



Auditor's Annual Report
City of York Council – year ended 31 March 2024

February 2025

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for City of York Council ('the Council') for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 18th February 2025. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

While the group instructions were issued in September 2024 by the National Audit Office in respect of our work on the Council's WGA submission, we are awaiting further instruction on non-sampled components. We have submitted the Assurance Statement on 18th February 2025.



Value for Money arrangements

We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 18th February 2025, gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Council’s accounting practices

As in reported in our Audit Completion Report, the 2023/24 accounts included several immaterial notes and accounting policies. These immaterial notes can obscure important and material information for financial statement users. Therefore, we believe the financial statements should be streamlined by removing these immaterial notes. Management has agreed to implement this and will streamline the 2024/25 financial statements.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting. The Annual Governance Statement has been updated following the publication of the draft to include further disclosures.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	Yes – see commentary on page 13
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Our review of minutes and supporting papers has confirmed that financial planning arrangements have remained in place throughout 2023/24. In our assessment, we have considered the latest Financial Strategy which covers the period 2025/26 to 2029/30 (MTFS), which was approved in January 2025, as well as the Financial Strategy 2024/25 of 2028/29. The strategy includes financial projections, analysis and context to support the delivery for the Council's key priorities as set out in the Council Plan (2023-27).

The Council's Capital Budget for 2024/25 – 2028/29 sets out the long-term capital programme which is underpinned by the Council's annual capital financing investment strategy (2024/25) and treasury management strategy (2024/25 – 2028/29). The capital programme outturn report for 2023/24 showed an outturn of £98.4m against an approved budget of £119.7m, with the net variation consisting of the re-profiling of budgets from 2023/24 to future years.

Quarterly budget position statements are considered by the Executive and are supported by service-level budget monitoring arrangements reported to the Council's Management Team. These reports offer a clear summary of the projected outturn and actual figures, along with explanations for significant changes and pressures. Each report outlines the implications of overspending and the non-delivery of planned savings and efficiencies. Additionally, Budget Panels are held with each Executive portfolio holder to ensure all budget pressures are acknowledged in the strategy.

In 2023/24, in common with other local authorities, the Council experienced significant cost pressures, including significant demand pressures and cost increases. As a result of this, and the elevated Public Works Loan Board (PWLB) rates, the Council part funded the capital programme by internal borrowing and used their cash balances where available. This resulted in a significantly lower cash balance of £1.8m as at 31 March 2024 in comparison to £13.2m in the year prior. The Council's liquidity risk was therefore heightened in the short-term, with their current ratio falling from 0.8 to 0.5 in 2023/24. In order to rectify this in 2024/25, the Council took on new short-term PWLB debt to fund the 2024/25 capital programme. This will expose the Council to a refinancing risk in late 2024/25 as their debt portfolio begins to mature. While the Council's short-term risk has increased, their decisions are in line with the approved maturity limits set as per the Prudential Indicators. As borrowing rates are forecasted to fall in 2024/25, the Council's exposure to these short-term financing risks are expected to reduce.

As in previous years, we have confirmed that there has been regular monitoring of the Council's financial position and treasury management throughout the year, which included arrangements to update the Financial Strategy, enabling the Council to respond to any identified financial challenges throughout the life of the plan.

How the body plans to bridge its funding gaps and identified achievable savings

Our review of the MTFS's for the 2023/24 period, provides assurance that forecasts are based on prudent assumptions including the Council's latest understanding of overall funding available, service demand and other cost pressures.

We have considered the Council's performance in delivering its MTFS, including any identified savings targets. The financial strategy delivers a balance budget for 2024/25, with savings proposals of £14.3m in 2024/25, equivalent to 9% of the net budget, and £6.4m in 2025/26. This is significantly higher than the £5.5m target in 2023/24. From our review of minutes, there is no evidence of over reliance on uncertain income streams or delivery of unsupported plans.

A potential funding gap of £22.8m has been identified over the life of the latest MTFS (2025/26 to 2029/30), which the Council plans to mitigate by identifying potential savings, increasing income or the use of reserves. The funding gap represents the amount of savings that are required each year to balance the budget. The MTFS highlights that options to close the funding gap reduce in future years, which could have an impact on front line services. There is regular reporting of this to the Executive and Council.

The MTFS states that in order to deliver a further £30m savings, on top of the £14m already identified in 2024/25, the Council will need to seriously consider the level of spend on a range of services. It is evident that meeting this savings requirement presents a significant challenge for the Council and they will need to consider the appropriate balance of savings, adjustments to council tax, and potential changes in funding following the Spending Review in 2025.

