 1,021,168 | 41,294 |
| Additions | 9,406 | 14,135 | 2,857 | 8,259 | - | - | 41,255 | 75,912 | - |
| Acc Dep & Imp WO to GCA | (7,616) | (1,319) | - | - | - | (128) | - | (9,063) | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 21,146 | 14,195 | - | - | - | 6,133 | - | 41,474 | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 9 | 10,646 | - | - | - | (850) | (11) | 9,794 | - |
| Derecognition - Disposals | (3,723) | (9,659) | (1,966) | - | - | (491) | - | (15,839) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | 848 | - | 848 | - |
| Assets reclassified (to)/from Investment Property | - | - | - | - | - | - | 25 | 25 | - |
| Other movements in Cost or Valuation | 720 | (1,293) | 765 | 6,246 | - | (1,168) | (6,013) | (743) | - |
| At 31 March 2020 | 481,558 | 293,222 | 34,553 | 185,587 | 115 | 24,936 | 103,605 | 1,123,576 | 41,294 |
| <u>Accumulated Depreciation & Impairment</u> | | | | | | | | | |
| At 1 April 2019 | (7,616) | (8,169) | (22,523) | (37,082) | (1) | - | 1 | (75,390) | (1,376) |
| Depreciation Charge for 2019/20 | (7,928) | (6,029) | (2,761) | (4,549) | (2) | - | - | (21,269) | (1,331) |
| Acc. Depreciation WO to GCA | 7,616 | 1,319 | - | - | - | 128 | - | 9,063 | - |
| Derecognition - Disposals | - | 991 | 1,935 | - | - | - | - | 2,926 | - |
| Other movements in Depreciation and Impairment | - | 131 | - | - | - | (128) | (3) | - | - |
| At 31 March 2020 | (7,928) | (11,757) | (23,349) | (41,631) | (3) | - | (2) | (84,670) | (2,707) |
| <u>Net Book Value</u> | | | | | | | | | |
| At 31 March 2020 | 473,630 | 281,465 | 11,204 | 143,956 | 112 | 24,936 | 103,603 | 1,038,906 | 38,587 |
| At 31 March 2019 | 454,000 | 258,348 | 10,374 | 134,000 | 114 | 20,592 | 68,350 | 945,778 | 39,918 |

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2018/19:

| 2018/19 | Council Dwellings | Other Land & Buildings | Plant / Vehicle / Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment | Service concession assets included in Property, Plant & Equipment |
|--|-------------------|------------------------|-----------------------------|-----------------------|------------------|----------------|---------------------------|-----------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation (GCA) | | | | | | | | | |
| At 1 April 2018 | 458,837 | 297,450 | 35,262 | 153,722 | 253 | 17,568 | 43,945 | 1,007,037 | 60,385 |
| Additions | 8,848 | 5,546 | 1,686 | 11,936 | - | 1 | 44,750 | 72,767 | - |
| Acc Dep & Imp WO to GCA Revaluation | (7,518) | (3,655) | - | - | (32) | (16) | - | (11,221) | - |
| increases/(decreases) recognised in the Revaluation Reserve | 4,131 | 5,261 | - | - | (1,537) | 1,238 | - | 9,093 | - |
| increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (9) | 1,289 | - | - | (855) | 325 | (358) | 392 | - |
| Derecognition - Disposals | (4,183) | (46,714) | (5,246) | - | - | - | - | (56,143) | (19,091) |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | 1,817 | - | - | - | - | - | 1,817 | - |
| Other movements in Cost or Valuation | 1,510 | 5,523 | 1,195 | 5,424 | 2,286 | 1,476 | (19,988) | (2,574) | - |
| At 31 March 2019 | 461,616 | 266,517 | 32,897 | 171,082 | 115 | 20,592 | 68,349 | 1,021,168 | 41,294 |
| Accumulated Depreciation & Impairment | | | | | | | | | |
| At 1 April 2018 | (7,518) | (9,542) | (24,295) | (32,897) | - | - | 1 | (74,251) | (2,857) |
| Depreciation Charge for 2018/19 | (7,616) | (6,024) | (3,241) | (4,185) | (1) | (8) | - | (21,075) | (1,376) |
| Acc. Depreciation WO to GCA | 7,518 | 3,655 | - | - | 32 | 16 | - | 11,221 | - |
| Derecognition - Disposals | - | 3,702 | 5,013 | - | - | - | - | 8,715 | 2,857 |
| Other movements in Depreciation and Impairment | - | 40 | - | - | (32) | (8) | - | - | - |
| At 31 March 2019 | (7,616) | (8,169) | (22,523) | (37,082) | (1) | - | 1 | (75,390) | (1,376) |
| Net Book Value | | | | | | | | | |
| At 31 March 2019 | 454,000 | 258,348 | 10,374 | 134,000 | 114 | 20,592 | 68,350 | 945,778 | 39,918 |
| At 31 March 2018 | 451,319 | 287,908 | 10,967 | 120,825 | 253 | 17,568 | 43,946 | 932,786 | 57,528 |

Depreciation

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

- Council Dwellings & Shared Ownership Properties – 45 years
- Other Land and Buildings – 30-50 years (some exceptions apply)
- Vehicles, Plant, Furniture & Equipment – 3-10 years
- Infrastructure – 40 years

Capital Commitments

- At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost c12.660m. Similar commitments as 31 March 2019 were c£2.101m.

Revaluations

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

The council's housing stock normally has a full revaluation every 5 years, with the last full revaluation undertaken in 2017/18. On the interim years, desktop revaluations are normally undertaken. The value of the council's housing stock increased by £21.155m as a result of the desktop revaluation this year.

| | Council dwellings | Other land and buildings | Vehicles, plant etc. | Infra-structure | Community | Surplus Assets | Asset under Construction | TOTAL |
|-----------------------------|-------------------|--------------------------|----------------------|-----------------|-----------|----------------|--------------------------|------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Carried at historical cost | - | - | 34,553 | 185,587 | - | - | 103,605 | 323,745 |
| Valued at Fair Value as at: | | | | | | | | |
| 31-Mar-20 | 481,558 | 67,810 | - | - | - | 24,936 | - | 574,304 |
| 31-Mar-19 | - | 40,268 | - | - | - | - | - | 40,268 |
| 31-Mar-18 | - | 57,677 | - | - | 115 | - | - | 57,792 |
| 30-Mar-17 | - | 102,836 | - | - | - | - | - | 102,836 |
| 31-Mar-16 | - | 24,631 | - | - | - | - | - | 24,631 |
| Total Cost or Valuation | 481,558 | 293,222 | 34,553 | 185,587 | 115 | 24,936 | 103,605 | 1,123,576 |

Fair Value measurement of Non-operational Property, Plant and Equipment (Surplus Assets)

All of the Council's Surplus Properties have been categorised as Level 2 within the fair value hierarchy as at 31 March 2020. The fair value of Surplus Properties as at 31 March 2020 is £24.936m. There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 2 Fair Values for Surplus Properties

The fair value for surplus properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar properties in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

In estimating the fair value of the Council's surplus properties, the highest and best use of the properties is their current use.

There has been no change in the valuation techniques used during the year for surplus properties.

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 2018 | 1,387 | 35,248 | 8,529 | 1,136 | 46,300 |
| Revaluations | - | 1,058 | (12) | - | 1,046 |
| 31 March 2019 | 1,387 | 36,306 | 8,517 | 1,136 | 47,346 |
| Cost or Valuation | | | | | |
| 1 April 2019 | 1,387 | 36,306 | 8,517 | 1,136 | 47,346 |
| Revaluations | - | 52,179 | - | 34 | 52,213 |
| 31 March 2020 | 1,387 | 88,485 | 8,517 | 1,170 | 99,559 |

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

Heritage Properties

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

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

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

Art Collection

The Council's collection of art is located at the City Art Gallery and is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuation is reviewed annually 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 collection and Civic Regalia in March 2018. The valuation for the Mansion House Collection and Civic Regalia 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 & glassware, etc. Specifically the Regalia includes the Bowes Sword, the Emperor Sigismund's Sword, the Great Mace, the Lady Mayoress' staff of Honour, the Lord Mayor's gold chain of office.

Museum Collections

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

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

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

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:

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £000's | £000's |
| Commercial rental income from investment property | (4,943) | (4,884) |
| Commercial direct operating expenses arising from investment property | 980 | 1,139 |
| Net Income | (3,963) | (3,745) |

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.

| | 2019/20 | 2018/19 |
|--------------------------------------|----------------|---------|
| | £000's | £000's |
| Balance at start of the year | 57,399 | 58,698 |
| <u>Additions:</u> | | |
| Acquisitions | 2,772 | - |
| Enhancements | 67 | 7 |
| Disposals | (23) | (773) |
| Net gain or loss on Fair Value | 70 | (533) |
| <u>Transfers:</u> | | |
| to/ from Property, Plant & Equipment | (25) | - |
| Balance at end of year | 60,260 | 57,399 |

Fair Value measurement of Investment Property

All of the Council's Investment Properties have been categorised as Level 2 within the fair value hierarchy as at 31 March 2020. The fair value of Investment Properties as at 31 March 2020 is £60.260m. There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 2 Fair Values for Investment Properties

The fair value for investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar properties in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

In estimating the fair value of the Council’s investment properties, the highest and best use of the properties is normally their current use. However, there are 3 Investment Properties where this is not the case. One is a unit in a retail parade which is being used as a housing office, and the other two are accommodation over shops which are currently leased to a housing organisation. When these existing leases expire, the usage can be reviewed.

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Processes for Investment Properties

The fair value of the council’s investment property is measured annually at each reporting date. Properties valued at over £0.5m are subject to a full revaluation annually whilst those less than £0.5m are subject to a full revaluation every 5 years as part of the rolling programme, and a desktop review is undertaken on the interim years. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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, Housing |
| 6 - 10 years | None | Highways, Human Resources, Schools & Children's Services, Adult Services |

The carrying amount of intangible assets is amortised on a straight-line basis and the amortisation charge in 2019/20 was £1,076k (2018/19 was £1,011k), contained in this figure is £23k relating to HRA assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| | 2019/20 | | | 2018/19 | | |
|---|---|-------------------------|---------------|---|-------------------------|---------------|
| | Internally Generated Assets £000 | Other Assets £000 | Total £000 | Internally Generated Assets £000 | Other Assets £000 | Total £000 |
| Balance at start of year: | | | | | | |
| - Gross carrying amounts | | 8,695 | 8,695 | | 6,938 | 6,938 |
| Category Adjustments | | 743 | 743 | | 2,574 | 2,574 |
| - Revised Gross carrying amounts | | 9,438 | 9,438 | | 9,512 | 9,512 |
| - Accumulated amortisation | | (5,430) | (5,430) | | (5,282) | (5,282) |
| Net carrying amount at the start of the year | - | 4,008 | 4,008 | - | 4,230 | 4,230 |
| Purchases | - | 220 | 220 | - | 101 | 101 |
| Other disposals | - | (92) | (92) | - | (55) | (55) |
| Amortisation for the period | - | (1,076) | (1,076) | - | (1,011) | (1,011) |
| Net carrying amount at the end of year | - | 3,060 | 3,060 | - | 3,265 | 3,265 |
| Comprising: | | | | | | |
| - Gross carrying amounts | - | 7,686 | 7,686 | - | 8,695 | 8,695 |
| - Accumulated amortisation | - | (4,626) | (4,626) | - | (5,430) | (5,430) |
| | - | 3,060 | 3,060 | - | 3,265 | 3,265 |

16. FINANCIAL INSTRUMENTS

Categories of financial Instruments

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

Financial Assets

| | Non-Current | | | | Current | | | | Total 31-Mar-20 £'000 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------------------|--------------------------------|-----------------------------|
| | Investments | | Debtors | | Investments | | Debtors | | |
| | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 Restated £'000 | 31-Mar-19 Restated £'000 | |
| Fair Value through profit or loss | - | - | - | - | - | - | - | - | - |
| Amortised cost | - | - | 5,170 | 5,288 | - | 5,000 | 33,190 | 28,211 | 38,360 |
| Fair value through other comprehensive income - designated equity instruments | 5,271 | 5,507 | - | - | - | - | - | - | 5,271 |
| Fair value through other comprehensive income - other | - | - | - | - | - | - | - | - | - |
| Total financial assets | 5,271 | 5,507 | 5,170 | 5,288 | - | 5,000 | 33,190 | 28,211 | 43,631 |
| Non-financial assets | - | - | - | - | - | - | 16,188 | 11,404 | 16,188 |
| Total | 5,271 | 5,507 | 5,170 | 5,288 | - | 5,000 | 49,378 | 39,615 | 59,819 |

Financial Liabilities

| | Non-Current | | | | Current | | | | Total 31-Mar-20 £'000 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------|
| | Borrowings | | Creditors | | Borrowings | | Creditors | | |
| | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | 31-Mar-20 £'000 | 31-Mar-19 £'000 | |
| Fair Value through profit or loss | - | - | - | - | - | - | - | - | - |
| Amortised cost | (245,489) | (235,399) | - | - | (11,698) | (9,698) | (24,587) | (31,401) | (281,774) |
| PFI | (45,218) | (46,326) | - | - | (1,108) | (1,008) | - | - | (46,326) |
| Total financial liabilities | (290,707) | (281,725) | - | - | (12,806) | (10,706) | (24,587) | (31,401) | (328,100) |
| Non-financial liabilities | - | - | - | - | - | - | (21,353) | (11,734) | (21,353) |
| Total | (290,707) | (281,725) | - | - | (12,806) | (10,706) | (45,940) | (43,135) | (349,453) |

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 - The above table 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 included in Note 21 Cash and Cash Equivalents totalling £11.430m in 2019/20 (£41.356m in 2018/19). Short term investments within Note 21 Cash and Cash Equivalents total £0.000m in 2019/20 (£34.034m in 2018/19).

With the introduction of IFRS 9 in 2018/19 the authority designated the following equity at 1 April 2018 as fair value through other comprehensive income:

Fair Value of Equity instruments designated at fair value through other comprehensive income

| | Nominal | 31-Mar-20 Gain / (Loss) within equity | Fair Value | 31-Mar-20 Dividend | 31-Mar-19 Dividend |
|--|--------------|---|---------------|-----------------------|-----------------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Yorwaste | 1,008 | 722 | 1,730 | - | - |
| Innovation Centre | 200 | 324 | 524 | - | - |
| Veritau Shares | - | 219 | 219 | - | - |
| Municipal Bonds Agency Shares | 40 | (40) | - | - | - |
| Make It York | - | 257 | 257 | 25 | 25 |
| City of York Trading Ltd | - | 1,038 | 1,038 | 90 | 74 |
| Leeds City Region Revolving Investment Fund | 1,372 | 131 | 1,503 | 21 | 19 |
| Total | 2,620 | 2,651 | 5,271 | 136 | 118 |

- **Yorwaste** – Equity instrument not held for trading and is held as part of a business model to meet a service objective. Following government legislation in 1992/93 all local authorities had to outsource their waste disposal functions. Yorwaste Limited created and owned by NYCC. Upon local government reorganisation at 01/04/96 CYC gained 22.27% shareholding in Yorwaste (based on % of population).
- **Innovation Centre** - Equity instrument not held for trading and is held as part of a business model to meet a service objective - the development, operation and management of the Innovation Centre in 1994.
- **Veritau Shares** - Equity instrument not held for trading and is held as part of a business model to meet a service objective - provision of internal audit and counter-fraud services. The company is jointly owned by City of York Council and North Yorkshire County Council, with each Council holding 50% of the shares.

- **Make It York** - Equity instrument not held for trading and is held as part of a business model to meet a service objective. The objects of the Company are to carry on activities which benefit the City of York and its functioning economic area within the areas of marketing, culture, tourism and business development
- **City of York Trading Ltd** - Equity instrument not held for trading and is held as part of a business model to meet a service objective – supply of temporary staff to the Council.
- **Leeds City Region Revolving Investment Fund** - Equity instrument not held for trading and is held as part of a business model to meet a strategic objective. The Leeds City Region Revolving Investment Fund provides short term loans of over £1m to support businesses to accelerate economic growth and job creation within the Leeds City Region.
- **Municipal Bonds Agency** - Equity instrument not held for trading and is held as part of a business model to meet a strategic objective. The UK Municipal Bonds Agency PLC was set up in June 2014 with the primary aim of helping to reduce local authority finance costs, backed by 56 local authority shareholders and the Local Government Association (LGA).

Fair Value

Basis for recurring fair value measurements:

- **Level 1 Inputs** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- **Level 2 Inputs** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3 Inputs** – unobservable inputs for the asset or liability.

