



# **STATEMENT OF ACCOUNTS**

Year ended 31<sup>st</sup> March 2003

Councillor S. F. Galloway  
*Executive Leader*

S. Wiles  
*Director of Resources*

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## Foreword by the Director of Resources

### 1. INTRODUCTION

The purpose of the foreword is to provide an easily understandable guide to the most significant matters reported in the City of York Council's Accounts. The pages which follow are the Council's final accounts for 2002/03 and comprise:

#### **The Statement of Responsibilities**

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

#### **The Statement on the System of Internal Financial Control**

This explains the financial controls in force in the Council and also highlights some key issues that will have an impact on the financial controls over the forthcoming twelve months.

#### **Statement of Accounting Policies**

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

#### **The Consolidated Revenue Account**

This account shows the expenditure of all the services for which the Council is responsible. It compares the cost of service provision with the income raised by fees and charges, from specific Central Government grants and from the Collection Fund.

#### **The Consolidated Balance Sheet**

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

#### **The Statement of Total Movements in Reserves**

This statement brings together all the recognised gains and losses of the Council during the financial period and identifies those that have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

#### **The Cash Flow Statement**

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

#### **The Housing Revenue Account**

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

## FOREWORD

### The Summary Direct Service Organisations Revenue and Appropriation Accounts

The Local Government, Planning and Land Act 1980 and the Local Government Act 1988 under which these accounts are prepared were repealed in January 2000. However, the Council has decided to continue to show the accounts in the same way. There is an annual revenue account showing surplus or deficit for each formerly defined activity.

### The Collection Fund

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

## 2. CONSOLIDATED REVENUE ACCOUNT

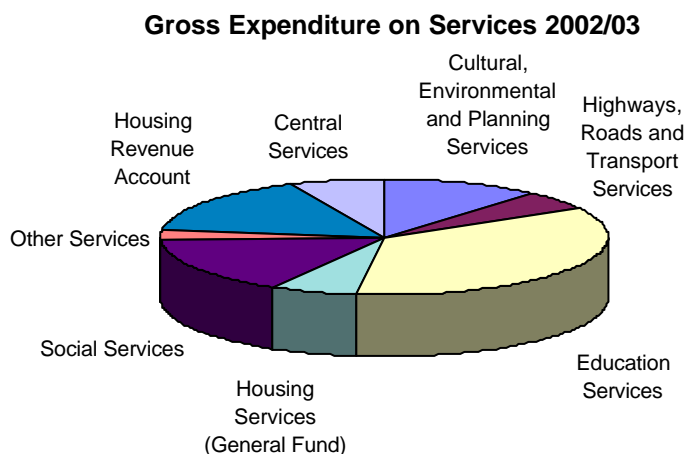
Despite continuing pressures on public sector expenditure, the Council has been able to maintain and improve Council services in a number of areas. Growth of £2.573m was approved in the 2002/03 budget process although this was accompanied by savings of £2.973m.

The Council's General Fund budget for its own net expenditure was set at £140.709m, after the assumed use of £0.100m from in-year Commercial Services profits and £1.174m of general fund balances. To this sum the parish precepts added a further £0.433m.

During the year additional net expenditure totalling £1.913m was approved by Members, which was to be funded by using general fund balances. This approval was mainly for the cost of financing work originally budgeted to be completed in 2001/02 and the transfer of money to earmarked reserves for specified purposes. The revised budget before the use of balances was therefore £144.229m, with the use of balances amounting to £3.087m.

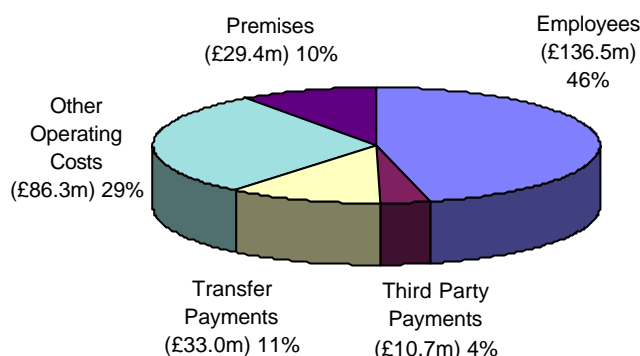
The out-turn position is net expenditure, including parish precepts, of £140.031m, an underspend of £4.198m. A large proportion of the underspend is the result of one-off events that cannot be expected to recur in future financial years, e.g. changes in the impact of government grants for Social Services (£351k), specific contingency provisions not being needed in full in the year (£895k) and the impact of needing to pay lower interest rates on borrowing and having higher average cash balances during the year (£802k). Of the remainder, Members have already agreed that £1.404m can be spent in 2003/04 to complete projects that could not be finalised in 2002/03 and to cover increased redundancy costs.

The Council's gross expenditure on services, as shown on the Consolidated Revenue Account on page 13, was £295.9m and the following diagrams show this on a service by service basis and by category of expenditure:



## FOREWORD

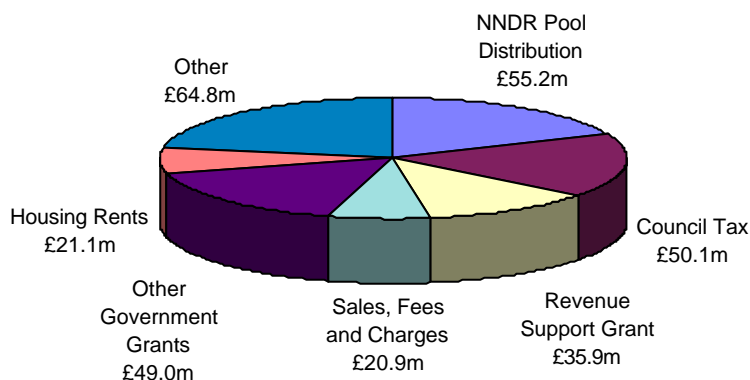
### How the Money Was Spent 2002/03



where employees costs include the full cost of employing all staff including teachers; third party payments include levies from the North Yorkshire Fire and Rescue Service, Environmental Agency and Internal Drainage Boards; and transfer payments relate principally to benefit payments and rent rebates.

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

### Funding of Gross Expenditure on Services



The previous diagram indicates General Fund income of £297.0m, £1.1m more than was needed to fund expenditure. The additional income is transferred to general fund balances which now total £8.181m. Members have already budgeted to use £1.711m of these to balance the 2003/04 General Fund budget and £1.604m to finance work which was budgeted to be completed in 2002/03, but which could not be completed in the year and additional redundancy payments.

The Council transferred £58.893m to schools via the Individual Schools budget (ISB), the Learning Skills Council (LSC) 6th form grant and Schools Standard Grant. In addition schools are also allowed to carry forward devolved capital and devolved standards fund money given to them by the government. Schools received £7.225m in these standards fund payments in 2002/03. Expenditure against all the funds is controlled by the schools, with any surplus or shortfall being transferred to or from the schools earmarked reserve. In 2002/03 this was a transfer from reserves of £599k, reducing the balances held to £5.067m. These balances can only be used by schools.