In the past the Council have had a good track record in delivering its budget, including savings delivery, however in January 2025 the Council reported its Quarter 3 2024/25 financial position, reporting a forecast overspend of £2.64m, with a £1.1m use of earmarked reserves. The predicted outturn for Adult Social Care had increased by £2.4m as at Quarter 2 and remains a cause for concern in Quarter 3. Actions to mitigate against the increased forecast overspend are set out within the report.

In the context of 2023/24's net spending requirement of £149m the Council has a reasonable level of reserves, and as of March 2024 usable reserves totalled £142m, including earmarked reserves of £53.3m and a General Fund reserve of £9.6m. This is above the general fund minimum requirement of £6.8m set by the Chief Finance Officer in the 2023/24 Financial Strategy.

There were no significant inconsistencies between budgetary information and the financial position reflected in the financial statements. The 2023/24 Outturn Report highlighted an overspend of £3.6m, which is 2.3% of the revised net expenditure budget. This was mitigated using the planned use of earmarked reserves of £3.2m and

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

a budget contingency of £0.5m. This was an improved position as forecast outturn at Quarter 3 showed a £5.6m overspend. This improved position was delivered through work across the Council to identify savings and mitigations across all service areas.

Whilst we are satisfied that there are no significant weakness in arrangements in 2024/25, we recognise the continued challenge associated with delivering savings throughout the life of the MTFS. In 2022/23, we made an other recommendation in relation to this issue and the recommendation will remain in place for 2023/24. See details of this recommendation below.

Finding	Recommendation
The Medium Term Financial Strategy for the period 2024/25 to 2028/29 highlights a saving requirement of £44.1m over the life of the plan, to reduce the funding gap of £22.8m. The Council is currently working with stakeholder to identify these savings.	The Council should ensure it continues its arrangements to identify how it will deliver un-costed efficiency savings included in the MTFS. It should also ensure that its scrutiny arrangements, to monitor and deliver its saving plans are maintained throughout 2024/25, to minimise reliance on reserves to mitigate overspends.

Minimum Revenue Provision (MRP) represents the minimum amount that must be charged to the Council's revenue account annually for financing capital expenditure, which will have initially been funded by borrowing. The charge aims to make sure that a local authority can pay off the debts it has from buying capital assets.

We have completed a benchmarking exercise for our local government clients, and we compared the Council's data to our eleven other unitary authority clients (all from the North of England). For 2023/24, our analysis shows that the average MRP as a percentage of capital financing requirement is 2.3%, over an average of 54 years. For comparison, the City of York Council's was 1.6% and 61 years.

In 2022/23, we made an other recommendation around the Council's MRP charge. While progress was made, the recommendation was not fully addressed. See recommendation details below.

Finding	Recommendation
Regulations require Councils to determine their MRP charge annually, and to ensure it is sufficiently prudent.	Officers should continue to ensure the MRP policy is considered by Members as part of the budget setting process. Members should consider if the MRP charge is prudent, and reflective of their capital financing requirements.

How the council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

As in the previous year, the Council's MTFS aligns with the Council's Plan for 2023-2027 which sets out the Council's strategic direction and ambitions for the Council.

Our review confirms that the Medium-Term Financial Strategy (MTFS) is predicated by reasonable assumptions available at the time of its approval. The MTFS undergoes regular reviews, including its main assumptions, and is frequently reported on, especially when changes in assumptions affect the forecasted financial position. Regular budget monitoring, including quarterly performance reports, helps identify in-year pressures, assess whether savings are being achieved, and determine if resources need to be redirected to areas in need.

We have reviewed the outturn for 2023/24 and identified no evidence of significant short-term measures. In-year pressures, such as those in the Adult Social Care service, were clearly reported and have been reflected in the MTFS.

The Quarterly combined finance and performance reports are periodically presented to the Executive and the Corporate Services, Climate Change, and Scrutiny Management Committee throughout the year. These reports emphasize high-risk material issues and mitigating actions, as well as performance and outcomes data.