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

| Recurring fair value measurements | Input level in fair value hierarchy | Valuation technique used to measure fair value | As at | Investment / | As at | Gain / (Loss) posted to Other Comprehensive Income and Expenditure |
|--|-------------------------------------|--|--------------|--------------|--------------|--|
| | | | 31/03/20 | Redemption | 31/03/19 | |
| | | | £'000s | £'000s | £'000s | £'000s |
| Equity Shareholding in Yorwaste | Level 3 | | 1,730 | - | 2,347 | (617) |
| Equity Shareholding in Innovation Centre | Level 3 | | 524 | - | 524 | - |
| Equity Shareholding in Veritau Shares | Level 3 | IFRS 13 Fair Value Measurement | 219 | - | 151 | 68 |
| Equity Shareholding in Make It York | Level 3 | - Adjusted Net Asset Value Method | 257 | - | 215 | 42 |
| Equity Shareholding in City of York Trading Ltd | Level 3 | | 1,038 | - | 790 | 248 |
| Equity Shareholding in Leeds City Region Revolving Investment Fund | Level 3 | | 1,503 | - | 1,474 | 29 |
| Equity Shareholding in UK Municipal Bonds Agency PLC | Level 3 | | - | - | 6 | (6) |
| Total | | | 5,271 | - | 5,507 | (236) |

Note 3 – Fair value has been measured with reference to IFRS 13 Fair Value Measurement - Adjusted Net Asset Value Method. The adjusted net asset method involves deriving the fair value of an equity instrument by reference to the fair value of the investees assets and liabilities. The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognised in an investee's statement of financial position. This method is deemed appropriate to measure the Councils equity investments as they are not held for trading and are part of specific service or strategic business models.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

NOTES TO THE CORE FINANCIAL STATEMENTS

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. 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 payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the borrowing rates (the alternative to the above), highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value;
- For loans taken out at concessionary rates the value of the loan is discounted using a prevailing market rate to reflect the fair value. For more information see Note 26 Unusable Reserves - Financial Instruments Adjustment Account;
- For loans receivable prevailing benchmark market rates have been used to provide the 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.
- Short-term debtors and creditors are carried at cost as this is a fair approximation of their value

The fair values calculated are as follows:

| Financial Liabilities | 31 March 2020 | | 31 March 2019 | |
|---|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
| | Carrying Amount £'000s | Fair Value £'000s | Carrying Amount £'000s | Fair Value £'000s |
| Financial Liabilities held at amortised cost: | | | | |
| PWLB debt | (248,435) | (368,122) | (234,384) | (312,495) |
| Interest on PWLB debt | (1,601) | (1,601) | (3,602) | (3,602) |
| Market debt | (5,000) | (13,631) | (5,000) | (10,240) |
| Interest on Market debt | (97) | (97) | (96) | (96) |
| WYCA debt | (2,054) | (2,350) | (2,015) | (2,350) |
| Interest on WYCA debt | - | - | - | - |
| Short-term creditors | (24,587) | (24,587) | (31,401) | (31,401) |
| Long-term creditors | - | - | - | - |
| PFI liabilities | (46,326) | (46,326) | (47,334) | (47,334) |
| Finance lease liabilities | - | - | - | - |
| Total | (328,100) | (456,714) | (323,832) | (407,518) |

The fair value of the liabilities 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. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £369.723m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount of £250.036m and the fair value of £369.723m is £119.687m; £119.007m PWLB fair value amount less

NOTES TO THE CORE FINANCIAL STATEMENTS

£0.680m PWLB carrying value adjustment. The £119.007m measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the existing PWLB loans principal amount £249.115m (Carrying value £250.036m plus £0.680m PWLB carrying value adjustment and less £1.601m accrued interest) would be valued at £286.954m, the fair value being £37.839m. But, if the authority were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £119.687m.

Financial Assets

| | 31 March 2020 | | 31 March 2019 | |
|--|------------------------------|----------------------|--|----------------------------------|
| | Carrying Amount £'000s | Fair Value £'000s | Restated Carrying Amount £'000s | Restated Fair Value £'000s |
| Financial Assets held at amortised cost: | | | | |
| Cash and Cash Equivalents | 11,430 | 11,430 | 7,322 | 7,322 |
| Cash callable in less than 30 days | - | - | 34,000 | 34,000 |
| Investment Interest | - | - | 34 | 34 |
| Investments less than 365 days | - | - | 5,000 | 5,000 |
| Investments greater than 365 days | - | - | - | - |
| Short-term debtors | 33,190 | 33,190 | 28,211 | 28,211 |
| Long-term debtors | 5,170 | 5,170 | 5,288 | 5,288 |
| Total | 49,790 | 49,790 | 79,855 | 79,855 |

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31 March 2020

| | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|--|------------------|
| Recurring fair value measurements using: | £'000 | £'000 | £'000 | £'000 |
| Financial Liabilities | | | | |
| Financial Liabilities held at amortised cost: | | | | |
| PWLB debt | | | (369,723) | (369,723) |
| Market debt | | | (13,728) | (13,728) |
| WYCA debt | | | (2,350) | (2,350) |
| Short-term creditors | | | (24,587) | (24,587) |
| Long-term creditors | | | - | - |
| PFI liabilities | | | (46,326) | (46,326) |
| Finance lease liabilities | | | - | - |
| Total | - | - | (456,714) | (456,714) |
| Financial Assets | | | | |
| Financial Assets held at amortised cost: | | | | |
| Cash | 11,430 | | | 11,430 |
| Investments | | | | - |
| Short-term debtors | | | 33,190 | 33,190 |
| Long-term debtors | | | 5,170 | 5,170 |
| Total | 11,430 | - | 38,360 | 49,790 |

Comparator year 2018/19:

| | 31 March 2019 Comparative Year | | | Total |
|---|--|---|---|------------------|
| | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| Recurring fair value measurements using: | £'000 | £'000 | £'000 | £'000 |
| Financial Liabilities | | | | |
| Financial Liabilities held at amortised cost: | | | | |
| PWLB debt | | | (316,097) | (316,097) |
| Market debt | | | (10,336) | (10,336) |
| WYCA debt | | | (2,350) | (2,350) |
| Short-term creditors | | | (31,401) | (31,401) |
| Long-term creditors | | | - | - |
| PFI liabilities | | | (47,334) | (47,334) |
| Finance lease liabilities | | | - | - |
| Total | - | - | (407,518) | (407,518) |
| Financial Assets | | | | |
| Financial Assets held at amortised cost: | | | | |
| Cash | 7,322 | | | 7,322 |
| Investments | 39,034 | | | 39,034 |
| Short-term debtors | | | 28,211 | 28,211 |
| Long-term debtors | | | 5,288 | 5,288 |
| Total | 46,356 | - | 33,499 | 79,855 |

17. INVENTORIES

| | Consumable Stores | | Total | |
|---|-------------------|-----------|----------------|-----------|
| | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| | £000's | £000's | £000's | £000's |
| Balance Outstanding at 1 April | 452 | 218 | 452 | 218 |
| Purchases | 1,217 | 1,102 | 1,217 | 1,102 |
| Recognised as an Expense in the Year | (1,252) | (1,007) | (1,252) | (1,007) |
| Written Off Balances | - | - | - | - |
| Reversals of Write Offs in Previous Years | - | 138 | - | 138 |
| Balance Outstanding at 31 March | 417 | 451 | 417 | 451 |

18. TRUST FUNDS

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

| | Expenditure During Year £000's | Income During Year £000's | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|-------------------------|---|--|--|-----------------------------------|
| Haughton/Gardiner Trust | - | - | (56) | (56) |
| Staff Lottery | - | - | (16) | (16) |
| Other Funds | 17 | (20) | (28) | (25) |
| | 17 | (20) | (100) | (97) |

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. In the years where not all funds have been used up, then the balance of staff contributions is transferred to a trust fund at the end of the year.

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.

19. DEBTORS

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--------------------------------------|--|-----------------------------------|
| Trade Receivables | 36,216 | 31,232 |
| Prepayments | 10,096 | 4,145 |
| Other receivable amounts | 10,790 | 12,154 |
| Sub-total | 57,102 | 47,531 |
| Provision for Bad and Doubtful Debts | (7,724) | (7,916) |
| Total Debtors | 49,378 | 39,615 |

Other receivable amounts include statutory debtors of £9,260k due for Council Tax and NNDR (£8,577k in 2018/19) and £1,530k due from HMRC (£3,577k in 2018/19). These balances are treated as non-financial assets within the Financial Instruments Note 16. The £9,260k Council Tax and NNDR is impaired by £4,698k for bad and doubtful debt (£4,895k in 2018/19) which assumes a collection rate of 97.7% for Council Tax and 97.8% for NNDR (97.6% for Council Tax and 98.2% for NNDR in 2018/19). The £4,698k is included in the £7,724k figure for Provision for Bad and Doubtful Debts (£7,916k in 2018/19) shown in the table above. The £1,530k is a VAT amount owed from HMRC and is not impaired.

20. LONG TERM DEBTORS

| | Expenditure During Year £000's | Income During Year £000's | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|---------------------------|--------------------------------------|---------------------------------|--------------------------------------|-----------------------------------|
| Employee Loans | - | (3) | 4 | 7 |
| Housing Loans | - | (1) | 10 | 11 |
| Yorwaste Loans | - | (100) | 1,802 | 1,902 |
| Finance Lease Receivables | - | (6) | 186 | 192 |
| PFI Schemes | - | (8) | 3,168 | 3,176 |
| | - | (118) | 5,170 | 5,288 |

21. CASH AND CASH EQUIVALENTS

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

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--|-----------------------------------|-----------------------------------|
| Cash Held by the Authority | 3,859 | 4,745 |
| Short Term Deposits | - | 34,034 |
| Bank Current Accounts | 7,571 | 2,577 |
| Total Cash and Cash Equivalents | 11,430 | 41,356 |

22. ASSETS HELD FOR SALE

| | 2019/20 £000's | 2018/19 £000's |
|--|-------------------|-------------------|
| Balance outstanding at start of year | 2,008 | 5,902 |
| <u>Assets newly classified as held for sale:</u> | | |
| - Property, Plant and Equipment | 1,160 | - |
| Revaluation gains | - | - |
| <u>Assets declassified as held for sale:</u> | | |
| - Property, plant and Equipment | (2,008) | (1,817) |
| Assets sold | - | (2,077) |
| Balance outstanding at year-end | 1,160 | 2,008 |

Fair Value measurement of Assets Held for Sale

All of the Council's Assets Held for Sale have been categorised as Level 2 within the fair value hierarchy as at 31 March 2020. The fair value of Assets Held for Sale as at 31 March 2020 is £1.160m. The fair value can be higher than the balance sheet value for Assets Held for Sale as, in line with accounting policies, Assets Held for Sale are held on the balance sheet at the lower of the carrying value on transfer to this category and fair value less costs to sell.

23. CREDITORS

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|-------------------------------------|--|-----------------------------------|
| Trade Payables | (24,587) | (31,401) |
| Receipts in Advance | (13,584) | (3,093) |
| Other Payables | (7,769) | (8,641) |
| Total Creditors | (45,940) | (43,135) |
| Other Short-Term Liabilities | (4,628) | (4,402) |
| Total Short-Term Liabilities | (50,568) | (47,537) |

Other payable amounts include statutory creditors of £2,128k for Council Tax and NNDR (£3,546k in 2018/19), £5,598k for payroll taxes and pension payments to HMRC and the Pension Funds (£5,075k in 2018/19), and £43k for CIS taxes to HMRC (£20k in 2018/19). These balances are treated as non-financial liabilities within the Financial Instruments Note 16.

Other Short term liabilities contain liabilities in relation to accumulated absences and PFI.

This note contains £120k (£0k 2018/19) of Capital Grants received in advance and £11,588k (£1,106k 2018/19) of Revenue Grants received in advance. Further details can be found in Note 40.

24. PROVISIONS

Total Provisions:

| | Insurance Fund £000's | Business Rates £000's | Council Tax £000's | Other Provisions £000's | Total £000's |
|---------------------------------------|-----------------------------|--------------------------|--------------------------|-------------------------------|-------------------------|
| Balance at 1 April 2019 | (2,259) | (9,874) | (500) | (308) | (12,941) |
| Additional provisions made in 2019/20 | (395) | (8,336) | - | - | (8,731) |
| Amounts Used In 2019/20 | 522 | 6,063 | 500 | - | 7,085 |
| Unused amounts reversed in 2019/20 | - | - | - | - | - |
| Unwinding of discounting in 2019/20 | - | - | - | - | - |
| Balance at 31 March 2020 | (2,132) | (12,147) | - | (308) | (14,587) |

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

| | Insurance Fund £000's | Business Rates £000's | Council Tax £000's | Other Provisions £000's | Total £000's |
|---------------------------------------|-----------------------------|--------------------------|--------------------------|-------------------------------|-------------------------|
| Balance at 1 April 2019 | (343) | (532) | - | (308) | (1,183) |
| Additional provisions made in 2019/20 | - | (9) | - | - | (9) |
| Amounts Used In 2019/20 | 1 | - | - | - | 1 |
| Unused amounts reversed in 2019/20 | - | - | - | - | - |
| Unwinding of discounting in 2019/20 | - | - | - | - | - |
| Balance at 31 March 2020 | (342) | (541) | - | (308) | (1,191) |

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.

Business Rates

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

Council Tax

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

Other Provisions

All other provisions are individually insignificant.

25. USABLE RESERVES

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

26. UNUSABLE RESERVES

| | Balance at 2019/20 £000's | Balance at 2018/19 Restated £000's |
|---|--|---|
| Revaluation Reserve | (386,182) | (297,993) |
| Capital Adjustment Account | (406,525) | (365,213) |
| Financial Instruments Adjustment Account | 1,309 | 1,397 |
| Financial Instruments Revaluation Reserve | (2,651) | (2,887) |
| Pensions Reserve | 142,400 | 139,894 |
| Collection Fund Adjustment Account | 1,274 | (1,914) |
| Accumulated Absences Account | 3,520 | 3,394 |
| Total Unusable Reserves | (646,855) | (523,322) |

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.

| | 2019/20 | | 2018/19 | |
|---|----------|------------------|----------|------------------|
| | £000's | £000's | £000's | £000's |
| Balance at 1 April | | (297,993) | | (309,316) |
| Upward revaluation of assets | (95,932) | | (22,968) | |
| Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services | 2,245 | | 12,829 | |
| (Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services | | (93,687) | | (10,139) |
| Difference between fair value depreciation and historical cost depreciation | 3,848 | | 3,667 | |
| Accumulated gains on assets sold or scrapped | 1,650 | | 17,795 | |
| Amount written off to the Capital Adjustment Account | | 5,498 | | 21,462 |
| Properties RR movement with CAA | | | | |
| Balance at 31 March | | (386,182) | | (297,993) |

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

| | 2019/20 | 2018/19 |
|--|------------------|------------------|
| | £000's | £000's |
| Balance at 1st April | (365,213) | (351,963) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for depreciation and impairment of non current assets | 21,269 | 21,075 |
| Revaluation losses on Property, Plant and Equipment | (9,805) | (759) |
| Amortisation of intangible assets | 1,076 | 1,011 |
| Revenue expenditure funded from capital under Statute | 6,736 | 4,318 |
| 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 | 13,028 | 50,333 |
| | 32,304 | 75,978 |
| Adjusting amounts written out of the Revaluation Reserve | (5,498) | (21,462) |
| Net written out amount of the cost of non-current assets consumed in the year | 26,806 | 54,516 |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (9,850) | (8,055) |
| Use of the Major Repairs Reserve to finance new capital expenditure | (8,007) | (7,221) |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (31,259) | (34,628) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (2,246) | (5,244) |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (9,645) | (9,424) |
| Capital expenditure charged against the General Fund and HRA balances | (7,041) | (2,563) |
| | (68,048) | (67,135) |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (70) | 533 |
| Re-categorisation of RIF capital expenditure | - | (1,164) |
| Balance at 31 March | (406,525) | (365,213) |

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.

The Financial Instruments Adjustment Account is also used to manage the fair value / notional interest payable on loans at concessionary rates. For loans taken out at concessionary rates the value of the loan is discounted using a prevailing market rate to reflect the benefit obtained by the Council. The fair value is taken to the Account and amortised based on the assumed interest rate per annum and the balance on the Account is gradually written down as the value of the loan is amortised, until the value of the loan at redemption equals the value of the loan originally drawn down.

| | 2019/20 | 2018/19 |
|--|--------------|--------------|
| | £000's | £000's |
| Balance at 1st April | 1,397 | 1,002 |
| Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | (179) | 382 |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 51 | 48 |
| 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) | 430 |
| NPV / Fair Value adj. for WYCA 0% loan (loan at concessionary rate) charged to CIES | - | (73) |
| Concessionary rate loan interest charged to CIES | 40 | 38 |
| Fair Value adjustment write up to reflect the benefit of having a loan at a concessionary rate | 40 | (35) |
| Balance at 31st March | 1,309 | 1,397 |

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised

| | 31-Mar-20 | | 31-Mar-19 | |
|--|-----------|----------------|-----------|----------------|
| | £000's | £000's | £000's | £000's |
| Balance at 1st April | | (2,887) | | |
| Upward revaluation of investments | (387) | | (2,921) | |
| Downward revaluation of investments | 623 | | 34 | |
| Change in impairment loss allowances | | | | |
| | | 236 | | (2,887) |
| Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | | - | | - |
| Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income | | - | | - |
| Balance at 31st March | | (2,651) | | (2,887) |

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-20 | 31-Mar-19 |
|--|-----------------|--------------------|
| | £000's | Restated £000's |
| Balance at 1 April | 139,894 | 151,930 |
| Actuarial gains or losses on pensions assets and liabilities | (9,715) | (23,988) |
| Net increase in assets & liabilities from disposals | (1,651) | (3,408) |
| 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 | 29,856 | 30,531 |
| Employer's pensions contributions and direct payments to pensioners payable in the year. | (15,984) | (15,171) |
| Balance at 31 March | 142,400 | 139,894 |

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-20 | 31-Mar-19 |
|--|----------------|-----------|
| | £000's | £000's |
| Balance at 1 April | (1,914) | (1,691) |
| Amount by which council tax and business rates 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 | 3,188 | (223) |
| Balance at 31 March | 1,274 | (1,914) |

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.

| | 2019/20 | | 2018/19 | |
|---|---------|--------------|---------|--------------|
| | £000's | £000's | £000's | £000's |
| Balance at 1 April | | 3,394 | | 3,033 |
| Settlement or cancellation of accrual made at the end of the preceding year | (3,394) | | (3,033) | |
| Amounts accrued at the end of the current year | 3,520 | | 3,394 | |
| | | 126 | | 361 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | - | | - |
| Balance at 31 March | | 3,520 | | 3,394 |

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| | Balance at 31-Mar-20 | Balance at 31-Mar-19 |
|--------------------|---------------------------------|-------------------------|
| | £000's | £000's |
| Interest received | (489) | (819) |
| Interest paid | 10,896 | 9,727 |
| Dividends received | (397) | (381) |

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-20 | 31/03/2019 restated |
|---|------------------|------------------------|
| | £000's | £000's |
| Depreciation, Impairment and Amortisation of fixed assets | (12,540) | (21,327) |
| (Increase)/decrease in impairment for bad debt | 192 | (158) |
| Increase/(decrease) in stocks and works in progress | (34) | 234 |
| Increase/(decrease) in debtors | 11,533 | 6,565 |
| (Increase)/decrease in creditors | (5,104) | (1,266) |
| Pension Liability: | | |
| Net Charge to the CIES | 15,984 | 15,171 |
| Employers contributions to pension funds and direct payments to pensioners | (29,856) | (30,531) |
| Carrying amount of non-current assets sold | (13,028) | (50,333) |
| Other non-cash items charged to the net Surplus or Deficit on the Provision of Services: | | |
| Provisions | (1,648) | (3,767) |
| Movements in the value of investment properties | 70 | (533) |
| Movements in the value of Finance Leases and PFI | (15) | (133) |
| Movement in the FIAA | (51) | (48) |
| Movement in the FIRR | (236) | 2,887 |
| Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements | (34,733) | (83,239) |