## FOREWORD

### 3. HOUSING REVENUE ACCOUNT (HRA)

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

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

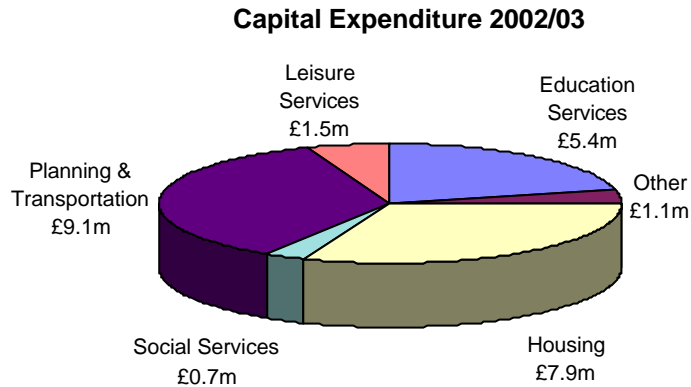
When the 2002/03 revenue estimates were approved rents were increased by £1.52 per week or 3.34%, which was the government's guideline increase. Rents in the former Harrogate and Selby areas of the Council were increased by different amounts as a transitional step to harmonising rents across the Council. The expenditure charged to the HRA for Housing Benefits was estimated to be £12.728m and the income from HRA subsidy was estimated to be £8.156m. Variations to these and other original budgets have resulted in a surplus of 2.215m at the year-end, which is an increase of £1.513m from that originally budgeted for. The most significant variations have resulted from:

|  | £(000) |
|--|--------|
| (i) Increase in the working balance brought forward from the previous year | 1,347  |
| (ii) Increase on repairs and maintenance contract prices                   | (284)  |
| (iii) Increased charges from departmental and support services             | (48)   |
| (iv) Increased cost of Sheltered Housing                                   | (1)    |
| (v) Increased cost of providing single homeless accommodation              | (8)    |
| (vi) Reduced cost of providing temporary accommodation                     | 4      |
| (vii) Reduced provision for bad debts                                      | 70     |
| (viii) Increased revenue funding of capital programme                      | (93)   |
| (ix) Increased expenditure on Housing Benefits and increased HRA subsidy   | 176    |
| (x) Reduction in rental income from Council shops and houses               | (17)   |
| (xi) Additional interest on working balances and council house sales       | 89     |
| (xii) Reduced capital charges  | 239    |
| (xiii) Reduced cost of providing central warden service                    | 62     |
| (xiv) Net effect of other minor variations                                 | (23)   |
|  | 1,513  |

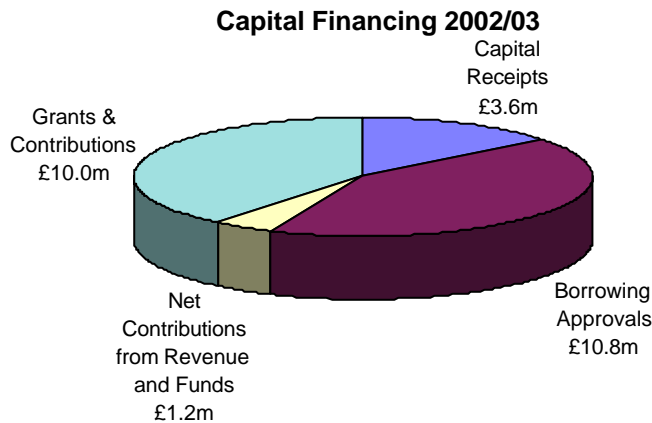
## FOREWORD

### 4. CAPITAL EXPENDITURE

Total expenditure on capital schemes in 2002/03 was £25.7m gross (£22.1m) of which £1.7m (£1.6m) was accrued. The original budget for gross expenditure was £33.7m, however, due to re-programming of the timing of some of the work, the final budget was £27.2m. There was therefore an underspend in the year of £1.5m, which will now be spent in 2003/04. An analysis of where the money was spent is shown diagrammatically below:



Funding for capital expenditure was raised to the value of £25.6m (which is the in year spend of £25.7m plus £1.6m for accruals for 2001/02 expenditure less £1.7m accruals for 2002/03). Funding for 2002/03 accruals will be raised in the 2003/04 financial year. An analysis of the sources of funding are shown diagrammatically below



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

- Millthorpe Secondary School and Burnholme Community College refurbishments (£4m)
- Modernising Council Housing (£4.5m)
- Grants for disabled facilities, home repair and Social Housing (£2m)
- Local Transport Plan (£7m)

## FOREWORD

### 5. BORROWING FACILITIES AND CAPITAL BORROWING

The ability to borrow is governed by the Local Government and Housing Act 1989, and subsequent Capital Regulations issued from time to time (1990, 1995 and 1997). The Council may increase its total long term borrowing by no more than the Borrowing Approvals issued to it by central government. However, the amount borrowed can be any figure either at or less than this maximum.

Although the Council may borrow from a number of market institutions, the majority of money is borrowed from the Public Works Loans Board (PWLB). The amount that can be borrowed from the PWLB in any year is the estimate of capital approvals awarded and used, plus any sums required to refinance maturing PWLB loans, plus or minus an adjustment carried over from the previous year relating to the difference between estimated and actual borrowing approvals. For 2002/03 the PWLB quota calculation for the City of York Council was:

|   | £(000)       |
|---|--------------|
| Actual utilisation of Borrowing Approvals Awarded | 10,834       |
| Allowance for refinancing of maturing PWLB loans  | -            |
| Previous year adjustment (brought forward)        | (1,318)      |
| Additional Quota awarded for Debt Restructure     | -            |
| Total Available PWLB Quota                        | <u>9,516</u> |
| <br>  |              |
| Utilised Quota                                    | 7,700        |
| <br>  |              |
| Quota Adjustment to carry forward to 2003/04      | 1,816        |

The Council restructured £7.7m of PWLB loans during the year, replacing them with two £3m fixed rate loans and a £1.7m one-year variable rate loan. The restructure has enabled the Council to take advantage of lower interest rates.

Three drawdowns against quota (new loans) of £3.0m, £3.0m and £1.7m were made to support in-year capital expenditure and take advantage of low interest rates. A positive quota adjustment of £1.816m will be carried forward into 2003/04. The average rate of interest on all long-term loans at 1 April 2002 was 5.02% and at 31 March 2003 was 5.03%.

### 6. COLLECTION FUND

At 31 March 2003 the surplus on the Collection Fund is £2.125m although £239k of this is owed to the North Yorkshire Police Authority. In setting the 2003/04 Council Tax the Council's share of an estimated surplus was calculated as £1.526m, and the 2003/04 charge reflects the use of this sum to reduce the charge for the year. Of the total collectable for 2002/03 Council Tax bills 97.4% was received in the year. Similarly the recovery on National Non-Domestic Rates, which the Council bill and collect on behalf of the government, was 97.9% of the 2002/03 bills.

### 7. SIGNIFICANT POINTS TO NOTE IN RESPECT OF THE BALANCE SHEET (Page 23)

The value of Work in Progress has increased at 31 March 2003. This is because the Council has identified that £3.354m of capital expenditure incurred is on projects that have not yet been completed. This expenditure is therefore treated as Work in Progress.