The MTFS is updated every 4 years to reflect budget changes, as part of the budget setting process. We confirmed a review of the MTFS was undertaken by the Executive board in 23/24 to ensure that the budget remains in line with the strategic priorities of the Council.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

At its highest level, the Council operates under a 'Council Plan,' which is part of the Strategic Planning Framework. The Medium-Term Financial Strategy (MTFS) is also a component of this Framework. We confirmed that arrangements were in place for developing the MTFS, including aligning the financial plan with the Council's objectives to ensure the delivery of its priorities. This process involves scrutinising the MTFS and documenting key assumptions, with each savings plan being risk-assessed to inform Members of the potential impacts.

In accordance with the Prudential Code and the Council's Capital Strategy, the revenue implications of capital investment decisions are considered and integrated into the Medium-Term Financial Strategy (MTFS) planning and budget-setting process. This approach ensures that investments are fully funded. The Executive reviews quarterly capital monitoring reports, which reflect any changes in resourcing, delivery, and newly agreed programmes of work. These reports also enable the Council to monitor the delivery of capital receipts and the overall funding of the programme. We have confirmed that regular reports were submitted to the Executive throughout the reporting periods.

To ensure the consistency of the Medium-Term Financial Plan (MTFS) and the annual budget with other plans, extensive consultations are conducted with both internal and external stakeholders.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand including challenge of the assumptions underlying its plans

As part of the annual budget setting process, the Council's S151 Officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. For 2024/25, this was included within the financial strategy reported to the Executive Committee in January 2024. This is underpinned by the review of reserves set out in the annual update of the Council's MTFS, which includes an estimate of projected earmarked services.

The budget is monitored on a regular basis at department level ahead of quarterly reporting to the Executive Board and Scrutiny Committee's. We have reviewed the outturn reports throughout 2023/24 and noted that they reflect in year changes. This allows the Council to manage its financial position and mitigate the medium-

term impact of budget pressures.

The 2023/24 Outturn Report has highlighted an overall net budget of £141m with a provision overspend of £3.6m, which is 2.6% of the net budget. The overspend was funded from the use of contingency and earmarked reserves. Consistent with the prior year and other local authorities, both Children & Education, and Adult Social Care & Integration continue to be the main services contributing to the overspend, with an aggregated £8.7m overspend in 2023/24, which is an increase of £0.8m from 2022/23. The Council continues to closely monitor this in an attempt to reduce this in the future by maintaining sufficient reserves, charging the maximum 2% social care precept and setting specific savings targets for these services. In 2024/25 the Council have a specific savings target of £4m for adult's and children's services, which is over and above that identified in the MTFS.

Our review of the committee reports and attendance at Audit Committee, provides assurance that the Council monitors and identifies mitigations to manage any changes in demand and assumptions in the MTFS.

While we have reported other recommendations, overall, our work did not identify any evidence to indicate a significant weakness in arrangements in the financial sustainability criteria.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on Governance

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Audit Committee provides assurance over the adequacy of the Council's risk management framework and associated control environment.

Internal Audit Services were provided to the Council for 2023/24 by Veritau Ltd. Veritau is jointly owned by both North Yorkshire Council and City of York Council. The Council's Audit Committee reviews the Internal Audit Plan and the Head of Internal Audit Report to establish the priorities for internal audit activities, ensuring alignment with the Council's goals. The plan is discussed with Service leads before being finalised.

The 2023/24 plan was presented to Audit and Governance Committee in March 2023. We attended all Audit and Governance Committee meetings and confirmed that progress against the Plan was reported throughout the year. The Head of Internal Audit's Opinion was presented to the July 2024 Audit and Governance Committee meeting and provided an overall 'reasonable' level of assurance, which is consistent with the opinion given in 2022/23. As stated in the Audit Opinion, there were no limited assurance reviews in 2023/24, consistent with 2022/23, demonstrating that the Council are maintaining this standard of internal control. We have considered each review conducted by Internal Audit to obtain assurance that the matters identified were not indicative of a significant weakness in arrangements, none have been identified.

We have confirmed through our attendance at Audit Committee that Members challenge management where recommendations are not implemented within the agreed timeframe. We have observed Member scrutiny of matters raised in Internal Audit reviews.

Veritau Ltd provided dedicated Counter Fraud services to the Council throughout 2023/24. They work to identify potential fraud and investigate all suspected cases of fraud that are identified. We confirmed that any outcomes of investigations into suspected fraud are reported to the Audit and Governance Committee via the Counter Fraud Annual Reports.