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

| | 31-Mar-20 | 31-Mar-19 |
|---|---------------|-----------|
| | £000's | £000's |
| Proceeds from sale of property, plant and equipment, investment property and intangible assets | 8,878 | 11,378 |
| Grants applied to the financing of capital expenditure | 33,037 | 37,991 |
| Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities | 41,915 | 49,369 |

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--|-----------------------------------|-----------------------------------|
| Purchase of property, plant and equipment, investment property and intangible assets | 81,828 | 70,910 |
| Purchase of short-term and long-term investments | 324,950 | 389,619 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (8,878) | (11,378) |
| Proceeds from short-term and long-term investments | (329,916) | (418,209) |
| Other receipts from investing activities | (33,037) | (37,991) |
| Net cash flows from investing activities | 34,947 | (7,049) |

29. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--|-----------------------------------|-----------------------------------|
| Cash receipts of short-term and long-term borrowing | (20,000) | (406) |
| Other receipts from financing activities | (100) | (126) |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 1,008 | 843 |
| Repayments of short-term and long-term borrowing | 6,000 | 15,001 |
| Other payments for financing activities | (734) | - |
| Net cash flows from financing activities | (13,826) | 15,312 |

Reconciliation of liabilities arising from financing activities:

2019/20:

| | 2019/20 | Financing | | Non cash | 2019/20 |
|---|------------------|------------------|--------------------|-----------------|------------------|
| | 01 April | cash | | changes | 31 |
| | | flows | Acquisition | Other | March |
| | £000's | £000's | £000's | non-cash | £000's |
| | | | | changes | |
| | | | | £000's | |
| Long-term borrowings | (236,465) | (10,000) | - | - | (246,465) |
| Short-term borrowings | (6,000) | (4,000) | - | - | (10,000) |
| - Lease liabilities | - | - | - | - | - |
| - On balance sheet PFI liabilities | (47,334) | 1,008 | - | - | (46,326) |
| Total liabilities financing activities | (289,799) | (12,992) | - | - | (302,791) |

2018/19:

| | 2018/19 | Financing | | Non cash | 2018/19 |
|---|------------------|------------------|--------------------|-----------------|------------------|
| | 01 April | cash | | changes | 31 |
| | | flows | Acquisition | Other | March |
| | £000's | £000's | £000's | non-cash | £000's |
| | | | | changes | |
| | | | | £000's | |
| Long-term borrowings | (247,059) | 10,594 | - | - | (236,465) |
| Short-term borrowings | (10,000) | 4,000 | - | - | (6,000) |
| - Lease liabilities | - | - | - | - | - |
| - On balance sheet PFI liabilities | (48,177) | 843 | - | - | (47,334) |
| Total liabilities financing activities | (305,236) | 15,437 | - | - | (289,799) |

PFI liabilities include long term liabilities of £45,218k (2018/19 £46,326k) as shown in the balance sheet under 'Other Long-Term Liabilities' and short term liabilities of £1,108k (2018/19 £1,008k) as shown in the balance sheet under 'Other Short-Term Creditors'. Borrowings are included in the table above at their principal amounts.

30. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

| Expenditure/Income | 2019/20 | Restated 2018/19 |
|---|------------------|---------------------|
| | £000 | £000 |
| Expenditure | | |
| Employee benefits expenses | 139,030 | 156,568 |
| Other services expenses | 261,620 | 217,944 |
| Support service recharges | 820 | 1,414 |
| Depreciation, amortisation, impairment | 12,526 | 21,694 |
| Interest payments | 13,733 | 15,194 |
| Precepts and levies | 752 | 726 |
| Payments to Housing Capital Receipts Pool | 1,179 | 1,179 |
| Payments to Housing Capital Receipts Pool - Prior Year Repayments | 1,311 | 1,157 |
| Gain on the disposal of assets | 4,150 | 38,954 |
| Change in the value of Financial Instruments | 236 | - |
| Total Expenditure | 435,357 | 454,830 |
| Income | | |
| Customer and client receipts | (94,568) | (89,543) |
| Interest and investment income | (726) | (1,145) |
| Income from council tax and non domestic rates | (121,234) | (122,903) |
| Government grants and contributions | (166,089) | (171,690) |
| Other Operating Income | (51,117) | (33,682) |
| Change in the value of Financial Instruments | - | (2,887) |
| Total Income | (433,734) | (421,850) |
| Surplus or Deficit on the Provision of Services | 1,623 | 32,980 |

31. ACQUIRED AND DISCONTINUED OPERATIONS

All council operations are categorised as continuing operations.

32. TRADING OPERATIONS

The Council had no significant external trading operations in 19/20. The Council has established a number of internal trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

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

33. AGENCY SERVICES

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

The Council provides payroll services to a number of external organisations including Multi Academy Trusts (MATs). The service is also provided for a college and various other small organisations mostly in the voluntary sector.

| | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|
| Expenditure incurred providing Payroll Services | 69 | 67 |
| Fee income earned | (99) | (71) |
| Net Position | (30) | (4) |

34. ROAD CHARGING SCHEMES

There were no schemes under the Transport Act 2000 in 2019/20.

35. POOLED BUDGETS

Better Care Fund (BCF)

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

| | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|
| Contributions to the Better Care Fund | | |
| Council - Disabled Facilities Grant* | 1,294 | 1,344 |
| Council - Improved Better Care Fund Grant | 4,479 | 3,735 |
| Council - Winter pressures Grant | 732 | 732 |
| Vale of York CCG | 12,124 | 11,617 |
| | 18,629 | 17,428 |
| Expenditure met from the Better Care Fund | | |
| Council Commissioned Schemes | 10,455 | 9,560 |
| Vale of York CCG Commissioned Schemes | 8,174 | 7,868 |
| | 18,629 | 17,428 |
| Net Surplus arising on the Pooled budget during the year | - | - |

36. MEMBERS ALLOWANCES

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

| | 2019/20 | 2018/19 |
|--------------|----------------|---------|
| | £000's | £000's |
| Allowances | 750 | 639 |
| Expenses | 8 | 3 |
| Total | 758 | 642 |

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37. OFFICERS' REMUNERATION

The Accounts and Audit Regulations (2015) requires authorities to include a note of the remuneration and the relevant authority's contribution to the person's pension of senior officers in respect of their employment by the relevant authority, whether on a permanent or temporary basis. Senior Officers are required to be listed individually and identified by way of job title only (except for persons whose salary is £150,000 or more per year, who must also be identified by name).

In addition, authorities must include in their statement of accounts, a note of the number of other employees in the financial year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £5,000 starting with £50,000.

The remuneration paid to the Council's senior employees in 2019/20 was:

| | Notes | Salary, fees and allowances ¹ £ | Expenses ² £ | Compensation for loss of office £ | Total excluding employer's pension contribution ³ £ | Employer's pension contribution £ | Total Remuneration Package £ |
|---|-------|---|----------------------------|--------------------------------------|---|--------------------------------------|---------------------------------|
| Chief Executive - Mary Weastell | A | 193,444 | 213 | - | 193,657 | 29,285 | 222,942 |
| Deputy Chief Executive & Director Customer & Corporate Services | B | 128,150 | 67 | - | 128,217 | 27,168 | 155,385 |
| Corporate Director Economy & Place | | 109,275 | - | - | 109,275 | 23,166 | 132,441 |
| Corporate Director Children, Education & Communities | | 109,275 | - | - | 109,275 | 23,166 | 132,441 |
| Corporate Director Health, Housing & Adult Social Care | | 109,268 | 152 | - | 109,420 | 23,165 | 132,585 |
| Director of Public Health | | 105,777 | - | - | 105,777 | 22,425 | 128,202 |
| Interim Assistant Director - Legal & Governance | C | 99,230 | - | - | 99,230 | 20,822 | 120,052 |
| Director of Governance | D | 27,564 | - | - | 27,564 | 5,844 | 33,408 |
| Head of Corporate Finance & Commercial Procurement Manager | E | 71,092 | 75 | - | 71,167 | 15,071 | 86,238 |
| Head of Corporate Policy and City Partnerships | | 55,683 | - | - | 55,683 | 11,805 | 67,488 |
| Total | | | | | | | 1,211,182 |

1. No bonuses or benefits in kind were paid to any senior officer during the 2019/20 financial year

2. Expenses include expenses claimed during the 2019/20 financial year

3. Employer pension contributions are not payments made directly to officers, rather they are payments made directly to the relevant pension fund. The employer contribution rate for 2019/20 was 21.2%.

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes

- A) The post-holder retired on grounds of business efficiency with effect 16/03/2020. The salary, fees and allowances column includes a payment in lieu of notice totalling £35,985.00 and holiday pay on leaving totalling £19,323.50. The full costs of this departure is disclosed within the exit packages note.
- B) The post-holder was appointed as the authority's interim Head of Paid Service on 05/08/2019. The additional remuneration received for this role during 2019/20 was £18,875.61.
- C) The post-holder joined the authority 08/04/2019 and was appointed the role of interim Monitoring Officer until 16/12/2019. The post-holder left the authority 31/03/2020.
- D) The post-holder joined the authority 16/12/2019 and was appointed the role of Monitoring Officer. The annualised remuneration package for this post excluding employer pension contributions is £94,067.
- E) The post-holder was appointed as the authority's interim Section 151 Officer 05/08/2019. The additional remuneration received for this role was during 2019/20 was £5,408.71. The post-holder also receives a market supplement allowance of £9,999.96.

The remuneration paid to the authority's senior employees during 2018/19 was:

| | Notes | Salary, fees and allowances ¹ £ | Expenses ² £ | Compensation for loss of office £ | Total excluding employer's pension contribution ³ £ | Employer's pension contribution £ | Total Remuneration Package £ |
|--|-------|---|----------------------------|--------------------------------------|---|--------------------------------------|---------------------------------|
| Chief Executive | | 140,468 | 207 | - | 140,675 | 29,779 | 170,454 |
| Deputy Chief Executive & Director Customer & Corporate Services | | 107,132 | - | - | 107,132 | 22,712 | 129,844 |
| Corporate Director Economy & Place | | 106,144 | - | - | 106,144 | 22,503 | 128,647 |
| Corporate Director Children, Education & Communities (Officer 1) | A | 57,362 | 50 | - | 57,412 | 12,161 | 69,573 |
| Corporate Director Children, Education & Communities (Officer 2) | B | 35,135 | - | - | 35,135 | 7,449 | 42,584 |
| Corporate Director Health, Housing & Adult Social Care (Officer 1) | C | 43,486 | 228 | - | 43,714 | 9,219 | 52,933 |
| Corporate Director Health, Housing & Adult Social Care (Officer 2) | D | 16,906 | - | - | 16,906 | 3,584 | 20,490 |
| Director of Public Health | | 107,224 | - | - | 107,224 | 21,836 | 129,060 |
| Assistant Director Legal & Governance | E | 78,104 | - | - | 78,104 | 16,558 | 94,662 |
| Head of Corporate Policy and City Partnerships | | 54,591 | 36 | - | 54,627 | 11,573 | 66,200 |
| Total | | | | | | | 904,447 |

1. No bonuses or benefits in kind were paid to any senior officer during the 2018/19 financial year
2. Expenses include expenses claimed during the 2018/19 financial year

NOTES TO THE CORE FINANCIAL STATEMENTS

3. Employer pension contributions are not payments made directly to officers, rather they are payments made directly to the relevant pension fund. The employer contribution rate for 2018/19 was 21.2%.

Notes

- A) The post-holder left the authority 23/09/2018.
- B) The post-holder joined the authority 03/12/2018.
- C) The post-holder left the authority 27/08/2018.
- D) The post-holder joined the authority 04/02/2019.
- E) A redundancy hearing was held 28/03/2019 and the post-holder was made redundant 30/06/2019. The full costs of this departure is disclosed within the exit packages note

Other Officers' Remuneration

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

| Remuneration band | 2019/20 | | 2018/19 | |
|---------------------|-------------|-----------|-------------|-----------|
| | Non-Schools | Schools | Non-Schools | Schools |
| £50,000 - £54,999 | 29 | 19 | 34 | 20 |
| £55,000 - £59,999 | 31 | 16 | 6 | 13 |
| £60,000 - £64,999 | 4 | 9 | 10 | 10 |
| £65,000 - £69,999 | 2 | 5 | 0 | 5 |
| £70,000 - £74,999 | 1 | 2 | 0 | 1 |
| £75,000 - £79,999 | 7 | 1 | 5 | 1 |
| £80,000 - £84,999 | 1 | 1 | 2 | 2 |
| £85,000 - £89,999 | 0 | 2 | 0 | 1 |
| £100,000 - £104,999 | 0 | 2 | 0 | 1 |
| Total | 75 | 57 | 57 | 54 |

Exit packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below:

| Exit package cost band (including special payments) | (b) | | (c) | | (d) | | (e) | |
|---|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|--|-----------------|
| | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band [(b) + (c)] | | Total cost of exit packages in each band | |
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 £000 | 2018/19 £000 |
| £0 - £20,000 | 6 | 6 | 10 | 36 | 16 | 42 | 123 | 327 |
| £20,001 - £40,000 | 1 | 0 | 3 | 9 | 4 | 9 | 119 | 229 |
| £40,001 - £60,000 | 0 | 1 | 0 | 1 | 0 | 2 | 0 | 87 |
| £80,001 - £100,000 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 92 |
| £150,001 - £200,000 | 1 | 0 | 0 | 0 | 1 | 0 | 186 | 0 |
| £350,001 - £400,000 | 0 | 0 | 1 | 0 | 1 | 0 | 377 | 0 |
| Total | 8 | 8 | 14 | 46 | 22 | 54 | 805 | 735 |

The total cost of £805k (2018/19: £735k restated) in the table above includes £472k (2018/19: £588k restated) for exit packages that have been charged to the authority's comprehensive income and expenditure statement in the current year.

Corporate Management Team Restructure

The Council's Staffing Matters and Urgency (SMU) committee agreed on 11/10/2018 for the Chief Executive to commence with formal consultation on options for key changes to the Council's operating model and a refocusing of the Customer and Corporate Services Directorate. In December 2018, SMU agreed to a revised structure for Customer and Corporate Services.

On 30/06/2019 the Assistant Director Legal & Governance was made redundant with the post being deleted from the establishment. The total value of the exit package was £185,702.71 comprising of a £20,628.68 redundancy payment and pension strain costs totalling £165,074.03. The council has opted to meet the cost of the pension strain over a period of 5 years.

Following a meeting of the Staffing Matters and Urgency (SMU) committee 17/02/2020, the Chief Executive retired on grounds of business efficiency on 16/03/2020. The total value of the exit package was £377,115.23 comprising of a £24,884.37 redundancy payment, £65,779.06 ex-gratia payment, £35,985.00 payment in lieu of notice, and pension strain costs totalling £250,466.80. The council has opted to meet the cost of the pension strain over a period of 5 years. It should be noted that only the payment in lieu of notice was paid to the Chief Executive during 2019/20 with the remaining payments being paid in April 2020. All costs have been accounted for during the 2019/20 financial year.

The costs of both departures are included within the table above

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:

| | 2019/20 | 2018/19 |
|--|----------------|---------|
| | £000's | £000's |
| Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor | 78 | 78 |
| Fees payable in respect of other services provided by Mazars LLP | 19 | 30 |
| | 97 | 108 |

In 2019/20 the Council received a rebate from Public Sector Audit Appointments Ltd (£9k) in respect of the audit scale fee. The fees for other services payable in 2019/20 relate to assurance work on the Teachers' Pensions return (£5k) and certification of grants claims and returns (£12k) as well as additional work required on the 2018/19 accounts work (£3k). The fees for other services payable in 2018/19 relate to assurance work on the Teachers' Pensions return and also the final payment for work on an objection to the 2016/17 accounts.

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 2014.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Details of the deployment of the DSG receivable for 2019/20 are as follows:

| | Central Expenditure £000's | Individual Schools Budget £000's | DSG Total £000's |
|--|----------------------------------|---|------------------------|
| Final DSG for 2019/20 before Academy recoupment | | | 132,224 |
| Academy figure recouped for 2019/20 | | | (59,384) |
| Total DSG after Academy recoupment for 2019/20 | | | 72,840 |
| Brought forward from 2018/19 | | | (827) |
| Carry forward to 2020/21 agreed in advance | | | - |
| DSG resources available for distribution in 2019/20 | 19,761 | 52,252 | 72,013 |
| In year adjustments | - | | - |
| Final resources available for distribution in 2019/20 | 19,761 | 52,252 | 72,013 |
| Less actual central expenditure | (24,887) | | (24,887) |
| Less actual ISB deployed to schools | | (51,991) | (51,991) |
| Plus Local Authority contribution for 2019/20 | - | - | - |
| Carry forward to 2020/21 | (5,126) | 261 | (4,865) |

40. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

| | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Demand on Collection Fund | (90,803) | (86,917) |
| Non-Domestic Rates | (30,431) | (35,986) |
| Capital Grants | (24,406) | (23,030) |
| Business Rates Retention Grant | (7,419) | (7,548) |
| CLG Flexible Homelessness | (115) | (73) |
| CLG Social Care | (6,249) | (5,341) |
| Other Government Grants | (1,872) | (3,137) |
| Other general grants | (1,378) | (695) |
| TOTAL | (162,673) | (162,727) |

Credited to Services

| | | |
|--|----------|----------|
| DFE Dedicated Schools Grant Base | (69,083) | (73,488) |
| DWP Council Tax, Housing Benefit & Admin Grant | (28,170) | (31,511) |
| DFE Other Education Funding | (6,935) | (6,144) |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | | |
|---|------------------|------------------|
| Public Health Grant | (7,875) | (8,015) |
| New Homes Bonus | (3,689) | (3,690) |
| Pupil Premium Grant | (2,674) | (1,874) |
| Education Services Grant | (102) | (124) |
| Universal Infant Free Schools Meals - Revenue Funding | (1,023) | - |
| Trading Standards Institute Grant | (1,713) | (1,351) |
| Skills Funding Agency | (1,233) | (1,225) |
| PFI Revenue Support | (1,186) | (1,186) |
| MHCLG Planning & Flood recovery | (39) | 39 |
| Homes England | (355) | (118) |
| DFE Adoption Support Fund | (159) | (335) |
| DFT Grant | (261) | (399) |
| DWP Access to Work Grant | (234) | (177) |
| Homes Office Grants | (2,299) | |
| Other Grants | (6,595) | (3,632) |
| TOTAL | (133,625) | (133,230) |

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.

| | 2019/20 | 2018/19 |
|--|---------------|--------------|
| | £000's | £000's |
| Current Liabilities | | |
| Grants Receipts in Advance (Capital Grants) | | |
| Miscellaneous other grants (capital) | 120 | - |
| TOTAL | 120 | - |
| Grants Receipts in Advance (Revenue Grants) | | |
| MHCLG - S31 NNDR | 5,020 | - |
| MHCLG - COVID 19 Grant | 4,522 | - |
| DFT Opening Data Grant | 98 | - |
| DFE Adoption Support Fund | 126 | - |
| DFE Social Work Program | - | 3 |
| University of York | 16 | 38 |
| Skills for Care Social Worker Funding | 12 | - |
| Pupil Premium Grant | - | 499 |
| Leeds City Region | - | 167 |
| WYCA | - | 7 |
| Other | 1,794 | 392 |
| TOTAL | 11,588 | 1,106 |

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 and Grant receipts outstanding at 31 March 2020 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 2019/20 is shown in Note 36.