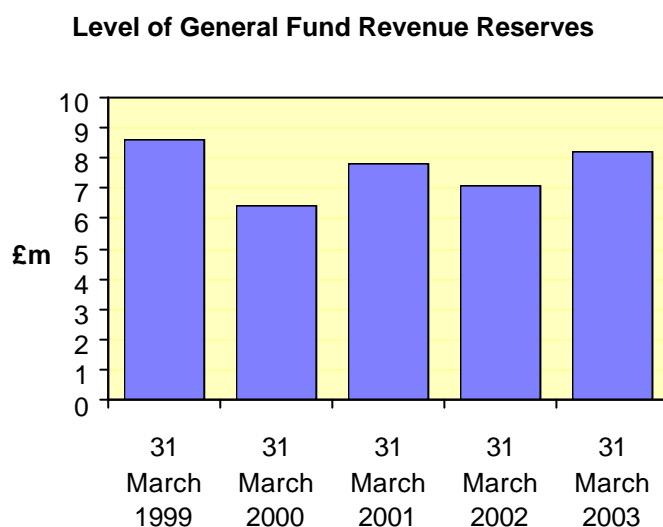


## FOREWORD

### 8. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

At the completion of the audit of the 2001/02 accounts the revenue reserves stood at £30.8m. Revenue resources at 31 March 2003 stand at £31.5m, including £5.1m for schools' accumulated reserves. It was expected that the overall level of revenue reserves would reduce by £4.2m during 2002/03, but in actual fact there has been an increase of £0.7m. The main reasons for the increase in balances are: delays in planned expenditure on the general fund that will now be incurred in 2003/04, specific contingency provisions not required, net increase in interest earned and other non-recurring net savings. In compliance with the Education Reform Act 1988, individual school balances (ISB) will be carried forward into 2003/04. It is currently planned to use £8.5m of revenue reserves in 2003/04.

The reserves are split into earmarked reserves, examples being the ISB and capital reserve, and general fund reserves. Careful monitoring of the general fund reserve is undertaken to ensure that it is maintained at a minimum prudent level to cover any unforeseen circumstances given the size of the Council's budget. The graph below shows the level of the general fund reserve over the last five years.



As part of the introduction of the Comprehensive Performance Assessment (CPA) for local authorities there is now a formula to calculate a recommended minimum level of reserves each local authority should hold. Using this formula the total level of reserves for City of York Council should be no less than £4.8m. The actual level of reserves that can be taken into account when being compared to this recommended level amount to £12.1m at 31 March 2003, including the general fund reserve. However, the planned and projected usage of reserves during 2003/04 will reduce this to £7.1m.

### 8. FUTURE DEVELOPMENTS

There are some key financial challenges facing the Council in the next two to three years and these have been set out in the three-year financial strategy. The challenges may result in fundamental changes both to the structure of the Council's finances and the way in which they are managed.

#### Distribution of financial resources

The drivers for the Council to constantly review the way in which services are financed are:

- The changes to the way in which Council services are financed and managed. This includes the transfer of the Museums and Art Gallery to a Charitable Trust and the wide ranging Access to Services project..

## FOREWORD

- Government decisions to change funding for service areas from specific annual grants to funding via the Formula Spending Share (FSS). In 2003/04 more than £1m of Social Services grants moved into the FSS along with Education Standards Fund grants (£1.2m) and the Education Nursery grant (£1.4m).
- The new political administration that was formed after the Council elections in May 2003.
- The development of the Council's new Corporate Objectives in 2002/03 and the ambitions of the Without Walls Partnership, which takes a city-wide view of the provision and resourcing of services.
- The continued financial pressures faced by many of the Council's services, particularly services for the elderly and care services to both adults and children. Continuing to fund increased demand is a particular challenge in the context of the comparatively low Council Tax in York, which is 8th lowest nationally out of 320 local authorities.

The scale of changes associated with funding is significant and puts emphasis on developing the detail and the accuracy of the forward financial strategy for the Council.

### **Draft Local Government Bill**

This introduces the new performance evaluation framework for Local Authorities - the Comprehensive Performance Assessment (CPA). York was inspected under this framework in Autumn 2002 and was ranked as a 'good' local authority. The bill also contains various clauses that will have far-reaching consequences for financial management in all Local Authorities. The main requirements are:

- Major changes to the way in which Capital expenditure is funded in Local Authorities. The Government proposes to abolish the current system of "credit approvals" which limits the amount that local authorities can borrow. This will be replaced by a more flexible system of controls called the "prudential regime." This puts greater emphasis on self-regulation in local authorities and calls for projections by individual Councils on what they can afford to borrow in any one financial year. It is currently predicted that this regime will come into force in April 2004.
- There is a requirement for local authorities to produce their annual Statement of Accounts and make this available to the public in a much shorter time-frame than is currently the case, moving from September to June publication each year.
- There is a specific requirement that the Director of Finance reports on the adequacy of Council balances and reserves each financial year.

### **Private Finance Initiatives (PFI)**

The Council is in the process of shortlisting and evaluating expressions of interest from potential providers for the schools PFI scheme. The DfES have awarded the Council PFI credits of £13.4m in respect of these new schools, which are expected to be up and running from September 2005.

### **Public Service Agreements (PSA)**

The Council signed a PSA in September 2002, by which it agreed to improve performance in 12 key service areas over a three-year period. The Council received "pump priming" grant of £929k in 2002/03. The Council has agreed to fund a further £349k of expenditure from its' Venture Fund. If all targets are achieved the Council is expecting to see performance reward grant from the government of up to £3.4m from 2005 onwards.

## FOREWORD

### **Pensions (Financial Reporting Standard 17)**

FRS17 is being phased into local government accounts and is explained in detail in note 27 to the Consolidated Balance Sheet (pages 36 and 37). The requirements are that the future liabilities of the Council in respect of meeting employee-earned pension entitlements are fully disclosed. The position at 31 March 2003 is that the Council's share of the Pension Fund's deficit is £77.4m. The deficit has been calculated by actuaries based on assumptions about events and circumstances in the future. This position is being closely monitored and a report will be presented to Members during 2003/04.



## **STATEMENT OF ACCOUNTS**

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### **Independent Auditor's Report to City of York Council**

We have audited the financial statements on pages 1 to 63 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 12.

This report is made solely to City of York Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the Chief Financial Officer and Auditor**

As described on page 5 the Director of Resources is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2002: A Statement of Recommended Practice. Our responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

We report to you our opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on pages 6-7 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2002: A Statement of Recommended Practice. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review is not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

# DISTRICT AUDITOR'S REPORT



## Basis of audit opinion

We conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

## Opinion

In our opinion the financial statements present fairly the financial position of City of York Council as at 31 March 2003 and its income and expenditure for the year then ended.

## Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed:

Date: 19 12 03 .

Name:

R. LINDRUM

Address:

REVEL HOUSE,  
KILLINGBECK DRIVE,  
LEEDS LS14 6WF .



## STATEMENT OF RESPONSIBILITIES

### 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 Resources.

to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. This is achieved through the internal audit section of Financial Services.

to approve the Statement of Accounts.

### The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year (ending 31 March).

In preparing this Statement of Accounts, the Director of Resources has:

selected suitable accounting policies and then applied them consistently;

made judgments and estimates that were reasonable and prudent;

complied with the Code of Practice;

applied the accounting concept of a 'going concern' by assuming that the Council's services will continue to operate for the foreseeable future.

The Director of Resources has also:

kept proper accounting records that were up to date;

taken reasonable steps for the prevention and detection of fraud and other irregularities, through the use of the department's internal audit section.

### Certification of the Accounts

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2003 and its income and expenditure for the year ended 31 March 2003.

Signed *S. Wiles* .....

S. Wiles CPFA  
Director of Resources

Dated *15/8/03* .....

Signed *C. A. Hall* .....

Cllr C. A. Hall  
Lord Mayor

Dated *09/09/03* .....