Following a review by internal audit, the Council have also been investigating control issues around the 'No Purchase Order No Pay' policy and recently took an update on their review of this to the November 2024 Audit and Governance Committee. At this meeting, the Council committed to implementing stronger cost controls and improving compliance with the policy, this is seen from the reduction in retrospective orders across the Council from 38% in February 2024 to 25% in November 2024. The Council should ensure they continue to monitor this improvement.

How the Council approaches and carries out its annual budget setting process

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances.

The MTFS (2024/25 to 2028/29) was presented to the Executive Committee in January 2024 and has since been refreshed in January 2025 for the 2025/26 to 2029/30 period. Although this is at a high level, it illustrates the regular monitoring and refinement of the MTFS after Member input.

Financial Procedure Rules are established to outline the requirements for setting the budget over a four-year period. These rules are supported by Financial Management Standards, as detailed in the Council's Constitution. The Financial Procedure Rules provide a high-level framework for managing the Council's financial affairs, while the Financial Management Standards offer detailed guidance on implementing these procedures to ensure sound financial management throughout the Council.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We noted that regular reporting of the financial position took place throughout the 2023/24 financial year. Quarterly forecasts of outturn reports were presented to both the Executive and the Scrutiny Committees. The reports provide details on budget movements between quarters and the remedial measures taken. Both the quarterly and year-end positions have not revealed any weaknesses in the Council's monitoring and reporting arrangements. As previously mentioned, the report highlights the Council's key areas of pressure, which similar to other local authorities, are Children and Education, and Adult Social Care and Integration.

The financial statements timetable for 2023/24 was achieved. Our audit of the financial statements across the reporting period did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

Membership of the Audit Committee includes Councillors and independent co-opted members. We have attended all the meetings held in the reporting periods and deem them to be effective and well represented. The Terms of Reference of the Audit Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Council publishes notice of key decisions and all officer decisions made under the Officer Scheme of Delegations on its website. The Scheme requires all decisions to be recorded and published by Democratic Services, with the notice of any key decisions to be made available for inspection by the public at least 28 days before the decision is made and published within 2 days of it being made. For example, for the key decision regarding the City of York Trading Agency Work contract, notice was given on 16th May 2023, and the decision was made by the Executive Committee and published on 16th June 2023, in line with the Council's policy.

The Council has several scrutiny committees which provide an opportunity to challenge decisions. We reviewed meetings held in 2023/24 and identified no evidence to suggest this function has not been fulfilled. A Scrutiny Committee Structure and Operational Task Group is also in place to oversee and coordinate the work.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Council's constitution is reviewed annually and was last reviewed in December 2024. The Constitution outlines the Council's operations, decision-making processes, and the rules and procedures followed to ensure efficiency and transparency for local residents.

The Constitution is supported by Codes of Conduct for Members and Officers. Some officers have, by law, a specific duty to ensure that the Council acts within the law and uses its resources wisely. These Officers are the Head of Paid Service, Monitoring Officer, S151 Officer and the Statutory Scrutiny Officer. Based on our review, we are not aware of any evidence that these roles are not being fulfilled throughout the reporting periods.

Registers of gifts and hospitality and registers of interest are maintained for Members and Officers and are available on the Council's website. Chief Officers also complete declaration of interest forms on a bi-annual basis. The 2023/24 declarations were last updated in August 2024. The Statement of Accounts also detail material related party transactions as well as senior officers' remuneration and members allowances. Our work on these areas in 2023/24 identified no matters to indicate a significant weakness in arrangements.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with

appropriate standards.

The Joint Standards Committee is tasked with promoting and maintaining high standards of conduct among councillors and co-opted members. The Committee receives updates on compliance with the Code of Conduct and publishes an annual report. We reviewed the reports for 2023/24, which demonstrates the Committee's efforts in investigating complaints and the developments made to address them.

Our work did not identify any evidence to indicate a significant weakness in arrangements for the improvement of the governance criteria.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement.

As detailed in the previous sections, we have confirmed there was regular financial reporting during the year. Arrangements are place to assess the quality of services, ensuring they align with the Council's objectives and priorities, and deliver value for money. A performance management culture is well-established across all directorates, featuring regular cost control boards and departmental management team performance clinics.

Performance is monitored by the Executive, including scrutiny of the full-year Performance Report. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement.

As highlighted in the Financial Sustainability section, quarterly reports are also considered by the Executive in relation to the capital programme and overall budget. These reports enable the Council to monitor the capital budget and the completion of capital schemes. The reports allow the Council to prioritise capital expenditure, facilitating improvements across all service areas, particularly in schools, housing, and transport.