During 2019/20 no works and services of a significant value were commissioned from companies in which members had an interest outside of their Council responsibilities.

The Council paid grants totalling £619k to York Museums & Gallery Trust, a private Limited company (Company number 04381647) of which two Council appointed members serve as trustees. No other significant grants to voluntary organisations were paid during 2019/20 in which officers had positions on the governing body.

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 2019/20 no works and services of a significant value were commissioned from companies in which officers had an interest outside of their Council responsibilities.

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

Entities Controlled or Significantly Influenced by the Council

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

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

YPO (formerly known as the **Yorkshire Purchasing Organisation**) was established as a joint committee of Local Authorities in 1974 and City of York Council is one of the thirteen founder member authorities. One elected member is on the board of YPO Procurement Holdings Ltd. There is no remuneration for this role.

Other

The following are not entities that are controlled or significantly influenced by the Council. However, there are elected members on the board and therefore this additional information has been included below to enhance transparency.

York BID

A Business Improvement District is a specifically designated area where businesses within it work together to invest in services, special projects and events with the aim to increase economic development and growth. BID projects and programmes are in addition to services provided by the City of York Council and funded by an annual contribution of 1% of the rateable value from businesses that are within the BID area. The current BID term levy is based on 2010 business rates evaluation. The York BID was voted in by businesses by a 76% majority in November 2015. This establishes the BID to operate for five years requiring all businesses within the BID area (of rateable value threshold which is currently £12,500 and above) to pay the mandatory levy.

The York BID Board oversees the delivery of the BID initiatives set out in the BID business plan. As outlined in the Company Articles of Association, the Board is comprised of representatives from levy-paying business and representatives from the local authority and Make It York.

The Council collects income from ratepayers on behalf of the York BID and there are 2 Councillors on the board. There is no remuneration for these roles.

West Yorkshire Combined Authority

The WYCA brings together local councils and businesses so that everyone in the region can benefit from economic prosperity and a modern, accessible transport network. York is an associate member of the combined authority, which works closely with the private sector through the Leeds City Region Enterprise Partnership (LEP) to ensure that their work meets the needs of employers in the region. It is led by Combined Authority members and the LEP Board. The Council has one elected member on each of the following committees;

| Committee | Remuneration |
|-------------------------------|--------------|
| Board | None |
| Transport committee | £4,500 |
| Overview & scrutiny committee | £1,350 |

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), City of York Trading (a nominal £1) and Make it York (a nominal £1). The shares are included in the balance sheet at Fair value which differs to the nominal value as detailed in note 16.

Yorwaste

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% shareholding in Yorwaste Ltd. 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 and Expenditure Account. No dividend has been received in 2018/19 or 2017/18. Similarly, the Company's assets and liabilities are not in the Consolidated Balance Sheet.

With effect from 1 October 2015 the Council has a service agreement with Yorwaste Limited for waste disposal services and is charged on a cost recovery basis. Prior to this contract prices were negotiated on an arms length commercial basis

The Director of Economy and Place is also a director of Yorwaste, however no remuneration is paid for this role.

SJB Recycling Ltd is a sister company to Yorwaste and therefore also jointly owned with North Yorkshire County Council. It has the same Directors as Yorwaste and is managed by Yorwaste officers. It has no transactions with the Council.

Member Directors on Yorwaste are entitled to an allowance established in accordance with North Yorkshire County Council's (NYCC's) remuneration arrangements which are paid for by the Company. One member sits on the board of this company and received total remuneration of £8.4k from Yorwaste in 2019/20 (£8k 18/19). No amounts were paid directly by the Council.

York Science Park

City of York Council has owned shares in the company since 23 December 1999 and the nominal value of the shares is £1. The Council now holds 200,000 shares which represent less than 10% of the total share capital of £2.166m. The Council received no dividends or profits from York Science Park and holds no liability. An officer of the Council is on the board. There is no remuneration for this role.

Veritau

Since 1 April 2009, internal audit and counter-fraud services have been provided by Veritau Limited. The company is jointly owned by City of York Council and North Yorkshire County Council, with each Council holding 50% of the shares. Contract prices are negotiated on an arms length commercial basis. The Council is represented on the Board by the Director of Customer & Corporate Services and one Member of the Council. There is no remuneration for either of these roles.

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 company has a Chief Executive and a Board of Directors, made up of the Chief Executive, 2 Members of the Council and 2 other independent non executive directors. No Council employees are on the Board. The company started trading in June 2013. The company provides temporary staff to the Council, schools and other external organisations. On 30th August 2018 City of York Trading acquired Beaver Employment Limited, a company which specialises in placing supply teachers and support staff into education establishments and has been trading in Yorkshire and the North East for over 30 years. The newly acquired business has been integrated into the WorkwithSchools division.

Make it York is a company limited by shares created on 1 April 2015 and the Council is the sole shareholder. Of the 12 directors, 2 will represent the Council and these representatives are currently 2 members of the Council (2019/20). No remuneration is paid for either of these roles. In 2016/17 the ownership of Science City York and its remaining assets transferred from City of York Council to Make it York following Executive committee approval. No share capital transferred across, Make it York became the sole member and liable to contribute £1 in the event of the company being wound up

Net Value of Transactions and Balances at Year End

The net value of transactions during the year with entities the Council has a related party relationship with are as follows:

| | 2019/20 | | | 2018/19 | | |
|--------------------------|---------------|----------------|---------------|---------------|----------------|---------------|
| | Expenditure | Income | Net | Expenditure | Income | Net Exp |
| | £'000 | £'000 | Exp £'000 | £'000 | £'000 | £'000 |
| City of York Trading Ltd | 7,905 | (52) | 7,853 | 8,284 | (180) | 8,104 |
| Make it York | 877 | (694) | 183 | 1,151 | (683) | 468 |
| Veritau | 591 | (31) | 560 | 607 | (28) | 579 |
| Yorwaste Ltd | 4,026 | (964) | 3,062 | 3,990 | (1,089) | 2,901 |
| York Science Park | - | - | - | 3 | - | 3 |
| Be Independent* | - | - | - | 275 | (11) | 264 |
| YPO | 44 | (252) | (208) | 48 | (247) | (199) |
| | 13,443 | (1,993) | 11,450 | 14,358 | (2,238) | 12,120 |

* Be Independent transferred back into Council operations from August 2018, therefore 2018/19 are part year figures and are only included in the tables for comparator purposes,

The following amounts were due from related parties at 31 March 2020 and are included in debtors:

| | 2019/20 | 2018/19 |
|--------------------------|------------|--------------|
| | £'000 | £'000 |
| City of York Trading Ltd | 76 | 106 |
| Make it York | 365 | 207 |
| Veritau | 15 | 9 |
| Yorwaste Ltd | 239 | 498 |
| YPO | 240 | 240 |
| | 935 | 1,060 |

The following amounts were due to related parties at 31 March 2020 and are included in creditors:

| | 2019/20 | 2018/19 |
|--------------------------|------------|--------------|
| | £'000 | £'000 |
| City of York Trading Ltd | 592 | 637 |
| Make it York | 3 | 4 |
| Yorwaste Ltd | 325 | 845 |
| YPO | 2 | 3 |
| | 922 | 1,489 |

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.

| | 2019/20 | 2018/19 |
|--|----------------|--------------------|
| | £000's | Restated £000's |
| Opening Capital Financing Requirement | 400,298 | 390,537 |
| Capital Investment | | |
| Property, Plant and Equipment | 75,912 | 72,767 |
| Investment Properties | 2,839 | 7 |
| Intangible Assets | 220 | 101 |
| Revenue Expenditure Funded from Capital under Statute | 6,736 | 4,318 |
| Investment in Equity | - | 208 |
| Sources of Finance | | |
| Capital Receipts | (9,850) | (8,098) |
| Government grants and other contributions | (33,505) | (39,872) |
| Direct revenue contributions | (7,052) | (2,870) |
| Major Repairs Reserve | (8,007) | (7,221) |
| MRP (Minimum Revenue Repayment) | (8,608) | (8,596) |
| PFI / PPP payments | (1,144) | (983) |
| Movement in Year | 17,541 | 9,761 |
| Closing Capital Financing Requirement | 417,839 | 400,298 |
| Explanations of movement in year | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 27,293 | 19,340 |
| MRP (Minimum Revenue Repayment) | (8,608) | (8,596) |
| PFI / PPP payments | (1,144) | (983) |
| Increase/ (decrease) in Capital Financing Requirement | 17,541 | 9,761 |

The Capital Financing Requirement increased in 2019/20 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 currently has no leased assets classified as finance leases, or assets acquired under these leases carried as Property, Plant and Equipment in the Balance Sheet.

Operating Leases

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

- Fleet of light commercial vehicles
- IT equipment in ICT managed services,
- Various property assets,

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

| | 31-Mar-20 | 31-Mar-19 |
|---|------------------|-----------|
| | £000's | £000's |
| Not later than one year | 612 | 766 |
| Later than one year and not later than five years | 782 | 926 |
| Later than five years | 303 | 149 |
| | 1,697 | 1,841 |

The expenditure charged (including payments for non-lease elements) in the Comprehensive Income and Expenditure Statement during the year in relation to these leases in 2019/20 was £1,171k (2018/19 828k)

Council as Lessor

Finance Leases

The Council acts as lessor for a small number of property leases. 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:

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| | 2019/20 | 2018/19 |
|--|----------------|---------|
| | £000's | £000's |
| Finance lease debtor (net present value of minimum lease payments) | | |
| - Current | 7 | 7 |
| - Non-current | 140 | 146 |
| Unearned finance income | 40 | 45 |
| Gross Investment in the lease | 187 | 198 |

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 | |
|---|-------------------------------|---------|------------------------|---------|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| | £000's | £000's | £000's | £000's |
| Not later than one year | 11 | 11 | 7 | 7 |
| Later than one year and not later than five years | 55 | 55 | 37 | 36 |
| Later than five years | 122 | 132 | 103 | 111 |
| | 188 | 198 | 147 | 154 |

The minimum lease payments include rents that are contingent on events taking place after the lease was entered into. There were £0k contingent rents in relation to finance leases in 2019/20 (£0k 2018/19).

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:

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £000's | £000's |
| Not later than one year | 3,237 | 3,058 |
| Later than one year and not later than five years | 8,959 | 8,236 |
| Later than five years | 47,156 | 47,756 |
| | 59,352 | 59,050 |

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 2019/20 contingent rents of £297k were receivable by the Council (2018/19 £469k)

44. PFI AND SIMILAR CONTRACTS

PFI - Schools

The Council has one PFI scheme for the provision of 3 primary schools and one special school, 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

Prior to 2018/19, the asset used to provide the services at two of the schools (Hob Moor Primary School and Hob Moor Oaks Special School, both on one site) was recognised on the Council's Balance Sheet, with movements in the value over the year 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. However, on 1st May 2019 both Hob Moor schools converted to academy status. This means that, although still part of the PFI contract, these schools are no longer recognised on the councils balance sheet. All the entries have therefore been removed, with treatment now consistent with the two VA schools.

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 2020 (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 | 1,352 | 467 | 336 | 2,155 |
| Between 2 Yrs and 5 Yrs | 5,817 | 1,610 | 1,259 | 8,686 |
| Between 6 Yrs and 10 Yrs | 8,204 | 1,497 | 1,463 | 11,164 |
| Between 11 Yrs and 15 Yrs | 7,361 | 1,884 | 2,489 | 11,734 |
| Between 16 Yrs and 20 Yrs | 1,482 | 346 | 608 | 2,436 |
| Between 21 Yrs and 25 Yrs | | - | - | - |
| | 24,216 | 5,804 | 6,155 | 36,175 |

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 – Allerton Waste

Financial close for the Long Term Waste Services contract with AmeyCespa was achieved on 30th October 2014. Construction of the Allerton Waste Recovery Park commenced in January 2015 and the facility was completed becoming fully operational on 1st March 2018. The Council's commitments on the contract are: 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. Under the Joint Waste Management Agreement the City Council is responsible for paying 21% of the overall unitary charge.

The contract is to provide the services for 25 years at which time the asset transfers to the councils. The Council has therefore recognised 21% of the overall cost of the facility within its non current assets included on the Balance sheet during the year.

The Councils financial commitments under this are

| | Repayment of Liability | Interest Payments | Provision of Services | Lifecycle costs | Total |
|-------------------------|---------------------------|----------------------|--------------------------|--------------------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| less than one year | 772 | 4,249 | 2,676 | - | 7,697 |
| between 2 and 5 years | 3,302 | 15,730 | 11,647 | 767 | 31,446 |
| between 6 and 10 years | 4,359 | 16,385 | 16,724 | 3,446 | 40,914 |
| between 11 and 15 years | 6,901 | 12,767 | 19,037 | 4,238 | 42,943 |
| between 16 and 20 years | 12,873 | 6,088 | 21,676 | 4,087 | 44,724 |
| between 21 and 25 years | 11,963 | 110 | 13,347 | 688 | 26,108 |
| | 40,170 | 55,329 | 85,107 | 13,226 | 193,832 |

The value of assets and liabilities for both PFI Schools and PPP Allerton Waste are as follows

Value of PFI Assets

| | 2019/20 | | | 2018/19 | | |
|-----------------|---------|---------|---------|----------|---------|----------|
| | Schools | Waste | Total | Schools | Waste | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening Balance | - | 39,918 | 39,918 | 16,234 | 41,294 | 57,528 |
| Depreciation | - | (1,331) | (1,331) | - | (1,376) | (1,376) |
| Additions | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - |
| Disposals | - | - | - | (16,234) | - | (16,234) |
| Closing Balance | - | 38,587 | 38,587 | - | 39,918 | 39,918 |

Value of PFI Liabilities

| | 2019/20 | | | 2018/19 | | |
|---------------------|--------------|---------------|---------------|---------|--------|--------|
| | Schools | Waste | Total | Schools | Waste | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening Balance | 6,511 | 40,823 | 47,334 | 6,883 | 41,294 | 48,177 |
| Payments/Repayments | (355) | (653) | (1,008) | (372) | (471) | (843) |
| Additions | - | - | - | - | - | - |
| Closing Balance | 6,156 | 40,170 | 46,326 | 6,511 | 40,823 | 47,334 |

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 2019/20.

47. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £805k (£735k in 2018/19 restated) of which £472k (2018/19 £588k restated) has been changed to the Authority's Comprehensive Income and Expenditure Statement in the current year. See Note 37 for further details of the number of exit packages and total cost per band. This sum consists of termination benefits payable to officers across all of the Council's directorates, including the pension strain payable to the relevant pension fund where applicable. The note includes 10 exits from schools controlled by the authority.

48. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers Pension Scheme

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

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

accounting purposes. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/20 the Council paid £5.047m (2018/19 £4.878m) to CTP in respect of teachers' retirement benefits, representing 20.6% (2018/19 16.48%) of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £5.6m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These amounted to £521k (2018/19 £511k) and are fully accrued in the pensions liability described in the figures that follow in Note 49. The Council is not liable to the scheme for any other entities obligation under the plan.

NHS Staff Pension Scheme

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

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

In 2019/20, the Council paid £147k (2018/19 £137k) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 17.51% (2018/19 14.3%) of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £113k. The Council is not liable to the scheme for any other entities obligation under the plan.