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is in respect of the 2002/03 Statement of Accounts for City of York Council. I acknowledge responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

Any system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Managers within the Council undertake development and maintenance of the system. In particular, the system includes:

comprehensive budgeting systems

regular reviews of periodic and annual financial reports that indicate financial performance against the budgets

setting targets to measure financial and other performance

the preparation of regular financial reports that indicate actual expenditure against the budgets

clearly-defined capital expenditure guidelines, and

formal project management disciplines as appropriate.

The Council operates an internal audit function whose role is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of the Council's operations, and to review arrangements for the security of the Council's assets. Operational and management arrangements for internal audit are as follows:

Internal audit is a division of the Department of Resources reporting to me through the Head of Audit, Risk Management and Procurement.

Internal Audit's terms of reference require that work is conducted in accordance with the professional standards set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Internal Audit in Local Government.

The terms of reference also provide that Internal Audit has direct access to all senior management, including the Chief Executive, the Executive and the scrutiny function. Internal Audit produces an annual report that provides an opinion on the overall control and risk environment and reports upon significant findings in the year.

The Council's Internal Audit team work according to best practice, which includes:

producing an annual and a three year audit plan, based upon risk assessment and agreed with the Council's leadership

conducting regular monitoring of work completed and reporting performance on a regular basis

reporting to Members in an annual report, which provides an analysis of performance and coverage against targets in the audit plan. This report also highlights key audit findings, recommendations and action taken by Council Officers to improve the control environment.

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

Internal Audit has reached the opinion that the financial control environment within the Council is satisfactory and is operated reasonably consistently across departments. Satisfactory arrangements have been implemented to ensure the effective, efficient and economic operation of the Council's financial affairs. Many systems have been in place for a number of years and the key controls operate effectively.

My review of the effectiveness of the system of internal financial control is informed by:

the work of managers within the Council,

the work of the internal auditors as described above, and

the external auditors in their annual audit letter and other reports.

There are a number of challenges ahead that will impact on the financial control environment and governance arrangements. Key challenges include:

Key new financial systems and upgrades, including Revenues, Benefits, Housing and Finance ledger

Financing of major development projects and especially the introduction of new capital funding regime and dependence on sale of assets to fund the capital programme

Risk Management

Access to Services

Public Finance Initiatives

Public Sector Agreements

Development of waste strategy/partnership arrangements

Financial position of the Pension Fund

Supporting People

Elderly care and discharge from hospital (prudential fine system)

Schools reorganisation

Schools funding issues

Major developments in the city (Osballdwick, Hungate, York Central, etc.)

Barbican sale and new facilities

Swimming pools closure and refurbishment programme

Signed ..... *S. Wiles* .....  
S. Wiles CPFA  
Director of Resources  
Dated ..... *15/8/07* .....

# STATEMENT OF ACCOUNTING POLICIES

## 1. GENERAL

The accounts follow the appropriate accounting standards as required by the Accounting Code of Practice on Local Authority Accounting in Great Britain 2002/03 (ACOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The code has been approved as a Statement of Recommended Practice (SORP). The accounts have, therefore, been prepared using the historic cost convention except in relation to fixed assets where the accounting treatment varies depending on the type of asset (see Accounting Policy 7). They comply with guidance notes issued by CIPFA on the application of Statements of Standard Accounting Practice (SSAPs) relevant to local authorities.

The Council is also required to comply with the Best Value Accounting Code of Practice (BVACOP). This code is an approved SORP and establishes 'proper practice' with regard to consistent financial reporting below the statement of accounts level.

## 2. DEBTORS AND CREDITORS (SSAP 2)

Revenue transactions are recorded on a receipts and payments system in the year in which they arise and converted to income and expenditure by the creation of debtors and creditors at the end of the year.

With the exception of public utilities, such as gas, electricity and telephones, which are included in the accounts on the basis of four quarterly accounts, debtors and creditors are raised in respect of goods and services received and provided by 31 March. The amounts not accrued for the exceptions would not be material.

## 3. VALUE ADDED TAX (VAT) (SSAP 5)

VAT is included within the accounts, and charged to service expenditure, only to the extent that it is irrecoverable.

## 4. OVERHEADS

The Council introduced, and agreed in June 1997, a new support service allocation process. Its aims are:

- that it is good management practice and brings transparency to the cost of provision for support services
- it assists in the preparations for Best Value by helping to identify the full costs of each individual Council service
- it assists in the preparation of government returns, grant claims, etc.
- it meets the requirements embodied in the CIPFA publications, 'Accounting for Central Overheads' and 'Accounting Code of Practice'.

To implement the support service allocation programme, all support service units (SSUs) have developed and introduced service agreements. These agreements increase the accountability of the Council's central support services and ensure they are responsive to their customers' needs.

The basic principles and methods of charging agreed within this exercise have been used to allocate all support service costs in 2002/03, to ensure a complete charge for each service.

The basis of allocation is predominantly on staff time. Other methods used include floor space occupied (accommodation charges); employee numbers (training, health and safety), per payslip (payroll costs), per telephone line and call costs (telephone services).

The cost of corporate and democratic core services and unapportioned central overheads are not charged or apportioned to service expenditure but appear on the Consolidated Revenue Account.

## STATEMENT OF ACCOUNTING POLICIES

### 5. PENSIONS (FRS 17 has been introduced to replace SSAP 24)

The Council has two different pension schemes. The first is for non-teaching employees who are eligible (subject to meeting the qualifying criteria of the scheme) to join the Local Government Superannuation Scheme. The following three paragraphs describe the scheme and the funding arrangements.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the North Yorkshire Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the County Fund's actuary, the last review being on 31 March 2001. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. As required under BVACOP, individual services are charged with those pension costs that relate to current service provision. Charges for added years and early retirement, along with the additional cost on the contribution due to the deficit on the pension fund, have been allocated to an unapportionable central overhead account (UCO). The resulting net cost charged to the individual services accounts and UCO account equate to the actual cost of providing pensions for employees in accordance with the statutory requirements for each pension scheme to which the Council contributes.

In accordance with the transitional arrangements under Financial Reporting Standard 17 (FRS17), financial statements do not fully reflect at fair value the assets and liabilities arising from the Council's future retirement benefit obligations and related funding. Under these transitional arrangements only specific information as defined by the FRS has been disclosed as a note to the accounts (see pages 36 and 37).

These costs have been determined on the basis of contribution rates that are set to meet 100% of the liabilities of the Superannuation Fund, in accordance with relevant Government regulations. Earlier Government requirements were for 75% of the liabilities to be met. As a result, the Council does not comply with the accounting requirements of SSAP24 (Accounting for Pension Costs) and the liabilities included in the balance sheet are understated in respect of pension costs. Information is included in Note 27 to the Consolidated Balance Sheet (pages 36 & 37) identifying those proportions of the Fund's balance sheet applicable to this Council. In accordance with standard accounting practice for local authorities, the additional costs that it would have been necessary to provide for in the accounts for the period under SSAP24 are disclosed by way of Note 18 to the Consolidated Revenue Account (Page 20).

There is a separate scheme for teachers. This is an unfunded scheme administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employers' contribution rate. The Council is responsible for payments related to added years awarded and any pension increases on the added years as they occur.

### 6. GRANTS (SSAP 4)

Revenue grants are credited to income in the same period as the related expenditure is charged. Grants and contributions relating to fixed assets are credited to the government grants and developers' contributions deferred accounts and released to the asset management revenue account in line with the depreciation of the asset. Where an asset is not depreciated the grant or contribution is transferred to the Capital Financing Reserve.