How the body evaluates the services it provides to assess performance and identify areas for improvement.

Performance assessment arrangements have been embedded for a number of years in the budget and service planning processes. Quarterly reports to the Council's Customer and Corporate Services Scrutiny Management Committee set out key operational and financial risks and savings targets which are reflected in the budget setting process and updated to the MTFs. Our review of Committee minutes confirms these reports were taken every quarter throughout 2023/24 and that they are presented in a consistent format and designed to evaluate the Council's performance.

Alongside this, the Council also considers the output from regulators to review performance. The output from regulators feeds into the Council's overall corporate risk register, which is reported to the Audit Committee. The Council's services are reviewed by several regulators, including the Care Quality Commission and Ofsted. In the most recent Ofsted inspection (dated May 2022), Children's Services received an overall rating of 'requires improvement to be good'. Ofsted also published a report in September 2023 setting out their findings from a follow-up focused visit to the Council's Children's Services. The report was positive and shows that progress is being made towards the requested improvements.

The Council also revised their Workforce Development plan and took a progress report on the 2023/24 plan to

the Corporate Services, Climate Change and Scrutiny Management Committee in March 2024. Since then, a Workforce Development Strategy has been developed for 2024-2027 and is designed to run alongside the plan. These plans are designed to embed good practice into the Council's workforce to effectively deliver services to the community and promote improvement.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The Council Plan 2023-2027 sets out the long-term ambitions and priorities for the Council across its service areas. While the plan refers to partnership working, it does not explicitly confirm how these arrangements will work, but our wider knowledge of the Council provides assurance that these arrangements are in place. The Council's 10 Year Plan also sets out the key priorities for the Council over the next decade, for which bi-annual meetings are held by City Leaders.

In February 2024, the Council launched the York and North Yorkshire Combined Authority in conjunction with North Yorkshire Council, following an inaugural meeting on 22nd January 2024. The Combined Authority will work with local leaders and communities and invest in the York and North Yorkshire region. The Council has two councillors on the Combined Authority Board.

The Council is also a non-constituent member of West Yorkshire Combined Authority which, in conjunction with other councils across the city region, is responsible for economic development, regeneration and transport decisions in an area.

The Council is a key member of the York Health and Wellbeing Board, which unites leaders from various sectors across the district, including the Council, the NHS, the Police, Fire and Rescue, social housing and the Voluntary and Community sector. This board provides strategic leadership on a wide range of health and wellbeing outcomes across the local area and the wider North Yorkshire region.

Along with North Yorkshire Council, the Council is a member of York and North Yorkshire Local Enterprise Partnership. The partnership oversees and makes decisions about the region's strategic economic plan.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council's Constitution includes the Contract Procedure Rules (CPR). The CPR provide the framework for procurement activity and have recently been updated and amended in October 2023. Regular training is also in place for officers, along with a Scheme of Delegation that determines the financial limits of officers.

Within the Council's procurement team, a compliance officer is specifically dedicated to ensuring compliance with the Contract Procedure Rules, Financial Regulations and relevant legislation. The Contract Procedure Rules include a waiver process and both waivers and breaches are reported to the Head of Procurement and the Governance, Risk and Assurance Group to identify where improvements can be made. The Council also have an 'All About Projects' framework which ensures closure reports are completed that consider the outcomes achieved and any lessons learnt.

In June 2023, Internal Audit reviewed the arrangements in place within the commercial procurement service, specifically the process around identifying and responding to breaches of the contract procedure rules, the forward planning process and the approval of waivers, and concluded that there was a sound system of internal control. The Council are committed to continually improving their processes and in October 2023 reviewed and updated their contract procedure rules.

In 2023/24 we noted the Council had terminated a high-profile contract. Following this termination, the Council published a report in August 2024 setting out the lessons learnt and focus areas moving forward. As part of the 2024/25 Internal Audit, Veritau are completing a follow up audit on the contract management of major projects, including the termination of the Council's significant partnership with the Salvation Army. From our review of the Council's reports, there is no evidence that the Council's arrangements are not in line with policy and therefore, this is not an indication of a significant weakness in arrangements.

Our work did not identify any evidence to indicate a significant weakness in arrangements for the improvement of the improving economy, efficiency and effectiveness criteria.