49. DEFINED BENEFIT PENSION SCHEMES

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

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

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

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

Transactions relating to post-employment benefits

NOTES TO THE CORE FINANCIAL STATEMENTS

We recognise the costs of retirement benefits 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:

| | LGPS £000's | Teachers £000's | 2019/20 Total £000's | £000's | LGPS £000's | Teachers £000's | 2018/19 Restated Total £000's | £000's |
|---|----------------|--------------------|----------------------------|--------|----------------|--------------------|--|--------|
| Comprehensive Income and Expenditure Statement | | | | | | | | |
| Cost of Services | | | | | | | | |
| Current service cost | 26,185 | | 26,185 | | 20,473 | | 20,473 | |
| Past service cost | 173 | | 173 | | 6,117 | | 6,117 | |
| Administration expenses | 358 | | 358 | | 263 | | 263 | |
| (Gain) / Loss from settlements and curtailments | | | - | | | | - | |
| | 26,716 | - | 26,716 | | 26,853 | - | 26,853 | |
| Financing and Investment Income and Expenditure | | | | | | | | |
| Interest cost | 18,704 | 260 | 18,964 | | 19,217 | 288 | 19,505 | |
| Expected return on assets in the scheme | (15,824) | | (15,824) | | (15,827) | | (15,827) | |
| Net Interest expense | 2,880 | 260 | 3,140 | | 3,390 | 288 | 3,678 | |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | | | | | | | | |
| | 29,596 | 260 | 29,856 | | 30,243 | 288 | 30,531 | |
| 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) | 12,780 | | 12,780 | | (37,574) | | (37,574) | |
| Actuarial gains and losses arising on changes in demographic assumptions | (26,425) | (427) | (26,852) | | (32,360) | (444) | (32,804) | |
| Actuarial gains and losses arising on changes in financial assumptions | (15,665) | (158) | (15,823) | | 44,747 | 402 | 45,149 | |
| Experience gains and losses | 20,232 | (53) | 20,179 | | 1,208 | 33 | 1,241 | |
| Actuarial gains and losses | | | | | | | | |
| Gains and Losses from Disposals and Acquisitions | (1,651) | | (1,651) | | (3,408) | | (3,408) | |
| Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement | | | | | | | | |
| | (10,729) | (638) | (11,367) | | (27,387) | (9) | (27,396) | |
| 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 | (29,596) | (260) | (29,856) | | (30,243) | (288) | (30,531) | |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | | | |
| Employers' contributions payable to scheme | 15,463 | 521 | 15,984 | | 14,660 | 511 | 15,171 | |

Pensions Assets and Liabilities Recognised in the Balance Sheet

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 Restated | 2019/20 |
|---|-----------|-----------|-----------|-----------|---------------------|------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Present Value of Liabilities | | | | | | |
| Local Government Pension Scheme | 622,093 | 604,574 | 721,208 | 754,361 | 790,043 | 793,274 |
| Unfunded Teachers Pensions | 13,916 | 12,308 | 13,978 | 11,333 | 11,101 | 10,202 |
| Fair Value of Assets | | | | | | |
| Local Government Pension Scheme | (472,304) | (478,436) | (573,502) | (613,764) | (661,250) | (661,076) |
| (Surplus)/Deficit in the Scheme | | | | | | |
| Local Government Pension Scheme | 149,789 | 126,138 | 147,706 | 140,597 | 128,793 | 132,198 |
| Unfunded Teachers Pensions | 13,916 | 12,308 | 13,978 | 11,333 | 11,101 | 10,202 |
| Net liability arising from defined benefit obligation | 163,705 | 138,446 | 161,684 | 151,930 | 139,894 | 142,400 |

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

| | As at 31-Mar-20 | | As at 31-Mar-19 | |
|---------------------------------------|---------------------------------|--------------------------|---------------------------------|--------------------------|
| | 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 | (661,250) | - | (613,764) | - |
| Interest income | (15,824) | - | (15,827) | - |
| Re-measurement (gain) / loss | 12,780 | - | (37,574) | - |
| net increase in assets from disposals | 2,946 | - | 6,426 | - |
| Employer contributions | (15,463) | (521) | (14,660) | 511 |
| Contributions by scheme participants | (4,638) | - | (4,283) | - |
| Benefits/transfers paid | 20,373 | 521 | 18,432 | (511) |
| Closing fair value of scheme assets | (661,076) | - | (661,250) | - |

Reconciliation of present value of the scheme liabilities (defined benefit obligations)

NOTES TO THE CORE FINANCIAL STATEMENTS

| | As at 31-Mar-20 | | As at 31-Mar-19 Restated | |
|--|--|--|--|--|
| | 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 | 790,043 | 11,101 | 754,361 | 11,333 |
| Current service cost | 26,543 | - | 20,736 | - |
| Interest cost | 18,704 | 260 | 19,217 | 288 |
| Contributions by scheme participants | 4,638 | - | 4,283 | - |
| Remeasurement (gains)/losses: | | | | |
| Actuarial gains and losses arising on changes in demographic assumptions | (26,424) | (427) | (32,360) | (444) |
| Actuarial gains and losses arising on changes in financial assumptions | (15,665) | (158) | 44,747 | 402 |
| Experience gains and losses net increases in liabilities from disposals | 20,232 | (53) | 1,208 | 33 |
| | (4,597) | - | (9,834) | - |
| Benefits/transfers paid | (20,373) | (521) | (18,432) | (511) |
| Past service costs | 173 | - | 6,117 | - |
| Curtailments | | | | |
| Settlements | - | - | - | - |
| Closing balance at 31 March | 793,274 | 10,202 | 790,043 | 11,101 |

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £142.4m (2018/19 £139.9m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

NOTES TO THE CORE FINANCIAL STATEMENTS

| | As at 31-Mar-20 | As at 31-Mar-19 |
|---|----------------------------|----------------------------|
| Life expectancy | | |
| Of a male future pensioner aged 65 in 20 years time | 23.5 | 23.9 |
| Of a female future pensioner aged 65 in 20 years time | 25.7 | 27.2 |
| Of a male current pensioner aged 65 | 21.8 | 22.2 |
| Of a female current pensioner aged 65 | 23.9 | 25.3 |

The following shows the inflation factors used:

| | As at 31-Mar- 20 | As at 31-Mar- 20 | As at 31-Mar- 19 | As at 31-Mar-19 |
|------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------|
| | % pa LGPS | % pa UTS | % pa LGPS | % pa UTS |
| Rate of Inflation | 2.0 | 2.0 | 2.2 | 2.2 |
| Rate of increase in salaries | 3.25 | N/A | 3.45 | N/A |
| Rate of increase in pensions | 2.0 | 2.0 | 2.2 | 2.2 |
| Discount rate | 2.3 | 2.3 | 2.4 | 2.4 |

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

Impact on the Defined Benefit Obligation in the Scheme

| | Increase in assumption £'000 | Decrease in assumption £'000 |
|--|---|---|
| Longevity (increase in 1 year) | 25,332 | |
| Rate of inflation (increase by 0.1%) | 15,041 | |
| Rate of increase in salaries (increase by 0.1%) | 1,583 | |
| Rate of increase in pensions (increase by 0.1%) | 15,041 | |
| Rate for discounting scheme liabilities (increase by 0.1%) | | (16,624) |

Impact on the Council's Cash Flows

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 2021 is £12.9m. The weighted average duration of the defined benefit obligation for scheme members is 20 years (20 years in 2018/19).

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-20 | | As at 31-Mar-19 | |
|------------------|--------------------|-------|--------------------|-------|
| | % | £m | % | £m |
| Equities | 58.5% | 386.7 | 56.4% | 373.0 |
| Property | 7.3% | 48.3 | 8.4% | 55.5 |
| Government Bonds | 19.1% | 126.3 | 19.0% | 125.6 |
| Corporate Bonds | 0.0% | 0.0 | 0.0% | 0.0 |
| Cash | 4.1% | 27.1 | 4.9% | 32.4 |
| Other | 11.0% | 72.7 | 11.3% | 74.7 |
| Total | 100.0% | 661.1 | 100.0% | 661.2 |

50. CONTINGENT LIABILITIES

No contingent liabilities have been identified.

51. CONTINGENT ASSETS

No contingent assets have been identified.

52. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Nature and Extent of Risks Arising from Financial Instruments

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

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

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

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 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 Full Council on 28th February 2019 and is available on the Council website <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=10456&Ver=4> and <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=51161>

The key issues within the strategy were:

- The Authorised Limit for 2019/20 was set at £493.186m.
- The Operational Boundary for 2019/20 was set at £463.186m.
- The maximum and minimum exposures to the maturity structure of debt which are contained within this note under the 'Refinancing and Maturity Risk' section.

Risk management is carried out by a central treasury team, under policies approved by the council in the annual Treasury Management Strategy Statement.

Credit Risk

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

Investments

This risk is minimised through the Annual Investment Strategy set out in the annual Treasury Management Strategy Statement, which is available on the authority's website <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=51161>

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, 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 2019/20 was approved by Full Council on 28th February 2019 and is available on the Council's website

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=10456&Ver=4>
and <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=51161>

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

The Council's Treasury Investments are shown below:

| | Balance at 31-Mar-20 £000 | Balance at 31-Mar-19 £000 |
|------------------------|--|---------------------------------|
| Fixed Term Investments | - | 5,000 |
| Notice Accounts | - | - |
| Money Market Funds | - | 34,000 |
| Total | - | 39,000 |

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £0.000m (£39.000m in 2018/19) cannot be assessed collectively 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 2020 that this was likely to crystallise.

There were no circumstances known as at 31/03/20 that would require impairment on any investments.

Long Term debtors

The Council has long term debtors of £5.170m (£5.288m in 2018/19), further details can be found at Note 20.

When assessing impairment and Expected Credit Loss for long term debtors and loans to third parties the long term debtor's loan agreements and individual debtor records are assessed as well as taking into account current known facts and circumstances regarding the individual debt.

There was no evidence at 31 March 2020 that indicated any long term debt was credit impaired and Expected Credit Loss was deemed to be low, therefore no Expected Credit Loss was made.

Short term debtors

Trade receivables form part of the Council's short term debtors. The Council does not generally allow credit for its invoiced trade receivables, such that £8.206m of the £36.216m short term trade receivables debtors balance is past its due date for payment in 2019/20 (£6.103m of the £31.232m (restated) in 2018/19). A balance is past its due date if it is over 28 days old. The past due date amounts can be analysed by age as follows

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|--------------------|--|-----------------------------------|
| Less than 3 months | 3,097 | 1,822 |
| 3 to 6 months | 974 | 979 |
| 6 months to 1 year | 1,339 | 1,133 |
| More than 1 year | 2,796 | 2,169 |
| Total | 8,206 | 6,103 |

When assessing impairment and Expected Credit Loss, debtors are assessed collectively rather than individually using the simplified approach allowable under IFRS 9 for short term receivables. The Council makes an annual bad debt provision and at 31 March 2020 the Council's total bad debt provision was £7.724m (£7.916m at 31 March 2019) for all short term debtors. Further details on short term debtors and bad debt provision can be found at Note 19 and in the table below showing exposure to credit risk for trade receivables.

Bad debts are written off in line with the Council's bad debt policy as outlined in its Financial Regulations within the Constitution. During the year, the authority wrote off financial assets with a contractual amount outstanding of £0.223m (£0.077m in 2018/19).

Amounts Arising from Expected Credit Losses and Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2020:

The authority has the following exposure to credit risk at 31 March 2020:

| Financial Instrument Type | Credit Rating | Gross Carrying Amount | Gross Carrying Amount | Total Expected Credit Loss | Total Expected Credit Loss | Change in Expected Credit Loss from previous year |
|--|---------------|-----------------------|-------------------------------|----------------------------|-------------------------------|---|
| | | 31-Mar-20 £000 | 31-Mar-19 Restated £000 | 31-Mar-20 £000 | 31-Mar-19 Restated £000 | |
| Investments | AAA | - | 34,000 | - | - | - |
| Investments | A | - | 5,000 | - | - | - |
| Loans to third parties | Not Rated | 1,816 | 1,920 | - | - | - |
| Finance lease receivables | Not Rated | 186 | 192 | - | - | - |
| PFI | Not Rated | 3,168 | 3,176 | - | - | - |
| Short term debtors – Trade Receivables | Not Rated | 36,216 | 31,232 | (3,026) | (3,021) | (5) |

Note 1 – As per the CIPFA code, equity instruments designated into the category of Fair value through other comprehensive income are not within the scope of impairment.

Note 2 – Short term debtors in the above table includes trade receivables and any provision for write off against these. It excludes prepayments and statutory amounts and any provision for write off against these. Further details on short term debtors can be found at Note 19.

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:

| | Balance at 31 March 2020 £000 | Balance at 31 March 2019 £000 |
|--------------------------------|--|--|
| Interest Due within one year | (1,698) | (3,698) |
| Maturing within one year | (10,000) | (6,000) |
| Maturing in 1 - 2 years | (7,000) | (10,000) |
| Maturing in 2 - 5 years | (24,315) | (16,015) |
| Maturing in 5 - 10 years | (63,200) | (63,600) |
| Maturing in more than 10 years | (151,950) | (146,850) |
| Carrying Value Adjustment | 680 | 731 |
| Total | (257,483) | (245,432) |

Note 3 – The Councils LOBO loan is shown at its maturity date not the next call date in the above table. The Councils WYCA loan is shown at its principal amount.

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

| | Interest Rates Payable | Balance at 31 March 2020 £000 | Balance at 31 March 2019 £000 |
|---|---------------------------------------|--|--|
| Public Works Loan Board (PWLB) | 2.760% | | |
| | to | | |
| | 4.750% | (249,115) | (235,115) |
| PWLB (Carrying Value Adjustment) | | 680 | 731 |
| Dexia Bank LOBO | 3.880% | (5,000) | (5,000) |
| WYCA | 0.000% | (2,350) | (2,350) |
| Interest Owed on Long Term Debt at 31st March | | (1,698) | (3,698) |
| Total | | (257,483) | (245,432) |

All trade payables of £24.587m (£31.401m (restated) in 2018/19) are due to be paid in less than one year and are not shown in the table above. Further details for short term creditors can be found in Note 23.

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 Full Council on 28th February 2019 in the Treasury Management Strategy and is available on the Councils website

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=10456&Ver=4>
and <https://democracy.york.gov.uk/ieDecisionDetails.aspx?AllId=51161>

| | Approved Minimum Limits at 31-Mar-20 % | Approved Maximum Limits at 31-Mar-20 % | Authority Actual at 31-Mar-20 £000's | Authority Actual at 31-Mar-20 % | Authority Actual at 31-Mar-19 £000's | Authority Actual 31-Mar-19 % |
|---------------------------|--|--|---|--|---|---------------------------------------|
| Less than 1 year | - | 30 | (10,000) | 3.90% | (6,000) | 2.47% |
| Between 1 and 2 years | - | 30 | (7,000) | 2.73% | (10,000) | 4.12% |
| Between 2 and 5 years | - | 40 | (24,315) | 9.48% | (16,015) | 6.61% |
| Between 5 and 10 years | - | 40 | (63,200) | 24.64% | (63,600) | 26.23% |
| More than 10 years | 30 | 90 | (151,950) | 59.25% | (146,850) | 60.57% |
| Total | | | (256,465) | 100.00% | (242,465) | 100.00% |

Note 4 – This table shows the principal loan amount outstanding excluding interest. The Councils LOBO loan is shown at its maturity date not the next call date in the above table. The Councils WYCA loan is shown at its principal amount.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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;
- 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, 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:

| | Balance at 31-Mar-20 £000's | Balance at 31-Mar-19 £000's |
|---|--|-----------------------------------|
| Increase in interest payable on variable rate investments borrowings | - | - |
| Increase in interest receivable on variable rate investments | - | (390) |
| Impact on Surplus or Deficit on the Provision of Services | - | (390) |
| Decrease in fair value of fixed rate investment assets | - | - |
| Impact on Other Comprehensive Income and Expenditure | - | - |
| Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure) | (72,863) | (54,972) |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However, it does have shareholdings to the value of £5.271m (£5.507m in 2018/19) in a

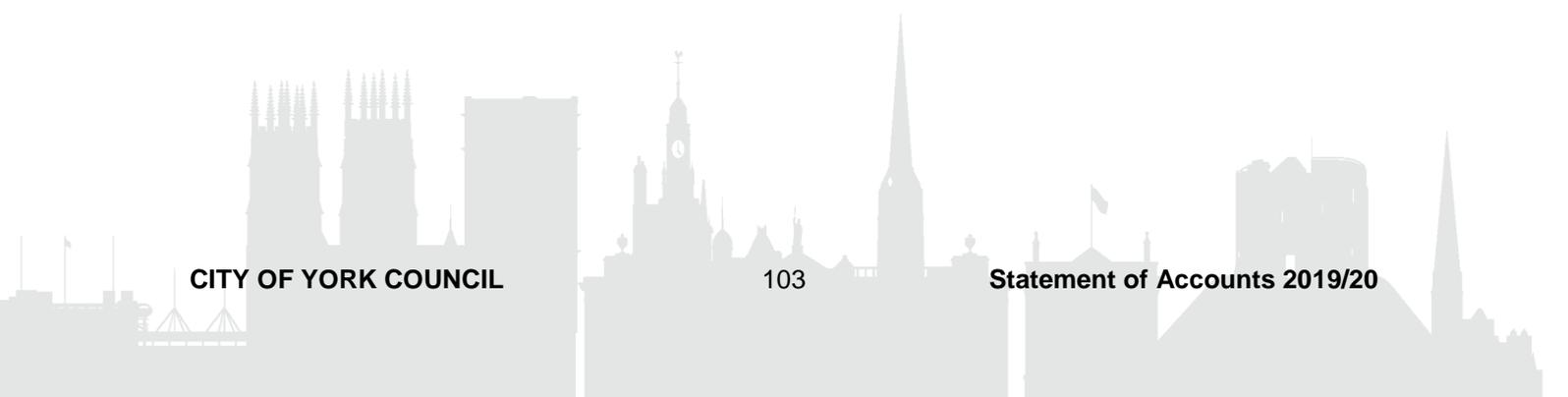
number of equity investments detailed further in Note 16 to the Statement of Accounts. Whilst these holdings are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

These shareholdings have arisen due to specific service or strategic objectives; the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. In line with the Council's accounting policy for these types of investments the shares have all been designated as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £0.264m (£0.275m in 2018/19) gain or loss being recognised in the Financial Instrument Revaluation Reserve.

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.

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NOTES TO THE CORE FINANCIAL STATEMENTS

53. EXPENDITURE AND FUNDING ANALYSIS (EFA)

| 2018/19 | | | 2019/20 | | | |
|---|--|---|--|---|--|---|
| Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 36,537 | (10,566) | 25,971 | Customer and Support Services | 25,657 | 7,456 | 33,113 |
| 21,598 | 7,603 | 29,201 | Childrens and Education Services | 20,107 | 6,706 | 26,813 |
| 5,069 | 621 | 5,690 | Communities and Equalities | 6,160 | (159) | 6,001 |
| 6,566 | (16,194) | (9,628) | Housing Revenue Account | (2,606) | (8,087) | (10,693) |
| 56,481 | 2,824 | 59,305 | Adult Social Care | 61,020 | 2,352 | 63,372 |
| 504 | 1,375 | 1,879 | Housing and Community Safety | 361 | 4,533 | 4,894 |
| (3,009) | 421 | (2,588) | Public Health | (619) | 1,153 | 534 |
| 16,544 | 10,188 | 26,732 | Economy and Place | 20,605 | (155) | 20,450 |
| 140,290 | (3,728) | 136,562 | Net Cost of Services | 130,685 | 13,799 | 144,484 |
| (135,172) | 26,091 | (109,081) | Other Income and Expenditure | (132,455) | (10,406) | (142,861) |
| 5,118 | 22,363 | 27,481 | Surplus or Deficit | (1,770) | 3,393 | 1,623 |
| (40,351) | | | Opening General Fund and HRA Balance | (34,612) | | |
| 5,118 | | | Surplus or Deficit | (1,770) | | |
| 621 | | | Transfer of underspend 2018/19 to Contingency | 139 | | |
| (34,612) | | | Closing General Fund and HRA Balance at 31 March 2020 | (36,243) | | |

The objective of the EFA is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

The adjustments between the funding and accounting basis can be further analysed between:

- Adjustments for Capital purposes
- The net change in relation to Pensions adjustments
- Other differences

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets;
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pension Adjustments – net change for the removal of pension contributions and the addition of IAS 19 Employee Benefit pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs; and
- For Financing and Investment Income & Expenditure the net interest on the defined benefit liability is charged to the CIES.