### 7. FIXED ASSETS

These are included in the balance sheet in line with CIPFA's Code of Practice on 'Accounting for Fixed Assets'

- operational land and buildings are valued at current value in existing use
- non-operational assets are valued at open market value
- infrastructure assets and community assets are included at historic cost where applicable

## STATEMENT OF ACCOUNTING POLICIES

### **Basis of Charge for the Use of Fixed Assets**

Charges are made for the use of fixed assets (called asset rental). The charges are based on the current valuation of the asset and are calculated as follows:

- a) a notional interest charge using rates specified by Central Government. The rates for use by all local authorities for 2002/03 were 6% for operational and non-operational assets and 6% for infrastructure and community assets
- b) depreciation charges where appropriate. Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the useful life of the asset. For 2002/03 this charge is calculated using the straight-line basis with no residual value.

### **8. CAPITAL CHARGES TO REVENUE**

Notional charges are made to revenue accounts (asset rentals), see paragraph 7 for details. In order to avoid any impact on local taxation these are replaced in the Consolidated Revenue Account by actual interest plus depreciation via the Asset Management Revenue Account (AMRA). However, in accordance with the requirements of the Local Government and Housing Act (LGHA) 1989, the Authority is required to set aside a minimum revenue provision (MRP), calculated according to a specific formula, for the future repayment of debt. Any difference between the depreciation charged and MRP must be transferred to/from the Capital Financing Reserve.

Capital charges are made to the Housing Revenue Account (HRA) based on the Item 8 determination contained within Part 6 of the LGHA 1989 and under the newly introduced Resource Accounting regulations.

### **9. DEBT REDEMPTION POLICY**

Other than at the required maturity dates for long-term loans, the City of York may redeem debt earlier if market conditions best suit an overall Treasury Management Strategy. This strategy intends to make best use of the available borrowing powers and investments available to the Council in the longer term and is reviewed on an annual basis.

### **10. DEFERRED CHARGES AND PREMIUMS/DISCOUNTS**

These are both payments of a capital nature where no tangible asset is created. They are financed in the year by grants received, revenue contributions or capital receipts except where the expenditure is allowed to be financed over more than one year (e.g. on expenditure related to the local government reorganisation).

Gross premiums and discounts incurred in the year on the premature repayment of loans have been charged to Discounts and Premiums accounts. They are released to the General Fund revenue account over a period that represents economic benefit of the repayment of the original loan.

### **11. LEASES (SSAP 21)**

The Council currently has no finance leases, but if it had, rental payments under finance leases would be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge would be costed to revenue (via the Asset Management Revenue Account (AMRA) - see note 6 to Consolidated Revenue Account, page 16) and the reduction in outstanding liability would reduce the deferred liability in the balance sheet.

Rentals payable under operating leases are charged to revenue in line with the contracted payments.

## STATEMENT OF ACCOUNTING POLICIES

### 12. CAPITAL RECEIPTS

Capital receipts from the disposal of assets are treated in accordance with provisions of the Local Government and Housing Act 1989. This stipulates that income from the disposal of assets must be split into 'usable' and 'reserved' elements. The reserved element must be set aside, either to repay debt or as a provision for future credit liabilities. The usable element can be used to fund capital expenditure in the year or held in the usable capital receipts reserve until such time as it is required. Since the Act, there have been a number of specific relaxations to the split of usable and reserved elements. Currently, for non-housing, 100% of disposal values can be used to finance capital expenditure. For housing 25% of the value of council house sales and mortgage repayments can be regarded as usable.

### 13. STOCKS AND WORK IN PROGRESS (SSAP 9)

Stocks and stores are shown at lower of cost or net realisable value except at Foss Islands Depot where they are shown at average prices.

Rechargeable works in progress are shown in the Consolidated Balance Sheet at cost plus a prudent estimate of any attributable profit less any foreseeable losses.

Capital works in progress are shown in the Consolidated Balance Sheet at cost incurred to 31 March.

### 14. INVESTMENTS

Investments are included in the Consolidated Balance Sheet at cost. Investment income is credited to the revenue account when it falls due.

### 15. PROVISIONS AND CONTINGENCIES

Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are charged to the revenue account and are deducted or added to the carrying balance of the appropriate current asset or liability on the Balance Sheet. When expenditure is incurred to which the provision relates it is charged directly to the provision. Provisions have been made for doubtful debts, but known uncollectable debts have been written off in full. As a material item this is disclosed in note 7 to the Balance Sheet (page 28).

Where the Council has been able to estimate, with a degree of certainty, that a future event will confirm a contingent loss (cost) it has been included in the financial statements. The provisions held by the Council are detailed in note 10 to the Consolidated Balance Sheet.

Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included within the financial statements, but is shown in note 22 to the Balance Sheet (page 34).

Contingent gains are not accrued for within the financial statements.

The Council accounts for the estimated cost of settling self-insured risk through an insurance provision.

### 16. EARMARKED RESERVES

Amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves. In line with the SORP, expenditure is charged to revenue, not directly to any reserve. The reserves held by the Council are detailed in note 19 to the Balance Sheet. The major ones are:

The **Employment and Economic Development Fund** was established in 1986/87 under powers contained in Section 28 of the Local Government (Miscellaneous Provisions) Act 1976, now consolidated in the Local Government Finance Act 1988. The reserve has now been transferred to the general fund reserve.

## STATEMENT OF ACCOUNTING POLICIES

The **Fixed Asset Restatement Reserve** was established as a consequence of implementing capital accounting requirements and represents the difference between historic cost and market value of the Council's fixed assets.

The Council established a **Venture Fund** with an initial capital of £4m (£2m from the Capital Reserve and £2m from General Fund). 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 a maximum of seven years and notional interest is charged.

The Major Repairs Allowance (MRA), paid as part of HRA subsidy, provides authorities with the resources needed to maintain the value of their housing stock over time. Authorities are required to set up a **Major Repairs Reserve** (regulation 6(4A) of the Accounts and Audit Regulations 1996), and to transfer into it a sum not less than the MRA. These funds are then available to authorities for capital expenditure on HRA assets. They will have the flexibility to carry over any unspent MRA funds from one year to the next. The HRA may also benefit from any short-term investment of unspent funds.

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

### 17. RELATED COMPANIES

#### **York Enterprise Limited**

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

#### **Yorwaste Limited**

The share-holding for this company was formerly 100% owned by North Yorkshire County Council. As a consequence of the local government review City of York Council now owns 22.27% of the share-holding. See also note 24 to the Consolidated Balance Sheet, page 35.

#### **York Energy Savers**

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

### 18. COMPARATIVE FIGURES

Comparative figures for the previous financial year are either shown in the left hand column or in brackets after the current year figure.