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received correspondence from electors and we are have not identified any issues which would require us to exercise any of the above statutory reporting powers.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 18th February 2025.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in November 2024. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£284,032	£97,221
Additional fees in respect of ISA 315 not currently included in fee set by PSAA	£15,690	£6,286
Additional fees*	£0	£58,424
Additional fees in respect of letters received from the public	TBC	£0
Total fees	£299,722	£161,931

*Additional fees were charged in 2022/23 in respect of the audit work performed.

Fees for other work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out below.

Area of work	2023/24 fees	2022/23 fees
Other services – Housing Benefits Subsidy Assurance	£29,000	£19,500
Other services – Teachers' Pensions Assurance	£9,500	£7,000

Appendices

Appendix A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements <p>There are no matters to bring to our attention regarding this significant risk.</p>
<p>Valuation of land, buildings, surplus assets and investment properties</p> <p>Council dwellings (£587.9m), other land and buildings (£399.4m) are the Council's highest value assets. The balance sheet also includes investment properties totalling £72.2m.</p> <p>Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.</p> <p>Management engages its own Valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings because of the significant judgements and number of variables involved.</p>	<p>We have:</p> <ul style="list-style-type: none"> • critically assessed the Council's arrangements for ensuring that land and buildings and surplus assets valuations are reasonable and not materially misstated; • critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers; • considered the competence, skills and experience of the valuers and the instructions issued to the valuers; • substantively tested revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; and • where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate. <p>We also engaged the Mazars Real Estates Valuation team to assist in the above.</p> <p>There are no significant matters to bring to your attention regarding this risk, except for the adjusted misstatement of £7.3m for the movement in the Council's car park valuation, and an additional immaterial unadjusted misstatement which can be seen on page 28.</p>

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Net defined benefit liability/asset valuation</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We addressed the risk by:</p> <ul style="list-style-type: none"> critically assessed the competency, objectivity and independence of the North Yorkshire Pension Fund’s Actuary; liaised with the auditors of the North Yorkshire Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements. <p>There are no matters to report in respect of the net defined benefit liability/asset valuation. The Pension Fund auditor did however identify a net understatement of £12.8m in the pension fund’s assets. We have calculated the Council’s share of this error as 18.2% and therefore the potential impact would be that the Council’s pension assets are understated by £2,330k. The pension asset for the Council is however limited by the asset ceiling calculation and no adjustment is needed.</p>

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<p>Dr: Land and Buildings (Valuation)</p> <p>Cr: Revaluation Reserve</p> <p>As part of our testing on valuations, we identified some arithmetic errors in the valuation certificates which resulted in the understatement of assets valued under the Depreciated Replacement Cost (DRC) method by a net figure of £522k. In line with our audit approach, we have extrapolated this against the rest of the untested population. The calculated extrapolated error is £1,784k. As this is an immaterial extrapolated error, management have not adjusted for this.</p>			1,784	1,784
<p>Dr: Housing Revenue Account</p> <p>Cr: HRA Earmarked Reserves – 53rd Week Rent</p> <p>There is a negative reserve balance of £565k in the HRA Earmarked Reserves. As you cannot have a negative reserve, we have reported this as an adjusted misstatement.</p>	565			565
Aggregate effect of unadjusted misstatements	565	0	1,784	2,349

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

We also identified the following disclosure misstatement during our audit that have not been corrected by management:

- Note 12 (Property, plant and equipment) shows £3,366k held in assets under construction that have been revalued. As the Code requires all assets under construction to be carried at historic cost, we have reported this as a classification disclosure error. As this is not material, management have not adjusted for this.
- Note 19 (Debtors) does not include a disclosure on the classes of debtors which are past due or impaired in relation to non-financial assets, including an analysis of the age of the assets. The Council have agreed to action this in 2024/25.
- Note 43 (Leases) – Our testing identified an error in a sample of operating leases, whereby the future minimum lease payments receivable in note 43 were overstated by £71,500. We extrapolated this error against the remaining population which resulted in an extrapolated error of £490k. As this is an immaterial extrapolated error, management have not adjusted for this.
- Note 43 (Leases) does not include a disclosure setting out the values of assets held under operating leases.
- Note 49 (Defined Benefit Pension Schemes) - The Pension Fund auditor identified a net understatement of £12.8m in the pension fund's assets. We have calculated the Council's share of this error as 18.2% and therefore the potential impact would be that the Council's pension assets are understated by £2,330k. While this would not impact the Council's balance sheet because of the asset ceiling, it would have an impact on the disclosure in Note 49.