Other differences - between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute and include:

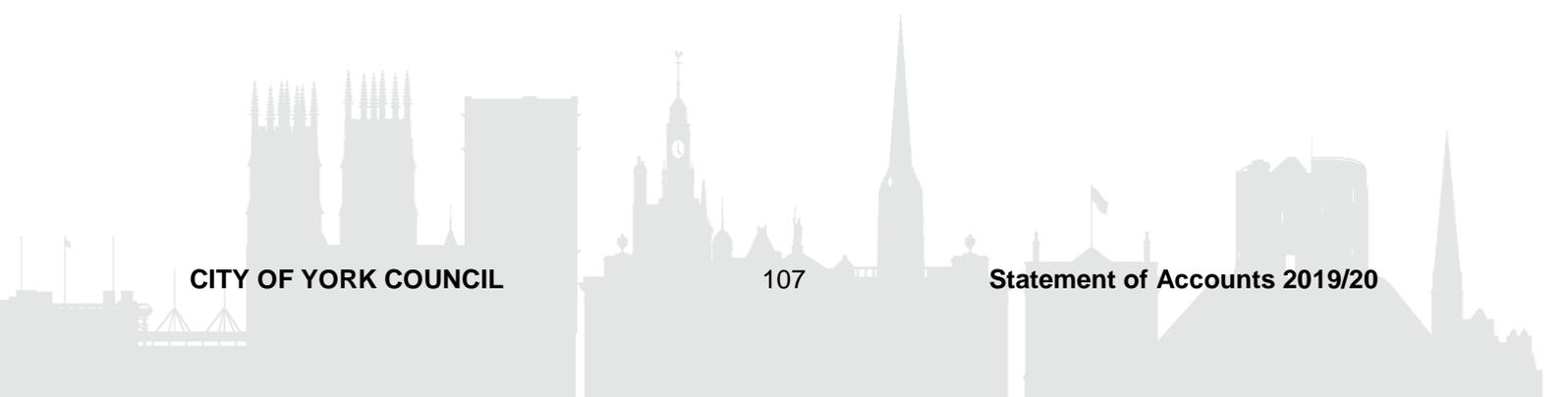
- For services this includes adjustments made from accruing compensated absences earned but not taken in the year;
- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and
- The charge under Taxation and no-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- Financing and Investment Income & Expenditure – the statutory charges for capital i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and

NOTES TO THE CORE FINANCIAL STATEMENTS

| 2018/19 | | | | 2019/20 | | | | |
|--|---|---------------------------|---------------------------|--|--|---|---------------------------|---------------------------|
| Adjustments for Capital Purposes £000 | Net change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 | Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes £000 | Net change for the Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
| (1,844) | 2,174 | (10,896) | (10,566) | Customer and Support Services | 2,775 | 3,398 | 1,283 | 7,456 |
| 4,100 | 1,397 | 2,106 | 7,603 | Childrens and Education Services | 153 | 2,455 | 4,098 | 6,706 |
| - | - | 621 | 621 | Communities and Equalities | - | 4 | (163) | (159) |
| 8,031 | 239 | (24,464) | (16,194) | Housing Revenue Account | 9,232 | 475 | (17,794) | (8,087) |
| 998 | 844 | 982 | 2,824 | Adult Social Care | 614 | 1,481 | 257 | 2,352 |
| 94 | 416 | 865 | 1,375 | Housing and Community Safety | 2 | 729 | 3,802 | 4,533 |
| 639 | 48 | (266) | 421 | Public Health | 584 | 315 | 254 | 1,153 |
| 9,435 | 1,066 | (313) | 10,188 | Economy and Place | 308 | 1,877 | (2,340) | (155) |
| 21,453 | 6,184 | (31,365) | (3,728) | Net Cost of Services | 13,668 | 10,734 | (10,603) | 13,799 |
| 46,481 | 3,678 | (24,068) | 26,091 | Other Income and Expenditure from the Expenditure and Funding Analysis | 12,979 | 3,140 | (26,525) | (10,406) |
| 67,934 | 9,862 | (55,433) | 22,363 | Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 26,647 | 13,874 | (37,128) | 3,393 |

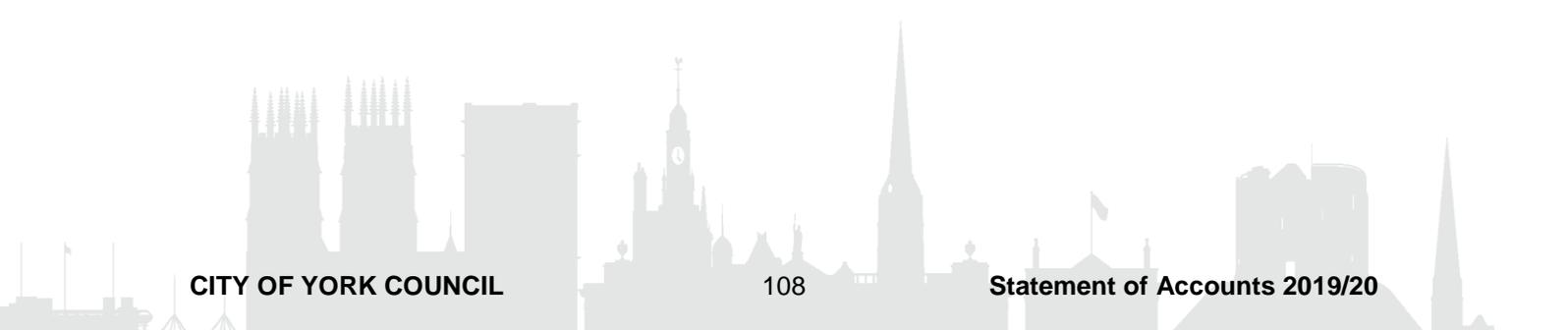
SUPPLEMENTARY STATEMENTS

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HOUSING REVENUE ACCOUNT



HOUSING REVENUE ACCOUNT

Income and Expenditure Statement:

| | Note | 2019/20 £000's | 2018/19 (Restated) £000's |
|--|------|-------------------|---------------------------------|
| Income | | | |
| Dwellings Rents | (3) | (30,923) | (30,923) |
| Non-dwelling rents | | (373) | (341) |
| Charges for Services and Facilities | | (1,168) | (1,188) |
| Contributions Towards Expenditure | | (4,159) | (741) |
| Total Income | | (36,623) | (33,194) |
| Expenditure | | | |
| Repairs and maintenance | | 6,943 | 6,225 |
| Supervision and management | | 9,019 | 8,333 |
| Rents, Rates, Taxes and Other Charges | | 419 | 396 |
| Depreciation, impairment and revaluation losses of non-current assets | (6) | 9,242 | 8,381 |
| Debt Management Costs | | 58 | 54 |
| Movement in the allowance for bad debts | (4) | 249 | 176 |
| Total Expenditure | | 25,930 | 23,560 |
| Net Cost of Services included in the Comprehensive Income and Expenditure Statement | | (10,693) | (9,634) |
| Share of Corporate Costs | | | |
| HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services | | (19) | (6) |
| Net Cost of HRA Services | | (10,712) | (9,634) |
| HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement: | | | |
| Payments to the Government Housing Capital Receipts pool | | 1,179 | 1,179 |
| Payments to the Government Housing Capital Receipts pool - prior year repayments | | 1,311 | 1,157 |
| (Gain) or loss on sale of HRA non-current assets | | (1,461) | (1,552) |
| Interest payable and similar charges | | 4,547 | 4,518 |
| Interest and investment income | | (554) | (559) |
| Pensions interest cost and expected return on pension assets | (5) | 122 | 120 |
| Capital grants and contributions receivable | | (1,563) | (452) |
| (Surplus)/Deficit on Provision of Services | | (7,131) | (5,223) |

HOUSING REVENUE ACCOUNT

Movement in Reserves:

| | 2019/20 | | 2018/19 | |
|---|----------------|-----------------|----------------|-----------------|
| | £000's | £000's | £000's | £000's |
| Balance on the HRA at the end of the previous year | | (24,497) | | (29,420) |
| (Surplus)/Deficit for the year on the HRA Income and Expenditure Statement | (7,131) | | (5,223) | |
| Adjustments between accounting basis & funding basis under regulations | | | | |
| Depreciation and impairment charges | (9,231) | | (8,031) | |
| Capital grants applied in year | 5,373 | | 832 | |
| Non-current assets written off | (6,907) | | (5,204) | |
| Capital Expenditure funded by the HRA | 6,958 | | 2,227 | |
| Income from non-current asset sales | 8,368 | | 6,757 | |
| Transfer from Capital Receipts Reserve | (2,566) | | (2,371) | |
| Transfer to Capital Receipts Reserve | | | | |
| Depreciation costs met by MRR | 8,380 | | 7,999 | |
| Retirement benefits | 1,115 | | 725 | |
| Pension payments | (1,712) | | (1,084) | |
| Net Increase/Decrease before Transfers to or from reserves | 2,647 | - | (3,373) | - |
| Transfers to/(from) reserves | (4,550) | | 8,296 | |
| (Increase)/Decrease in Year on the HRA | | (1,903) | | 4,923 |
| Balance on the HRA at the end of the current year | | (26,400) | | (24,497) |

1. SIGNIFICANCE OF THE STATUTORY HOUSING REVENUE ACCOUNT

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.

There is a surplus of £7.131m (2018/19 surplus of £5.223m) on the Housing Revenue Account Income and Expenditure Account, this reduces to a surplus of £1.903m (2018/19 deficit of £4.923m) for the year on the Statutory Housing Revenue Account.

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 rental income is the total amount due for the year before the allowance for voids of £490k (2018/19 £501k) which represents 1.56% (2018/19 1.6%) of the gross rental income including charges for services. The average weekly rent for 2019/20 was £77.51 compared to £78.27 in 2018/19.

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

| | 2019/20 | 2018/19 Restated |
|---|-----------------|---------------------|
| | £000's | £000's |
| Rents due from Tenants | (19,842) | (18,204) |
| Rents remitted by Rent Rebates through the Housing Benefit System | (11,571) | (13,220) |
| Total Gross Rental Income | (31,413) | (31,424) |
| Less void loss | 490 | 501 |
| Net Dwelling Rental Income | (30,923) | (30,923) |

HOUSING REVENUE ACCOUNT

The Council was responsible for managing 7,572 dwellings at 31 March 2020. In addition a further 245 properties were managed on behalf of a Housing Association and 42 properties on behalf of private landlords through the social lettings agency, Yorhome, although these properties are not part of the HRA stock.

The HRA stock was made up as follows:

| | 2019/20 | 2018/19 (Restated) |
|------------------------------|--------------|-----------------------|
| Houses | 3,573 | 3,615 |
| Bungalows | 480 | 474 |
| Flats, Bedsits & Maisonettes | 3,449 | 3,467 |
| Hostel Places | 39 | 39 |
| Shared Ownership* | 31 | 12 |
| | 7,572 | 7,607 |

*This is the total number of properties in which the Council holds an equity share - the retained proportion of each property will vary.

The changes in the HRA dwelling stock within the year can be summarised as follows:

| | 2019/20 | 2018/19 (Restated) |
|--|--------------|-----------------------|
| Stock at 31st March | 7,607 | 7,660 |
| Dwelling Sales | (59) | (64) |
| Additions to Council dwelling stock | 7 | 3 |
| Additions to Shared ownership stock | 19 | 10 |
| Held for Demolition | - | (2) |
| Re-categorised to HRA non-dwelling stock | (2) | - |
| | 7,572 | 7,607 |

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 2019/20 rent arrears as a proportion of gross rent income have increased from 3.54% of the amount due to 4.09%. The rent arrears figures are as follows:

| | | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|-------------------|
| Arrears at 31 March | - Current tenants | 1,035 | 880 |
| | - Former tenants | 231 | 216 |
| Amounts Written Off during the Year | | 113 | 236 |
| Increased/(Reduced) Provision during the Year | | 243 | 172 |
| Provision for Bad and Doubtful Debts | | 824 | 693 |

HOUSING REVENUE ACCOUNT

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

| | 2019/20 % | 2018/19 % |
|--|--------------|--------------|
| Dwelling rent arrears as a % of gross rent debit | | |
| - Current tenants | 3.35% | 2.85% |
| - Former tenants | 0.74% | 0.70% |
| | 4.09% | 3.54% |

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

| | 2019/20 £000's | 2018/19 £000's |
|---|-------------------|-------------------|
| Arrears at 31 March | 23 | 27 |
| Amounts Written Off during the Year | (1) | (8) |
| Increased/(Reduced) Provision during the Year | 7 | 4 |
| Provision for Bad and Doubtful Debts | 29 | 23 |

5. 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:

| | 2019/20 | | 2018/19 | |
|---|---------|--------------|---------|------------|
| | £000's | £000's | £000's | £000's |
| Income and Expenditure Account Entries | | | | |
| Net Cost of HRA Services | | | | |
| Current service cost | 1,115 | | 725 | |
| Past service cost | 7 | | 22 | |
| Administration Expenses | 16 | | 9 | |
| Curtailment Cost | - | | - | |
| | | 1,138 | | 756 |
| Financing and Investment Income and Expenditure | | | | |
| Interest cost | 796 | | 680 | |
| Expected return on assets in the scheme | (674) | | (560) | |
| | | 122 | | 120 |
| Net Charge to the Income and Expenditure Account | | 1,260 | | 876 |

Statement of Movement on the Housing Revenue Account Balance Entries

HOUSING REVENUE ACCOUNT

| | | |
|---|------------|---------|
| Reversal of net charges made for retirement benefits | | |
| Contribution to/(from) Pensions Reserve | (1,712) | (1,084) |
| Actual amount charged to the Housing Revenue Account for Pensions in the year | 664 | 933 |

6. 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.

Councils are also able to charge capital expenditure directly to the reserve. The following table shows the depreciation charged during the year:

| | 2019/20 | 2018/19 |
|---|--------------|--------------|
| | £000's | £000's |
| Dwellings | 7,928 | 7,616 |
| Other Land and Buildings | 432 | 382 |
| Intangible assets | 23 | 38 |
| Plant, Vehicles & Equipment | 19 | 1 |
| Infrastructure | 1 | 1 |
| | 8,403 | 8,038 |
| Reversal of Revaluation loss/Impairment | 839 | 343 |
| | 9,242 | 8,381 |

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:

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £000's | £000's |
| Balance at 1 April | (4,346) | (3,568) |
| Depreciation on HRA dwellings | (7,928) | (7,616) |
| Depreciation on other HRA assets | (452) | (383) |
| Capital expenditure on houses within the HRA charged to the reserve | 8,006 | 7,221 |
| Balance at 31 March | (4,720) | (4,346) |

HOUSING REVENUE ACCOUNT

7. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

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:

2019/20 Movement of Property, Plant and Equipment

| | Council dwellings £000's | Other land and buildings £000's | Vehicles, plant & furniture & equipment £000's | Infra-structure Assets £000's | Communi-ty Assets £000's | Surplus £000's | Assets under Cons-truction £000's | Total Property, plant & Equipment £000's |
|--|-----------------------------|------------------------------------|---|----------------------------------|-----------------------------|-------------------|--------------------------------------|---|
| Cost or Valuation (GCA) | | | | | | | | |
| At 1 April 2019 | 461,616 | 11,695 | 185 | 42 | - | 84 | 11,471 | 485,093 |
| Additions | 9,406 | 6,060 | 104 | - | - | - | 13,210 | 28,780 |
| Acc Dep & Imp WO to GCA | (7,616) | (424) | - | - | - | - | - | (8,040) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 21,146 | 1,838 | - | - | - | 286 | - | 23,270 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 9 | (862) | - | - | - | - | (11) | (864) |
| Derecognition - Disposals | (3,723) | (2,694) | - | - | - | (491) | - | (6,908) |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - |
| Other movements in Cost or Valuation | 720 | 3,171 | - | - | - | 209 | 3,250 | 7,350 |
| At 31 March 2020 | 481,558 | 18,784 | 289 | 42 | - | 88 | 27,920 | 528,681 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2019 | (7,616) | (10) | (1) | (8) | - | - | - | (7,635) |
| Depreciation Charge for 2019/20 | (7,928) | (433) | (19) | (1) | - | - | - | (8,381) |
| Acc. Depreciation WO to GCA | 7,616 | 424 | - | - | - | - | - | 8,040 |
| Other movements in Depreciation and Impairment | - | - | - | - | - | - | - | - |
| At 31 March 2020 | (7,928) | (19) | (20) | (9) | - | - | - | (7,976) |
| Net Book Value | | | | | | | | |
| At 31 March 2020 | 473,630 | 18,765 | 269 | 33 | - | 88 | 27,920 | 520,705 |
| At 31 March 2019 | 454,000 | 11,685 | 184 | 34 | - | 84 | 11,471 | 477,458 |

HOUSING REVENUE ACCOUNT

2018/19 Movement of Property, Plant and Equipment

| | Council dwellings £000's | Other land and buildings £000's | Vehicles, plant furniture & equipment £000's | Infra-structure Assets £000's | Communi-ty Assets £000's | Surplus £000's | Assets under Cons-truction £000's | Total Property, plant & Equipment £000's |
|--|-----------------------------|------------------------------------|---|----------------------------------|-----------------------------|-------------------|--------------------------------------|---|
| Cost or Valuation (GCA) | | | | | | | | |
| At 1 April 2018 | 458,837 | 7,523 | 7 | 42 | - | 19 | 9,075 | 475,503 |
| Additions | 8,848 | 1,881 | 178 | - | - | - | 4,247 | 15,154 |
| Acc Dep & Imp WO to GCA | (7,518) | (372) | - | - | - | - | - | (7,890) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 4,131 | 1,544 | - | - | - | 3 | - | 5,678 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services Derecognition - Disposals | (9) | 7 | - | - | - | - | (341) | (343) |
| Assets reclassified (to)/from Held for Sale | - | 1,817 | - | - | - | - | - | 1,817 |
| Other movements in Cost or Valuation | 1,510 | (62) | - | - | - | 62 | (1,510) | - |
| At 31 March 2019 | 461,616 | 11,695 | 185 | 42 | - | 84 | 11,471 | 485,093 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2018 | (7,518) | - | - | (7) | - | - | - | (7,525) |
| Depreciation Charge for 2018/19 | (7,616) | (382) | (1) | (1) | - | - | - | (8,000) |
| Acc. Depreciation WO to GCA | 7,518 | 372 | - | - | - | - | - | 7,890 |
| Other movements in Depreciation and Impairment | - | - | - | - | - | - | - | - |
| At 31 March 2019 | (7,616) | (10) | (1) | (8) | - | - | - | (7,635) |
| Net Book Value | | | | | | | | |
| At 31 March 2019 | 454,000 | 11,685 | 184 | 34 | - | 84 | 11,471 | 477,458 |
| At 31 March 2018 | 451,319 | 7,523 | 7 | 35 | - | 19 | 9,075 | 467,978 |

8. 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. The adjustment factor is 41%. The council recognises council dwellings at a value of £475.67m (2018/19 £456.96m) on the balance sheet. The vacant possession value of the council dwellings at 1 April 2019 was £1,131.095m (2018/19 £1,086.869m). The difference between vacant possession value and balance sheet value of dwellings shows the economic cost of providing council housing at less than market rents.

9. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The capital expenditure to be financed in 2019/20 is £28.779m (2018/19 15.154m). The analysis of the expenditure and the sources of financing used are set out in the following table

| | 2019/20 | | | | 2018/19 | | | |
|----------------------------------|---------------------|---------------------|-----------------------|-----------------|---------------------|---------------------|-----------------------|-----------------|
| | Dwellings £000's | Equipment £000's | Intangibles £000's | Total £000's | Dwellings £000's | Equipment £000's | Intangibles £000's | Total £000's |
| Total capital expenditure | 28,594 | 1 | 184 | 28,779 | 15,061 | 36 | 57 | 15,154 |
| Financing | | | | | | | | |
| Capital Receipts | (8,431) | | | (8,431) | (4,524) | | | (4,524) |
| Major Repairs Reserve | (8,007) | | | (8,007) | (7,221) | | | (7,221) |
| Grants | (1,454) | | | (1,454) | (425) | | | (425) |
| Revenue Contributions | (6,784) | (1) | (184) | (6,969) | (2,484) | (36) | (57) | (2,577) |
| Other Contributions | (3,918) | | | (3,918) | (407) | | | (407) |
| | (28,594) | (1) | (184) | (28,779) | (15,061) | (36) | (57) | (15,154) |

10. 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:

| | 2019/20 | | | 2018/19 | | |
|--|---------------------|----------------------|----------------|---------------------|----------------------|----------------|
| | Council | Other | Total | Council | Other | Total |
| | Dwellings £000's | Properties £000's | | Dwellings £000's | Properties £000's | |
| Sales proceeds | (5,127) | (3,197) | (8,324) | (5,044) | (1,672) | (6,716) |
| less: administrative costs | 75 | | 75 | 78 | | 78 |
| Net proceeds | (5,052) | (3,197) | (8,249) | (4,966) | (1,672) | (6,638) |
| Right to buy discount repaid | (44) | | (44) | (41) | | (41) |
| Mortgage principal repaid | | | | | | |
| | (5,096) | (3,197) | (8,293) | (5,007) | (1,672) | (6,679) |
| of which: | | | | | | |
| Usable | (3,917) | (3,197) | (7,114) | (3,828) | (1,672) | (5,500) |
| Payable to Housing Pooled Capital Receipts | (1,179) | | (1,179) | (1,179) | | (1,179) |
| | (5,096) | (3,197) | (8,293) | (5,007) | (1,672) | (6,679) |

11. 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:

| | 2019/20 | 2018/19 |
|---|----------------|---------|
| | £000's | £000's |
| Balance 1 April | 40 | 40 |
| Additions | - | - |
| Disposals | - | - |
| Net gain or loss on Fair Value | 25 | - |
| Transfers: | | |
| - To / From Property, Plant & Equipment | (25) | - |
| Balance 31 March | 40 | 40 |

12. ASSETS HELD FOR SALE

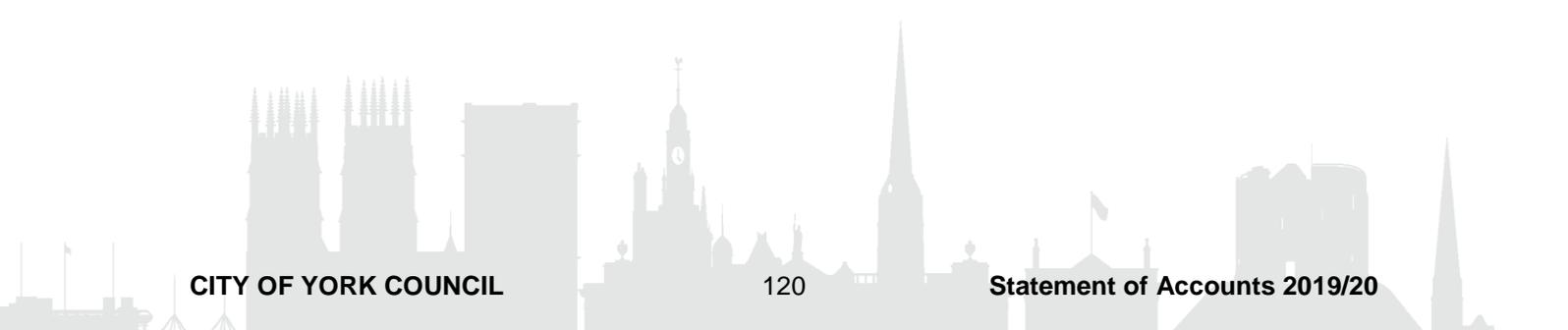
The following table summarises the movement in HRA assets held for sale over the year:

| | 2019/20 | 2018/19 |
|--|----------------|---------|
| | £000's | £000's |
| Balance outstanding at Start of Year | - | 2,194 |
| Assets newly classified as Held for Sale : | | |
| Property, Plant and Equipment | - | (1,817) |
| Assets Sold | - | (377) |
| Balance outstanding at End of Year | - | - |

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COLLECTION FUND

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COLLECTION FUND

| INCOME AND EXPENDITURE ACCOUNT | | | | | |
|--|------|--------------------------------------|-----------------------------------|--------------------------|--------------------------|
| | Note | 2019/20 Business Rates £000 | 2019/20 Council Tax £000 | 2019/20 Total £000 | 2018/19 Total £000 |
| Income | | | | | |
| Council Tax Receivable | 2 | | (112,367) | (112,367) | (107,065) |
| Business Rates Receivable | 3 | (103,863) | | (103,863) | (102,694) |
| Total Income | | (103,863) | (112,367) | (216,230) | (209,759) |
| Expenditure | | | | | |
| Apportionment of Prior Year Surplus | | | | | |
| Central Government | | (56) | | (56) | (328) |
| City of York Council | | 4,274 | 500 | 4,774 | 1,305 |
| North Yorkshire Police & Crime Commissioner | | | 90 | 90 | 287 |
| North Yorkshire Fire & Rescue Authority | | 42 | 27 | 69 | 80 |
| | | 4,260 | 617 | 4,877 | 1,344 |
| Precepts, Demands and Shares | | | | | |
| Central Government | | 25,212 | | 25,212 | - |
| City of York Council | | 74,626 | 90,066 | 164,692 | 185,296 |
| Parish Councils | | | 752 | 752 | 725 |
| North Yorkshire Police & Crime Commissioner | | | 17,317 | 17,317 | 15,522 |
| North Yorkshire Fire & Rescue Authority | | 1,008 | 4,825 | 5,833 | 5,618 |
| | | 100,846 | 112,960 | 213,806 | 207,161 |
| Disregarded amounts - Enterprise Zone growth | | | | | |
| | | 20 | | 20 | 383 |
| Charges to Collection Fund | | | | | |
| Write Offs | | | (134) | (134) | 335 |
| Interest on refunds | | | | - | - |
| Increase/(Decrease) in Bad Debt Provision | | 503 | (440) | 63 | (331) |
| Increase/(Decrease) in Provision for Appeals | | 1,216 | | 1,216 | 743 |
| Appeals charged to the Collection Fund | | (1,016) | | (1,016) | (2,585) |
| Cost of Collection | | 289 | | 289 | 290 |
| Transitional Protection | | 698 | | 698 | 1,116 |
| | | 1,690 | (574) | 1,116 | (432) |
| Total Expenditure | | 106,816 | 113,003 | 219,819 | 208,456 |
| (Surplus)/Deficit Arising In Year | | 2,953 | 636 | 3,589 | (1,303) |
| (Surplus)/Deficit Brought Forward | | (2,168) | (900) | (3,068) | (1,766) |
| (Surplus)/Deficit Carried Forward | | 785 | (264) | 521 | (3,069) |

1. LEGISLATIVE BACKGROUND

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

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

2. COUNCIL TAX

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

The Council Tax base for 2019/20 was 67,706.1 (66,671.1 in 2018/19).

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, was 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 2019/20 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 £578k (2018/19 £565k) to the Council Tax income.

| Property Band | Property Value | | Estimated Chargeable dwellings | Proportion of Band D | Estimated Tax Base | Average Charge In Year |
|--|----------------|----------|--------------------------------|----------------------|--------------------|------------------------|
| A reduced | up to | £40,000 | 10.8 | 5/9 | 6.0 | £920.71 |
| A | up to | £40,000 | 7,389.6 | 6/9 | 4,926.4 | £1,104.90 |
| B | £40,000 to | £52,000 | 19,287.6 | 7/9 | 15,001.5 | £1,289.00 |
| C | £52,000 to | £68,000 | 22,160.6 | 8/9 | 19,698.3 | £1,473.15 |
| D | £68,000 to | £88,000 | 11,663.4 | 9/9 | 11,663.4 | £1,657.29 |
| E | £88,000 to | £120,000 | 6,901.1 | 11/9 | 8,434.7 | £2,025.58 |
| F | £120,000 to | £160,000 | | 13/9 | 4,749.7 | £2,393.87 |
| G | £160,000 to | £320,000 | 1,627.6 | 15/9 | 2,712.7 | £2,762.15 |
| H | over | £320,000 | 80.3 | 18/9 | 160.5 | £3,314.58 |
| TOTAL | | | 72,409.3 | | 67,353.2 | |
| Crown Properties | | | | | 352.9 | |
| Taxbase for the calculation of Council Tax | | | | | 67,706.1 | |

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 £346k (2018/19 £335k) were written off against the provision for bad/doubtful debts, and £480k was written on, giving it a net overall write on figure of £134k. An annual assessment of the level of arrears and their age and recoverability, the amount to be provided as provision for future write-offs and the value of outstanding appeals against the council tax band that has been awarded for new properties is undertaken. Following this exercise the level of provision set-aside against bad debts on the current level of arrears was decreased by £440k (increase in 2018/19 of £394k).

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 2020 was 256,083,171 (2018/19 255,777,381) and the rate for 2019/20 was 50.4p (2018/19 49.3p), with a reduction to 49.3p (2018/19 48.0p) 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 2019/20 as a member of the North and West Yorkshire Business Rates pool, the Council is included in the 75% business rates pilot for one year only. York's local share is 74% and the remainder is distributed to central government (25%) and the preceptors which in the case of York is 1% to North Yorkshire Fire and Rescue Authority (NYFRA).

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £25.212m (£nil in 2018/19) to central government, £1.008m (£1.004m in 2018/19) to NYFRA and £74.626m (£99.398m in 2018/19) to City of York Council. These sums have been paid in 2019/20 and charged to the collection fund in year.

The total income from business rate payers collected in 2019/20 was £103.863m (£102.694m in 2018/19).

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 2020. 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 2019/20 has been calculated at £1,216k.

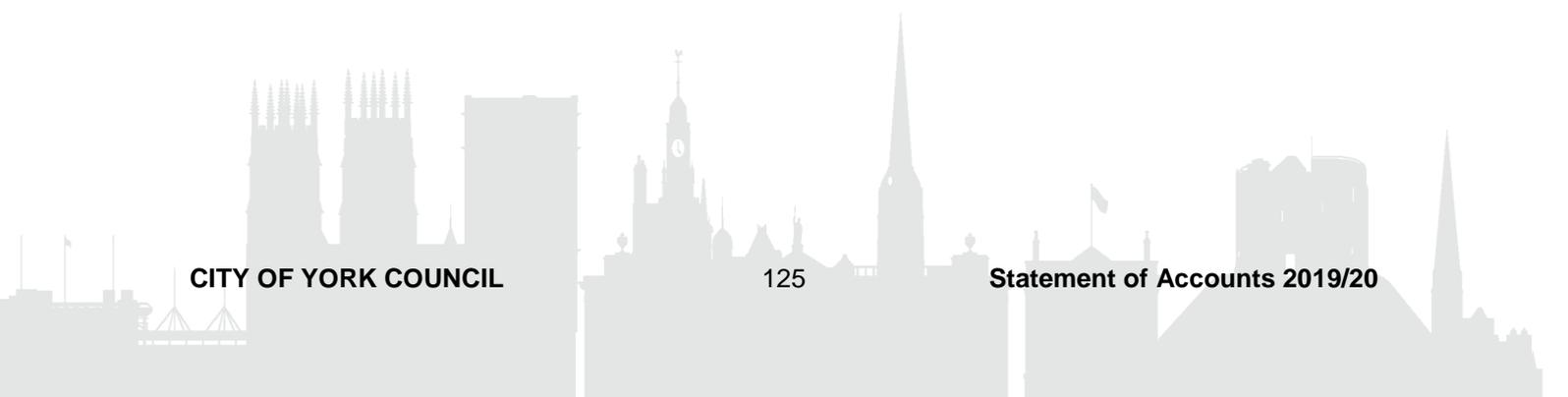
4. DISTRIBUTION OF YEAR END (SURPLUS)/DEFICIT

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

| | 2019/20 Business Rates £'s | 2019/20 Council Tax £'s | 2019/20 Total £'s | 2018/19 Total £'s |
|---|---|--|----------------------------------|----------------------------------|
| Central Government | (326,562) | - | (326,562) | 56,543 |
| City of York Council | 1,104,206 | (212,538) | 891,668 | (2,931,192) |
| North Yorkshire Police Authority | - | (40,489) | (40,489) | (133,118) |
| North Yorkshire Fire and Rescue Authority | 7,855 | (11,074) | (3,219) | (60,440) |
| | 785,499 | (264,101) | 521,398 | (3,068,207) |

ANNUAL GOVERNANCE STATEMENT

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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. This includes ensuring appropriate governance of council owned companies.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the City of York Council's Local Code of Corporate Governance is available on the council's website at www.york.gov.uk.

This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

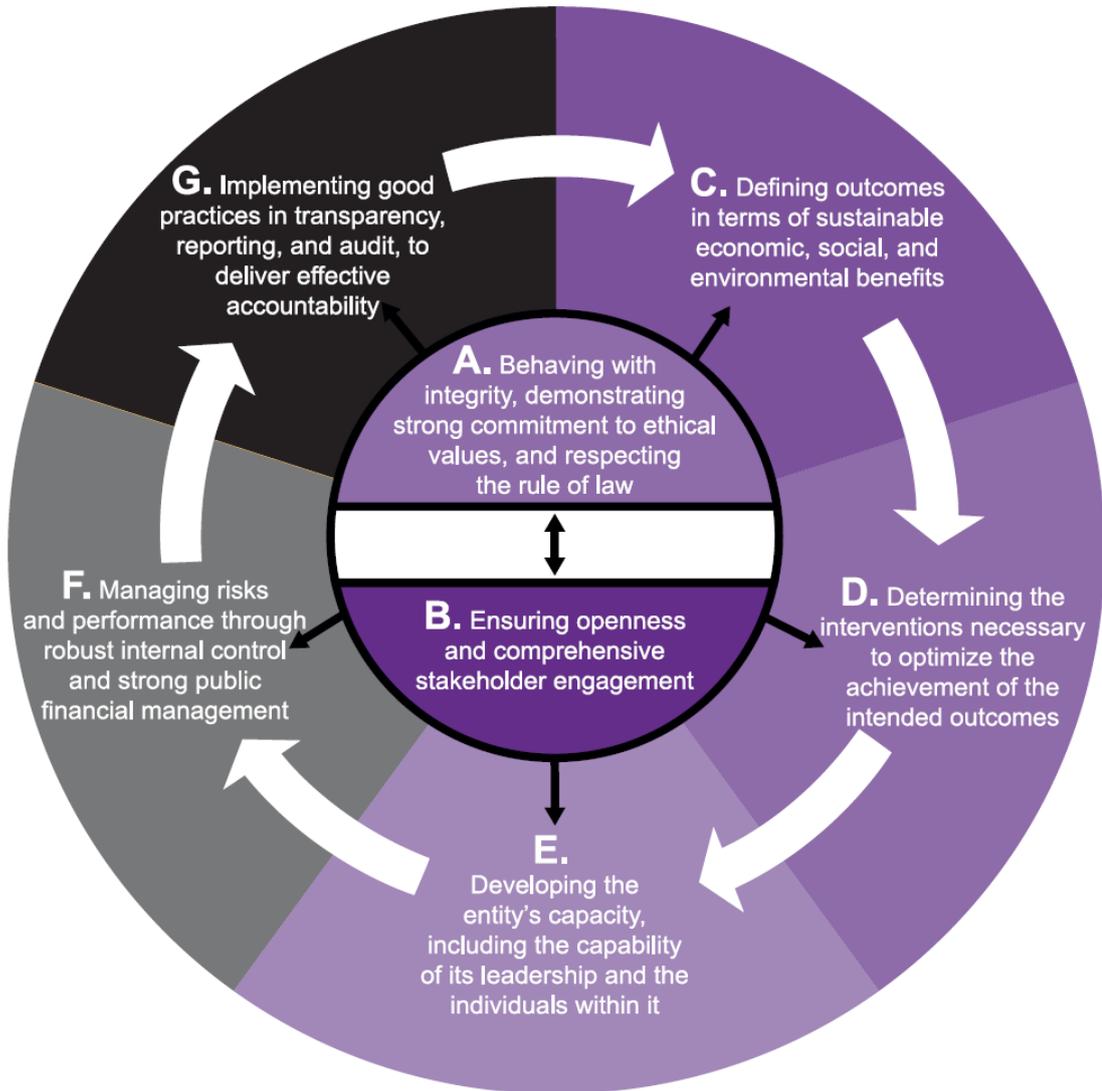
The governance framework comprises the systems and processes, culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to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

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

The overall Governance Framework, and in particular the system of internal control, described in this Statement, has been in place within the council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts for 2019/20

CORE PRINCIPLES OF GOOD GOVERNANCE

The diagram below taken from the *International Framework: Good Governance in the Public Sector (CIPFA/ IFAC)* illustrates the 7 core principles of good governance in the public sector and how they related to each other. The council's Local Code of Corporate Governance sets out various documents and arrangements within these core and sub principles which demonstrate that the council continues to seek to ensure it remains well governed, and that to deliver good governance the council must seek to achieve its objectives whilst acting in the public interest at all times. The Code is reviewed annually as part of the preparation of the Annual Governance Statement and any amendments will be brought to the Audit and Governance Committee as part of this process.