## CONSOLIDATED REVENUE ACCOUNT

| 2001/02  | Note  | 2002/03          |                              |
|----------|---|------------------|------------------------------|
| £(000)   |   | Income<br>£(000) | Net<br>Expenditure<br>£(000) |
|          | (1)   |                  |                              |
|          | <b>General Fund Services</b>  |                  |                              |
| 7,514    | Central Services  | 20,739           | 12,902                       |
| 21,209   | Cultural, Environmental and Planning Services                         | 33,913           | 9,970                        |
| 73,689   | Education Services  | 103,716          | 26,621                       |
| 8,964    | Highways, Roads and Transport Services                                | 15,963           | 7,763                        |
| 3,508    | Housing Services (General Fund)                                       | 19,353           | 15,452                       |
| 28,839   | Social Services   | 46,344           | 15,146                       |
| 458      | Court Services  | 555              | -                            |
| 5,537    | Corporate and Democratic Core   | 6,238            | 49                           |
| 2,260    | Unapportionable Central Overheads                                     | 2,043            | -                            |
| 7        | Exceptional Items   | -                | -                            |
| 151,985  | <b>Net Cost of General Fund Services</b>                              | 248,864          | 87,903                       |
| 10,496   | Housing Revenue Account   | 47,057           | 32,160                       |
| 162,481  | <b>Net Cost of Services</b>   | 295,921          | 120,063                      |
| 367      | Precepts paid to Parish Councils                                      |                  | 433                          |
|          | Contribution to council tax benefit costs                             |                  |                              |
| 104      | due to subsidy limitation   | (3)              | -                            |
| 224      | Net (surplus)/deficit on trading operations                           | (4)              | (69)                         |
| (1,683)  | Interest Receivable/Investment Income                                 | (5)              | (1,456)                      |
| (268)    | Dividends from Companies  |                  | (292)                        |
| (23,783) | Asset Management Revenue Account                                      | (6)              | (31,378)                     |
| 137,442  | <b>Net Operating Expenditure</b>                                      |                  | 143,096                      |
|          | <b>Appropriations</b>   |                  |                              |
| 1,200    | Capital expenditure financed from revenue                             |                  | 1,510                        |
|          | Surplus/(deficit) transferred to/(from) HRA                           |                  |                              |
| 800      | balances  |                  | 358                          |
| 270      | Contribution to/(from) provisions                                     |                  | 9                            |
| 1,561    | Contribution to/(from) reserves                                       | (7)              | (868)                        |
| (4,321)  | Contribution to/(from) CFR  | (8)              | (4,074)                      |
| 136,952  | <b>Amount to be met from Government Grant<br/>and Local Taxpayers</b> |                  | 140,031                      |
| (45,059) | Demand on Collection Fund   |                  | (48,852)                     |
| (829)    | Collection Fund transfer for the surplus at previous 31 March         |                  | (1,241)                      |
| (40,309) | Government Grants   |                  | (35,889)                     |
| (50,021) | Distribution from the Non-Domestic Rate Pool                          |                  | (55,160)                     |
| 734      | <b>(Surplus)/Deficit for the Year</b>                                 |                  | (1,111)                      |
|          | <b>GENERAL FUND BALANCE</b>   |                  |                              |
| 7,804    | Balance at 1st April  |                  | 7,070                        |
| -        | Net transfer (to)/from other earmarked reserves                       |                  | -                            |
| (734)    | Surplus/(Deficit) for the Year  |                  | 1,111                        |
| 7,070    | <b>Balance at 31st March</b>  |                  | 8,181                        |

Signed ..... *S. Wiles* .....

S. Wiles CPFA  
Director of Resources

Dated ..... *15/4/03* .....

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. Continuing Operations

On 1 August 2002 the Museums service was transferred to a charitable trust. The Council is no longer responsible for the management of the service, but continues to provide the same amount of revenue expenditure as support to the Trust. There is therefore no impact on the Consolidated Revenue Account. All other operations are categorised as continuing operations.

### 2. Exceptional Items

In 2001/02 costs were incurred on a minor flood in February 2002 and for dealing with the outbreak of Foot and Mouth in the area. The latter led to the Council receiving government aid through the Bellwin scheme.

### 3. Council Tax Benefit Subsidy Limitation (CTBSL)

The CTBSL regulations required a local authority to contribute towards increased costs of council tax benefits where the Government considered that the council tax set by the local authority was excessive. Under these regulations the Council was required to contribute £104k in 2001/02. The regulations have now been repealed and there were no costs to the Council in 2002/03.

### 4. Trading Accounts including Direct Services Organisations (DSO) Turnover and Profit

Trading services are disclosed in line with the requirements of the Best Value Accounting Code of Practice (BVACOP) and are mainly activities of a commercial nature that are financed substantially by charges made to recipients of the services. The requirements of BVACOP are that there are two types of trading activities, those that should be reported below the Net Cost of Services, which are primarily those that were formerly covered by the provisions of the Local Government, Planning and Land Act 1980 and the Local Government Act 1988, and those that should be included in individual service expenditure lines on the face of the revenue account. Although the primary legislation has now been repealed the Council has continued to operate the trading activities that formerly were undertaken under the above Acts as if the Acts were still in existence. The following table shows those operations that should be shown below the net cost of services.

| Turnover<br>(Income)<br>£(000)                       | 2001/02<br>Expend-<br>iture<br>£(000) | (Surplus)/<br>Deficit<br>£(000) |                              | Turnover<br>(Income)<br>£(000) | 2002/03<br>Expend-<br>iture<br>£(000) | (Surplus)/<br>Deficit<br>£(000) |
|--|---------------------------------------|---------------------------------|------------------------------|--------------------------------|---------------------------------------|---------------------------------|
| <b>(Surplus)/Deficit from<br/>Trading Operations</b> |                                       |                                 |                              |                                |                                       |                                 |
| 4,970  | 5,009                                 | 39                              | Building Maintenance         | 5,170                          | 5,107                                 | (63)                            |
| 3,958  | 3,753                                 | (205)                           | Civil Engineering            | 4,819                          | 4,626                                 | (193)                           |
| 2,255  | 2,300                                 | 45                              | Refuse Collection            | 2,425                          | 2,513                                 | 88                              |
| 1,333  | 1,320                                 | (13)                            | Street Cleansing             | 1,408                          | 1,355                                 | (53)                            |
| 2,642  | 2,775                                 | 133                             | Cleaning of Public Buildings | 2,853                          | 2,887                                 | 34                              |
| 1,265  | 1,305                                 | 40                              | Grounds Maintenance          | 1,327                          | 1,447                                 | 120                             |
| 858  | 887                                   | 29                              | Vehicle Maintenance          | 930                            | 950                                   | 20                              |
| 984  | 921                                   | (63)                            | Commercial Waste             | 1,116                          | 1,037                                 | (79)                            |
| -  | -                                     | -                               | Waste Management             | 142                            | 145                                   | 3                               |
| 2,275  | 2,361                                 | 86                              | Transport Operating          | 2,383                          | 2,261                                 | (122)                           |
| 2,729  | 2,768                                 | 39                              | Leisure Management           | 2,669                          | 2,712                                 | 43                              |
| 186  | 232                                   | 46                              | Oaklands Leisure Centre      | 187                            | 244                                   | 57                              |
| <u>1,247</u>   | <u>1,295</u>                          | <u>48</u>                       | Housing Management           | <u>1,413</u>                   | <u>1,489</u>                          | <u>76</u>                       |
| <u>24,702</u>  | <u>24,926</u>                         | <u>224</u>                      | <b>Total</b>                 | <u>26,842</u>                  | <u>26,773</u>                         | <u>(69)</u>                     |

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Of the £145k total net surplus (£176k total net deficit) on DLO and TLM £6k has been transferred to earmarked reserves and £139k has been transferred to the General Fund, in line with the decision made by Members that Commercial Services reserves would be maintained at £500k. The £76k (£48k) deficit on the Housing Management contract has been charged to the HRA. Further details are provided on pages 52 and 53.