Appendix A: Further information on our audit of the financial statements

Internal control observations

Description of deficiency

When testing the Council's equity investments, we noted that the Council used the 2022/23 accounts of the invested entities to value their investment at 31st March 2024, as opposed to the 2023/24 accounts. In addition, no review took place to assess whether there were any circumstances that would mean the 2022/23 information was not indicative of the value as at 31 March 2024.

Potential effects

The reported investment value may be misstated and out of date.

Recommendation

The Council should ensure they perform a review of the equity investments to ensure the investment valuations are accurate and reflective of the value at 31st March 2024. This could include liaising with the entities to obtain actual figures.

Management response

When calculating the fair value of the equity instruments the Council uses the most recently publicly available published audited accounts. This is to allow for verification of the fair values calculated and disclosed in the Council's accounts. As most of the invested entities have the same financial year end as the Council this means that it is the case that the most recent audited publicly available accounts are prior year. In respect to council owned companies we will review these values based on latest known financial information available to the council.

Appendix A: Further information on our audit of the financial statements

Internal control observations (continued)

Description of deficiency

As part of our testing on land, buildings, surplus assets and investment property valuations, we identified several arithmetic and transposition errors in the valuation certificates. We are currently finalising our work on revaluations and will report the total of any misstatements we identify in our Audit Completion Follow Up letter.

Potential effects

The valuation of land, buildings, surplus assets and investment properties could be misstated.

Recommendation

The Council's valuation team should implement a check of the valuation certificates and subsequently technology forge to ensure the valuations have been accurately recorded.

Management response

The Council's valuation team do currently check valuation certificates, but we will review this process and see if any improvements can be made for future years. It should be noted that most of the errors we are aware have been found so far are relatively small.

Appendix A: Further information on our audit of the financial statements

Internal control observations (continued)

Description of deficiency

As part of our testing on land, buildings, surplus assets and investment property valuations, there were instances where the Valuer could not provide the evidence used in the January 2024 valuation (such as income schedules, BCIS reports, etc.).

Potential effects

We may be unable to get sufficient, appropriate evidence to support our testing on valuations.

Recommendation

We recommend that all evidence supporting the valuation of the Council's portfolio is retained.

Management response

The majority of the evidence requested was supplied, but there were a small number of cases where it was not possible to locate the original evidence. We will work with our valuers to seek to improve this for future years.

Appendix A: Further information on our audit of the financial statements

Internal control observations (continued)

Description of deficiency

When performing the year end valuation of the Council's portfolio, the Council's Internal Valuer produces a final covering memo, however this does not fulfil all the requirements of the RICS Red Book.

Potential effects

We are unable to confirm whether the valuation was conducted in line with the terms of reference.

Recommendation

We recommend that a covering report is produced to accompany the valuation. This report should provide sufficient detail to comply with the RICS Red Book and include the basis of the valuation, the methodology used, the nature and source(s) of information relied upon and any assumptions or limitations.

Management response

As in previous years, the Valuations team provide a signed covering report which they believe meets the requirements of the RICS red book, when viewed alongside the individual valuation certificates and commissioning memo cross referenced which already sets out key assumptions. We will work with Audit in 24/25 to understand what additional information they would expect to see.

Appendix A: Further information on our audit of the financial statements

Follow up on previous year recommendations

Description of deficiency

When testing heritage assets, we noted incorrect schedules were sent to the Council's insurer. This resulted in the Council's art collection (insurance value £65m) being uninsured during 2022/23. We noted the correct value had been insured in the prior and proceeding years.

Potential effects

In the event of a disaster, the Council would be compensated for less than the true value of its assets. This would result in a shortfall in the insurance payout and would result in significant financial and reputational damage for the Council.

Recommendation

- 1) The Council should ensure it implements controls, to ensure accurate, complete and timely information is provided to its insurers and to ensure there are no breaks in insurance cover for heritage assets.
- 2) The Council should obtain regular valuations, from appropriate experts, to ensure the insurance value is materially accurate, as at the time of the balance sheet date.
- 3) For heritage assets, as part of the financial statements' closedown process, the Council should ensure it has corroborative evidence to support an insurance value as at the balance sheet date, which can be easily made available to the audit team.

Current position

No issues were identified in 2023/24 with regards to the insurance of the Council's heritage assets. This control recommendation has therefore been addressed.