3. OUR 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 are set out below:

Management and Decision Making Processes

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

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 Plan expresses the council's key priorities until 2021. The aims and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

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 S151 Officer (Head of Corporate Finance & Commercial Procurement) and the Monitoring Officer (Director of Governance) review reports before presentation to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

Since May 2019, the Chief Executive was absent due to sickness absence until her departure through early retirement on 16th March 2020. In the intervening period a series of interim appointments were made and these have remained in place to date. Since May 2019 the Council has had an Interim Head of Paid Service and an Interim S151 Officer. For some time, the Council had an Interim Monitoring Officer until the permanent appointment of the Director of Governance & Monitoring Officer on 16th December 2019. The CMT, as a result, is a relatively newly established Team with the Corporate Director of Children, Education & Communities joining in December 2018 and the Corporate Director of Health, Housing and Adult Social Care joining in February 2019 to work alongside the Director of Public Health and the Corporate Director for Economy and Place.

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 also oversees the financial reporting process and approves the final Statement of Accounts.

A Joint Standards Committee comprising members of the City of York 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 appoints a number of scrutiny committees made up of councillors who are not members of the Executive. These Committees have the power to review or scrutinise decisions taken on behalf of the council and to make recommendations on matters affecting York residents.

In doing so Committees may look at the activities of other organisations working in York and they have specific legal powers to require NHS bodies, the police, fire service and probation to provide information to help their work.

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and have been brought together in one place within the council's Local Code of Corporate Governance, which is available on the council's website and contains live links to relevant documents.

The Local Code of Corporate Governance sets out how the council continues to ensure it remains well governed under the 7 principles set out in the CIPFA/ SOLACE framework 'Delivering Good Governance in Local Government', and is reviewed annually as part of the preparation of this statement, and any amendments will be brought to the Audit and Governance Committee as part of this process.

Financial Management

The Head of Corporate Finance & Commercial Procurement (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control.

The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) in that:

- she 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;
- she 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
- she 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:

- she leads and directs a finance function that is resourced to be fit for purpose; and
- she 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 full 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.

During the year all elected members have been reminded to regularly review and update their declarations.

The declarations of interest policy was recently revised and requires that declarations should be made in the Register of Staff Interests:

- As part of the new starter process (HR/Business Support led);
- On an ad hoc basis as conflicts arise (Manager/Employee led);
- Biannually for all officers at Grade 10 and above as part of the 'related parties' statement of accounts process (HR/Business Support led);
- On an annual basis for other officers who work individually or as a team in a service which procures/commissions goods/services on behalf of the council (AD/Service Manager led).
- Where a Director has identified the need for a member of staff, contractor or agency worker to complete a declaration.

In addition, biannual reminders will be sent out in March and October by Business Support on behalf of the Head of HR. In February and September each year the central register will be shared with each Directorate Management Team (DMT) for review. At this point all declarations received over the previous year will be reviewed by Directors and the Chief Executive. The Head of Business Support will arrange for Chief Officer returns to be published on the council's website. This is in line with best practice set by the Information Commissioner's Office to aid transparency and in the Public Interest.

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

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

In December 2019, the Director of Governance & Monitoring Officer commenced employment with the Council. This is a newly established post with a focus on delivering strengthened and robust governance to all aspects of the Council's governance and decision-making frameworks. The Monitoring Officer is a member of the Corporate Management Team (CMT).

Compliance with the council's governance arrangements is subject to ongoing scrutiny by Internal Audit and external review agencies (including external audit). The Governance, Risk and Assurance Group (GRAG), chaired by the Monitoring Officer, also monitors, reviews and manages the development of the council's corporate governance arrangements. The membership and terms of references of GRAG were refreshed in early 2020, and now has a clear reporting line to CMT as well as the Audit & Governance Committee. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key

corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Chief Executive, Leader and Audit & Governance Committee.

Risk Management

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

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

The system of risk management includes the maintenance of risk registers, to which all directorates contribute. The risk registers include corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk registers are 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 which comply with the Accounts and Audit Regulations, the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit. The council has also adopted an Audit Charter which defines the role and scope of internal audit work, its right of access and independence, reporting arrangements and the respective responsibilities of internal audit and management. The service in 2019/20 was provided by Veritau Limited, a shared service company jointly established by the council and North Yorkshire County Council. Veritau's internal audit and counter fraud teams undertake an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the governance, risk management and control environment operating within the council. Through its work Veritau also provides assurance to the Section 151 Officer and the Monitoring Officer in discharging their 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.

Internal audit also maintains quality assurance processes to ensure audit work is undertaken to appropriate professional standards. This includes periodic external assessments of audit working practices.

Reports from internal and external auditors

The Monitoring Officer and the Interim S151 Officer regularly meet with the Head of Internal Audit. Throughout the year regular reports are presented to Audit & Governance Committee from both

the internal and external auditors. The Head of Internal Audit also provides an annual opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. The Head of Internal Audit will also highlight any significant weaknesses in control identified through internal audit work. The opinion in recent years has been 'Substantial Assurance'.

Internal Audit reports include an assurance opinion and an action plan to address any control weaknesses. Agreed actions are followed up every six months and the results reported to Audit & Governance Committee. The Committee also receives copies of any reports including 'Limited' or 'No Assurance' opinions.

The external auditor has regularly reported progress to Audit & Governance Committee and the quality of the council's accounts has been commented on favourably in recent years. They have also commented at these meetings that the council's financial sustainability and reserves position was deemed relatively strong compared with other authorities and that arrangements for measuring related risks were robust.

Performance Management

The council recognises the importance of effective performance management arrangements and has established the Business Intelligence Hub. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and finance based monitoring. Each directorate reports finance and service performance progress to members through the established Scrutiny arrangements.

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

Consultation and Communication Methods

The council communicates its vision, priorities and outcomes with different audiences to actively encourage open consultation and help demonstrate accountability. The council will first analyse audience groups and identify the most relevant and effective channels of communication to engage them. The council has a media protocol and social media policy to support communications, together with different communications plans. Examples of communication and consultation includes (this is not an exhaustive list):

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform audiences of the previous year's achievements and outcomes
- opportunities for the public to engage effectively with the council including attending and speaking at meetings and watching meetings live or recorded at www.york.gov.uk/webcasts
- residents' surveys and consultations via www.york.gov.uk/consultations including public consultation events – in the council offices, libraries, public transport and supermarkets
- budget and other consultation processes including statutory public notices
- 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 is actively involved in major development projects and of particular significance in terms of risk is the York Central Programme. Robust programme and project management, including protocols to maintain ethical walls are in place, to ensure that partnerships operate effectively across the council.

4. REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control has been undertaken, co-ordinated by the Governance, Risk and Assurance Group (GRAG), which comprises the Head of Corporate Finance & Commercial Procurement (the Section 151 Officer), the Director of Governance (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
- Disclosure Statements signed by Directors identifying control weaknesses or significant issues
- 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 registers 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 2017/18 Annual Governance Statement.
- The council's counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption

The council recognises an ongoing need to review its governance arrangements, and in so doing created and recruited to the post of Director of Governance to support its commitment to delivering good governance and to respond to external reports and changes in legislation to ensure it continues to learn, improve systems, and ensure compliance with relevant legislation. Having considered all of 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.

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

5. Impact of COVID-19

Since March 2020, and certainly following the national government's introduction of "lockdown" on 23rd March 2020, the council has had to respond at considerable pace in order to ensure the support the City in staying safe.

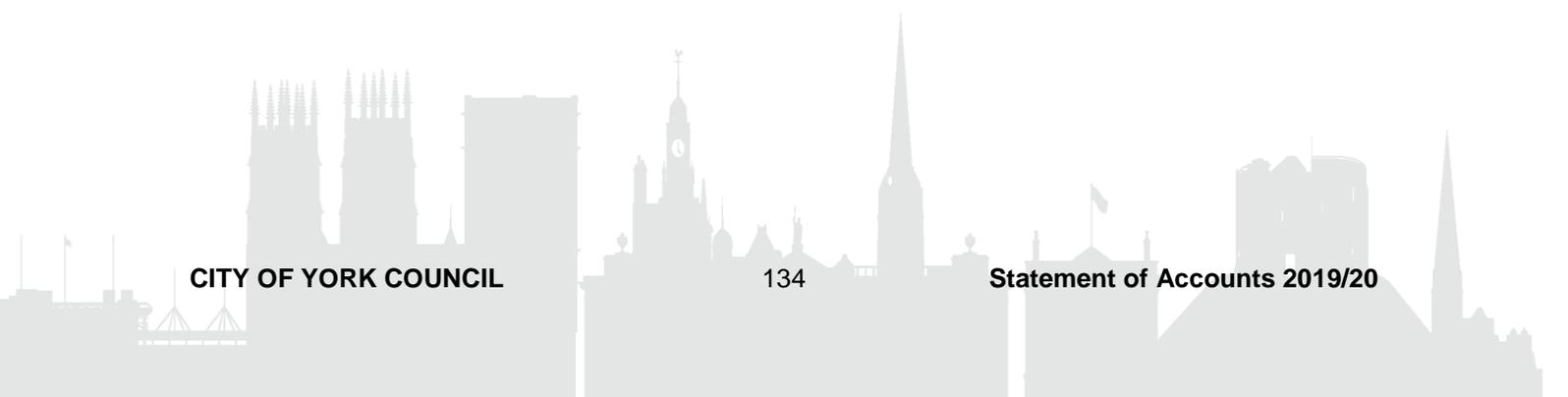
The Interim Head of Paid Service established a system of Gold and Silver command Groups and urgent arrangements were put in place to ensure decision making at pace. The Monitoring Officer has provided details of this in her Annual Governance Report.

The Council's response to COVID-19 remains under constant review and the Leader of the Council and the Interim Head of Paid Service are proactively overseeing the formulation and implementation of a recovery plan to support the city.

7. SIGNIFICANT GOVERNANCE ISSUES

On the basis of the review work carried out it was considered that the majority of the governance and internal control arrangements continue to be regarded as fit for purpose in accordance with the governance framework during the financial year 2019/20. There were however some areas identified which require attention to address weaknesses and ensure continuous improvement of governance and internal control arrangements; included within this definition are more general issues relating to service delivery and national challenges which whilst not significant governance issues in themselves, represent important issues which affect the council across all areas. The Governance Risk and Assurance Group have reviewed all prior year issues and where still relevant have incorporated these into the 2019/20 Statement.

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ANNUAL GOVERNANCE STATEMENT

| | Issue | Action taken to date / Planned |
|------------------------------------|---|---|
| <p>1 – Existing Issue, updated</p> | <p>Financial Risks</p> <p>(i) Pressures - Impact of funding reductions</p> <p>The council continues to face significant funding pressures and changes to both national and regional funding regimes which naturally present a potential risk to the council's overall governance arrangements.</p> <p>The Coronavirus pandemic will have a significant, ongoing financial impact on the Council. There is currently uncertainty around any future government funding and the long term impact on income streams, including business rates and council tax.</p> <p>The financial impact of Brexit is as yet uncertain but there is a potential impact on business rates income, investment returns and the tourist economy.</p> <p>The financial position of the health economy in York, and the impact that may bring for the Better Care Fund, and implications on the Adult Services budget</p> <p>(ii) Major capital projects</p> <p>The council has a number of major capital projects at different stages, including Guildhall,</p> | <p>The Medium Term Financial Strategy (MTFS) reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the budget process for future years. The council set a budget in February 2020 covering detailed proposals for 20/21 and outlining the strategic direction towards achievement of savings proposals for each directorate over the medium term.</p> <p>Budget reviews are being carried out during 2020/21 as part of the pandemic recovery planning. Further development of the medium term financial plan will be needed during the year to ensure continued financial resilience.</p> <p>The MTFS includes contingencies and a service risk reserve to assist in dealing with cost pressures generally.</p> <p>Ongoing discussions with Health Organisations in York, and reporting to Health & Wellbeing board</p> <p>There are significant risks associated with the range of major schemes which have been identified in various reports, including the potential implications for both capital</p> |

ANNUAL GOVERNANCE STATEMENT

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| <p>Existing Issue, updated</p> | <p>the Community Stadium, York Central, York Outer Ring Road, the Housing Delivery Programme and the Older People's Accommodation Programme (including Burnholme). As outlined above, the Coronavirus pandemic will have a significant, ongoing financial impact on the capital programme.</p> | <p>and revenue budgets. Key programmes include Housing Delivery and York Central. Ongoing regular reporting to various member meetings, alongside effective project management continues to be essential to ensure risks can be mitigated/ managed.</p> <p>The council has put in place dedicated project management expertise for its major projects, and invested in a project management system to manage programme / cost risks attached to these major projects.</p> <p>Major projects will need to be reviewed to assess any new risks and to ensure that the financial assumptions are still sound.</p> <p>Clarity of delineation of the roles of those Members and Officers concerned with the delivery of projects and those concerned with regulatory decisions has been factored into the project management and protocols are in place in respect of decision making to provide necessary ethical walls within the organisation and in line with the council's constitution.</p> |
| <p>2 – Existing Issue, updated</p> | <p>Local Plan</p> <p>The Council has submitted a draft Local Plan for inspection, however a final version is yet to be approved.</p> <p>Planning policy sits within a national regulatory framework; non-compliance with that framework means that planning decisions by the local authority can be successfully challenged both in the Courts and through the Secretary of State. In addition failure to adopt a compliant Local Plan, given the expectations embodied in the National Planning Policy Framework (NPPF) leaves undeveloped areas</p> | <p>At an extraordinary meeting of Full Council on 17th May 2018 members resolved to submit the Local Plan to the Planning Inspectorate for examination. The Local Plan was submitted on 25th May 2018. The next stage is an examination of the Local Plan by a planning inspector. There has been ongoing correspondence between the council and the inspector as part of this examination process and as a result, a number of modifications to the Plan were approved by Executive on 7th March 2019.</p> <p>Phase 1 hearing sessions took place between the 10th and 18th December 2019 and covered matters relating to legal compliance, housing need and green belt principle. The Inspectors asked the Council to complete some additional homework items which were submitted by end of March 2020. A letter was received on 12 June 2020 setting out some concerns which the Inspectors have in relation to the evidence</p> |

ANNUAL GOVERNANCE STATEMENT

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| | <p>of the city vulnerable to development proposals which the council will be unable to stop.</p> <p>Also given Ministerial statements failure to progress a plan could lead to interventions by Government into the City's planning services along with the removal of funding such as New Homes Bonus</p> | <p>provided in respect of the greenbelt. The Inspectors will not issue their interim report for Phase 1 until these concerns have been addressed. Dependent on the outcome of this report the hearings will either progress to Phase 2 or further work may be required prior to Phase 2 commencing. Updates to the Local Plan examination timetable and correspondence with the Inspectors can be found at www.york.gov.uk/localplanexamination</p> |
| <p>3 – Existing Issue, updated</p> | <p>Information Governance and information security</p> <p>The nature of the council's activities means that there are ongoing information governance risks as well as information and cyber security risks, which continue to require careful monitoring and management particularly the risks of financial, service and reputational damage.</p> | <p>Information governance arrangements require continual monitoring and review to ensure compliance with data protection legislation and the General Data Protection Regulation / data protection act 2018. Cyber security threats also require ongoing monitoring and the development of appropriate policy and technical responses. Continue to monitor and review for both information governance and information security using a variety of methods including data breach management</p> <p>Data Protection Impact Assessments (DPIA's) are completed before planned changes in data processing are made. Continue to work on embedding DPIAs as a legal compliance requirement across the council especially in projects.</p> <p>Improvements are being made in records management processes to ensure information is easily accessible and data is not retained for longer than is required. A review is underway as part of a wider records management programme of work, working alongside ICT and York Explore/City Archives</p> <p>Investment has been made in reviewing all council websites to ensure they are secure and this review is ongoing.</p> |

ANNUAL GOVERNANCE STATEMENT

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| 4 - New issue | The Council's statutory roles of Head of Paid Service and s151 Officer are both filled on an interim basis | Two of the council's three statutory roles, namely the Head of Paid Service and the s151 Officer are both currently filled on an interim basis and both need to be filled on a permanent basis to add stability to the council's governance framework. In June 2020, the Staffing Matters and Urgency Committee approved a report to commence a restructure of the Corporate Management Team and one of the outcomes of this restructure is to ensure that both statutory roles are recruited to on a permanent basis. |
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that an effective system of internal control has been in place and 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.

From the review, assessment and ongoing monitoring work undertaken, and supported by the ongoing work of internal audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.

Signed

Dated

Ian Floyd

Chief Operating Officer

Signed

Dated

Cllr Aspden

Leader of the Council

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GLOSSARY

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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.

Curtailement

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

Debtors

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

Deferred Consideration

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

Deferred Credits

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

Deferred Debtors

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

Deferred Liabilities

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

Defined Benefit Pension Scheme

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

Defined Contribution Pension Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing-out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passing of time or obsolescence through, for example, changes in technology or demand for the goods and services provided by the asset.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Economic Infrastructure Fund (EIF)

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

Emoluments

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

Exceptional Items

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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