City of York Council also generates surpluses and deficits from other trading accounts that BVACOP requires to be included within the service expenditure. These are other activities of a commercial nature. The details are as follows:

| Turnover<br>(Income)<br>£(000)                                       | 2001/02<br>Expend-<br>iture<br>£(000) | (Surplus)/<br>Deficit<br>£(000) |                         | Turnover<br>(Income)<br>£(000) | 2002/03<br>Expend-<br>iture<br>£(000) | (Surplus)/<br>Deficit<br>£(000) |
|--|---------------------------------------|---------------------------------|-------------------------|--------------------------------|---------------------------------------|---------------------------------|
| <b>Significant Trading Services included in Net Cost of Services</b> |                                       |                                 |                         |                                |                                       |                                 |
| 2,336  | 2,864                                 | 528                             | Commercial Property     | 2,462                          | 3,056                                 | 594                             |
| 564  | 449                                   | (115)                           | Markets                 | 562                            | 467                                   | (95)                            |
| 4,789  | 2,489                                 | (2,300)                         | Car Parks               | 5,293                          | 2,289                                 | (3,004)                         |
| 1,396  | 1,643                                 | 247                             | Museums                 | 726                            | 1,150                                 | 424                             |
| 824  | 312                                   | (512)                           | Crematorium             | 935                            | 295                                   | (640)                           |
|  |                                       |                                 | Building Control        |                                |                                       |                                 |
| 564  | 256                                   | (308)                           | (chargeable element)    | 630                            | 255                                   | (375)                           |
| 1,243  | 1,165                                 | (78)                            | Engineering Consultancy | 1,347                          | 1,197                                 | (150)                           |
| 1,355  | 1,358                                 | 3                               | Building Services       | 1,391                          | 1,411                                 | 20                              |
| <u>1,154</u>   | <u>1,133</u>                          | <u>(21)</u>                     | York Training Centre    | <u>1,086</u>                   | <u>1,065</u>                          | <u>(21)</u>                     |
| <u>14,225</u>  | <u>11,669</u>                         | <u>(2,556)</u>                  | <b>Total</b>            | <u>14,432</u>                  | <u>11,185</u>                         | <u>(3,247)</u>                  |

The income on commercial property is principally rental income, and the deficit includes asset rental charges of £2.308m (£2.248m). Markets income is principally from Newgate market tolls and from other markets, and the surplus is net of asset rental charges of £200k (£200k).

The Council also operates a number of car parks where the principal source of income comes from fees and charges. The surplus in the year is after charging £512k (£577k) for asset rentals.

Until August 2002 the Council operated the Castle Museum where the principal sources of income came from fees and charges and sales. The net deficit for 2001/02 includes an asset rental charge of £205k. The Council is still responsible for the building, and so will continue to incur asset rentals, however the trading element of the Museum is now the responsibility of a Museums Trust. In order to provide comparable figures for 2002/03 only four months of asset rentals have been taken into the deficit trading figure shown above.

The main sources of income at the crematorium are cremation fees and memorialisation. The surplus is net of asset rental charges of 40k (£41k). Building Control is, by statute, split into two elements. The full statement on the trading activity is shown in note 17, but only the chargeable element needs to be shown under the BVACOP requirements.

The main sources of income for Engineering Consultancy and Building Services are fees charged to the Council's capital programme and to department's revenue accounts. The surplus for York Training Centre £21k (£21k) is generated principally through government funded programmes and contracts to provide employment and training opportunities to York citizens.

### 5. Interest and Investment Income and Expenditure

Included in the revenue accounts is a net return on investments of £1.405m (£1.646m) which comprises interest income of £1.456m (£1.683m) and the costs of associated fees and charges of £0.051m (£0.037m). There was no investment income.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 6. Asset Management Revenue Account (AMRA)

Local Authorities are required to keep a register of fixed assets in accordance with CIPFA's Code of Practice on Local Authority Capital Accounting. Capital charges for the use of these assets are made to services and these have replaced debt financing charges. The purpose of the AMRA is to ensure that the capital charges do not impact on the level of Council Tax or Housing Rents and that the Council's accounts are charged only with the true capital financing costs. Interest charges, provisions for depreciation and finance lease interest are charged to the account. The account is summarised below:

| 2001/02<br>£(000) |  | 2002/03<br>£(000) | £(000)          |
|-------------------|--|-------------------|-----------------|
|                   | <b>Capital Charges made to Service Accounts</b>        |                   |                 |
| (14,569)          | Housing Revenue Account                                | (17,996)          |                 |
| (15,133)          | Non-Housing Revenue Account                            | (19,706)          |                 |
| (2)               | Notional interest on stock balances for DSO accounts   | (2)               |                 |
| <u>(159)</u>      | Transfer from govt grants/developers contribs deferred | <u>(196)</u>      |                 |
| <u>(29,863)</u>   |  |                   | <u>(37,900)</u> |
|                   | <b>Capital Financing Costs</b>                         |                   |                 |
| 3,575             | External Interest                                      | 3,279             |                 |
| <u>2,505</u>      | Depreciation Charge                                    | <u>3,243</u>      |                 |
| <u>6,080</u>      |  |                   | <u>6,522</u>    |
| <u>(23,783)</u>   | Net (over)/under charge to services                    |                   | <u>(31,378)</u> |

### 7. Reserves

Reserves established in prior years have been used to fund net revenue expenditure as shown in the following table.

| 2001/02<br>£(000) |  | Net<br>Movement<br>£(000) | 2002/03<br>£(000) |
|-------------------|--|---------------------------|-------------------|
| 576               | DLO & DSO Reserve                        | (76)                      | 500               |
| 24                | Repairs and Renewals Fund                | (24)                      | -                 |
| 1,214             | Investment Reserves                      | -                         | 1,214             |
| 5,666             | Education Delegated School Reserves      | (599)                     | 5,067             |
| 735               | Major Repairs Reserve                    | 146                       | 881               |
| 710               | Employment and Economic Development Fund | (710)                     | -                 |
| 3,286             | Venture Fund                             | (570)                     | 2,716             |
| 1,865             | Developers Contributions' Unapplied      | 329                       | 2,194             |
| 4,233             | Miscellaneous                            | 162                       | 4,395             |
| <u>1,556</u>      | Capital Reserve                          | <u>474</u>                | <u>2,030</u>      |
| <u>19,865</u>     |  | <u>(868)</u>              | <u>18,997</u>     |

Further information on the movements on these reserves are shown in note 19 to the Consolidated Balance Sheet on page 33.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 8. Capital Financing Reserve and Minimum Revenue Provision (MRP)

The Asset Management Revenue Account (above) attempts to minimise departures from generally accepted accounting practice for charging capital financing costs to the revenue account. However, under section 63 of the Local Government and Housing Act 1989 there is a requirement to set aside a minimum revenue provision (MRP) for the repayment of external debt. The method of calculating the provision is defined by statute and for 2002/03 is £1.995m (£1.786m). However, in 1992/93 central government made a one-off commuted sum payment to York City Council in lieu of all future grant reimbursements due in respect of pre-1990 Improvement Grant expenditure. This gave rise to short-term losses that this Council is allowed to offset against the MRP. The commutation adjustment reduces the MRP required in 2002/03 to £0.792m (£0.684m). In order to show the true cost of capital between government grants and local taxpayers, the following adjustments have been made in the appropriation section of the Consolidated Revenue Account:

| 2001/02<br>£(000) |   | 2002/03<br>£(000) | £(000)  |
|-------------------|---|-------------------|---------|
| 684               | Minimum Revenue Provision                     |                   | 792     |
| (2,505)           | Depreciation/Impairment                       | (3,371)           |         |
| 159               | less govt grants/developers contribs deferred | 196               |         |
| (2,346)           |   |                   | (3,175) |
| (1,662)           | Excess of depreciation/impairment over MRP    |                   | (2,383) |
| (2,659)           | Deferred Charges written off                  |                   | (1,691) |
| (4,321)           | Appropriation to Capital Financing Reserve    |                   | (4,074) |