Appendix A: Further information on our audit of the financial statements

Follow up on previous year recommendations

Description of deficiency

As part of our work on Housing Revenue Account (HRA) property valuations, we noted the Council completed a revaluation of its HRA properties 1 April 2023. We consulted with the Mazars valuation team, who confirmed that as most of the information used to value the assets, related to the prior year, this could be indicative of an error. Additional work was therefore completed by the Council's valuations team, which resulted in material amendments to both the 2021/22 and 2022/23 financial statements.

Potential effects

There is a risk that valuations performed at the 1 April, using prior year data, are indicative of a material change in value in the prior financial year.

Recommendation

The Council should:

- ensure valuations are completed at the 31 March, or as near as this date as possible; and
 - if the valuation cannot be completed as at 31 March, the Council should complete an assessment (based on relevant, corroborative and timely data), to confirm valuations are materially accurate as at the balance sheet date and document why there is no risk of prior year misstatements.
-

Current position

For 2023/24 onwards, the Council has moved the revaluation date of its HRA properties from the 1st April to the 31st January, in line with the other valuation dates. The Council's valuation team have also completed an assessment to confirm valuations are materially accurate at 31 March 2024. This control recommendation has therefore been addressed.

Appendix A: Further information on our audit of the financial statements

Follow up on previous year recommendations

Description of deficiency

As part of our work on property additions, we identified two additions recognised in 2022/23 which related to works completed in 2021/22 and therefore were incorrectly capitalised in 2022/23.

Potential effects

Capital additions could be materially misstated if they are not recognised when the work was completed.

Recommendation

1. Controls should be implemented to ensure that capital expenditure, resulting in capital additions is capital in nature and relates to the correct year.
 2. As part of the final accounts process, a review of capitalised expenditure and capital additions should be completed and documented and provided to the audit team.
-

Current position

While a review did not take place, we did not identify any errors from our additions testing with regards to the incorrect capitalisation of expenditure. In 2023/24, the Council improved their communication to the wider finance team around the correct capitalisation treatment. The 'No PO No Pay' policy has also been reinforced during the year limiting the risk of incorrect additions, which is evident from our testing. This control recommendation has therefore been addressed.

Appendix A: Further information on our audit of the financial statements

Follow up on previous year recommendations

Description of deficiency

In 2019/20 and 2020/21, we recommend that the Council improved its arrangement to review, challenge and document the output of management's valuation experts relied upon in the production of its financial statements. In 2021/22 our expert valuer completed a review of the Council's Depreciated Replacement Cost (DRC) valuation methodology and noted a departure from RICS DRC guidance note (2018) regarding the correct application of Modern Equivalent Asset (MEA) valuation guidance, including componentisation, physical, functional and economic adjustments.

As part of our work on Allerton Waste Recycling Centre (the Council's largest property value), as part of the early discussion with the Mazars valuation team we recommended that management should complete its own independent indexation checks to assess if the value as at 31 March 2022, was materially accurate since the last valuation date, however this was not completed.

The Council also did not obtain a full valuation for Allerton Waste Recycling Centre in 2022/23.

Potential effects

Without sufficient challenge, information relied upon in preparing the accounts could result in a material misstatement.

Recommendation

For valuations where the Council does not have relevant expertise, it should consider other options to gain sufficient assurance for the valuation assertion.

Current position

The Council obtained a full valuation for Allerton Waste Recycling Centre, in conjunction with North Yorkshire Council, in 2023/24 and therefore no indexation checks were required. This control recommendation has therefore been addressed.

Appendix A: Further information on our audit of the financial statements

Follow up on previous year recommendations

Description of deficiency

As in previous years, the reconciliation of the Trial Balance (TB) to the Comprehensive Income and Expenditure Account has been difficult for the audit team to reperform, relying on several reports and took a long time for the audit team to complete. There was also no evidence to support second review of the reconciliation.

Potential effects

Use of several reports and manual adjustments, has an inherent risk that financial data is omitted from the financial statements.

Recommendation

We recommend that management provides a streamlined working paper which shows how the TB and underlying system reports reconcile through to the CIES, which:

- reduces the number of system reports used to complete the reconciliation or clearly shows how the reports reconcile to the main TB and to the financial statements;
 - provides assurance that all TB codes have been included in the reconciliation;
 - explains the manual adjustments; and
 - records evidence of a second review.
-

Current position

From discussions with the Council's management and finance team, it is clear that progress has been made to implement this recommendation, however further work is still required to streamline the working paper and agreement. This control recommendation has therefore not been fully addressed in 2023/24.

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