### 9. Section 137 Expenditure

The Local Government Act 2000 (LGA 2000) granted new powers to local authorities in England and Wales to promote well-being in their area. As a consequence some of the provisions of Section 137 of the Local Government Act 1972, as amended by Section 36 of the Local Government and Housing Act 1989 were repealed with effect from October 2000. The provisions of Section 137 remaining are that the Council is empowered to make grants to voluntary sector organisations that it considers to be in the interests of the inhabitants of its area, provided such expenditure is contained within a sum equal to £3.80 per head for the Registrar Generals 2000/01 estimate of the population of the Authority's area. The Council calculates its Section 137 limit as £689k and the expenditure listed below was incurred under the powers conferred by this section. The expenditure shown is net of any relevant income.

| 2001/02<br>£(000) |                         | 2002/03<br>£(000) |
|-------------------|-------------------------|-------------------|
| 327               | Voluntary Sector Grants | 330               |
| 327               |                         | 330               |

### 10. Agency Services and Pooled Budgets

The Council does not have any agency agreements. However, there was one pooled budget agreement with the North Yorkshire Health Authority. The agreement is related to provision for physical and learning disabilities. The Council provides the service on behalf of the Health Authority and are fully reimbursed for the expenditure incurred. The income received in 2002/03 was £2.3m (£2.3m).

### 11. Transport Act 2000

Under the legislative provisions of the Transport Act 2000, details of any scheme of road user charging or work place parking levy should be notified. The Council has entered into no such activities.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 12. Local Authority (Goods and Services) Act 1970

Under the provisions of Section 1 of the above Act the Council is empowered to enter into agreements with other specified public bodies to provide goods and services. The income and expenditure in respect of these activities are included in the service expenditure analyses on the Consolidated Revenue Account.

During 2002/03 the Council had agreements principally with North Yorkshire County Council and York Health Authority for the provision of building alterations, vehicle maintenance, heating and electrical repairs and this raised £1.2m (£1.2m) income out of the total DLO turnover of £25.4m (£24.7m).

Contracts have also been obtained to provide payroll services to two schools and a district council. These contracts earned £19k (£8k) in 2002/03.

Income of £18k (£54k) was also received from services provided by the Marketing Division to other authorities, principally (2002/03) Rotherham MBC, Fenland DC and Croydon and (2001/02) Rotherham MBC and Croydon and £9k (£14k) from fees charged to Yorkshire Water Authority by Environmental Services in respect of work undertaken.

### 13. Publicity

Under Section 5 of the Local Government Act 1986 the Council is required to keep a separate account of its expenditure on publicity. The Act does not provide a clear definition of publicity.

The following table summarises the elements of expenditure on publicity which are judged to be relevant:

| 2001/02<br>£(000)                      | 2002/03<br>£(000) |
|--|-------------------|
| 650 Marketing and Communications Group | 642               |
| 471 Advertising & Publicity Costs      | 537               |
| <u>502 Staff Advertising</u>           | <u>630</u>        |
| <u>1,623</u>                           | <u>1,809</u>      |

The expenditure in each category has been calculated net of any income.

### 14. Public Finance Initiatives (PFI)

The North Yorkshire Fire and Rescue Authority (NYFRA) has entered into a PFI agreement for the provision of a new training establishment. The costs of this are included within the levy raised by the NYFRA, but the Council receives its' share of the government funding direct. The cost to the Council is £13.9k net.

The Council is embarking on a Schools PFI scheme to replace three primary schools and one special school at three sites across the city. The DfES have awarded the Council PFI credits of £13.4m in respect of the new schools. The schools are due to be in operation for September 2005 and at 31 March 2003 the Council was shortlisting and evaluating expressions of interest from potential providers.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 15. Employees' Emoluments

The Accounts and Audit Regulations 1996 require the disclosure of officers' emoluments (Reg. 6(2)).

There were 108 (112) employees, including head-teachers, whose total emoluments were above £40k per annum. The numbers in different bands are shown below.

| £(000)    | Number of employees |         |
|-----------|---------------------|---------|
|           | 2001/02             | 2002/03 |
| 40 - 50   | 85                  | 82      |
| 50 - 60   | 17                  | 17      |
| 60 - 70   | 5                   | 3       |
| 70 - 80   | 2                   | 3       |
| 80 - 90   | 2                   | 2       |
| 90 - 100  | 1                   | -       |
| 100 - 110 | -                   | 1       |

### 16. Members' Allowances

The Local Authorities (Members' Allowances) (Amendment) Regulations 1995 introduced a requirement for local authorities to make public the scheme for members' allowances and to disclose annually amounts paid to each member under such schemes.

The information on amounts paid during 2002/03 was released to the press during July 2003 and identified that the Council had spent £588k (£565k) on members' allowances, an increase of £23k on 2001/02. Members receive payments that reflect the special responsibilities of the individual Member, together with a basic allowance. The level of the basic and responsibility allowances were proposed by an independent panel and agreed by Council in August 2000. The basic allowance has been paid from August 2000, however the responsibility allowances are being phased in over a period of four years.

### 17. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

| Total<br>2001/02<br>£(000) |                              | Chargeable<br>£(000) | Non-<br>Chargeable<br>£(000) | Total<br>2002/03<br>£(000) |
|----------------------------|------------------------------|----------------------|------------------------------|----------------------------|
|                            | <b>Expenditure</b>           |                      |                              |                            |
| 240                        | Employee Expenses            | 172                  | 74                           | 246                        |
| 10                         | Premises                     | 6                    | 3                            | 9                          |
| 14                         | Transport                    | 11                   | 5                            | 16                         |
| 10                         | Supplies and Services        | 6                    | 2                            | 8                          |
|                            | Central and support services |                      |                              |                            |
| <u>91</u>                  | charges                      | <u>60</u>            | <u>26</u>                    | <u>86</u>                  |
| <u>365</u>                 | <b>Total Expenditure</b>     | <u>255</u>           | <u>110</u>                   | <u>365</u>                 |
|                            | <b>Income</b>                |                      |                              |                            |
| 564                        | Building Regulation Charges  | 630                  | -                            | 630                        |
| <u>5</u>                   | Miscellaneous Income         | <u>-</u>             | <u>7</u>                     | <u>7</u>                   |
| <u>569</u>                 | <b>Total Income</b>          | <u>630</u>           | <u>7</u>                     | <u>637</u>                 |
| <u>204</u>                 | <b>Surplus for the year</b>  | <u>375</u>           | <u>(103)</u>                 | <u>272</u>                 |

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 18. Pensions

Brief details of the two pensions schemes to which the Council and its employees contribute are shown in the Statement of Accounting Policies, note 5 on page 7. The information below relates to the cost of pension arrangements borne by this Council and included in the revenue accounts, see also note 27 to the Consolidated Balance Sheet for the Financial Reporting Standard 17 information.

#### Teachers

In 2002/03 the Council paid £3.363m (£2.836m) to the Teachers Pensions Agency in respect of teachers' pensions costs, which represents 8.35% (7.4%) of teachers' pensionable pay. This is an unfunded scheme with pension costs charged to the accounts based on a contributions rate set by the TPA, supported by a five-year actuarial review.

#### Other Employees

In 2002/03 the Council paid an employers' contribution of £7.505m (£6.651m) into the North Yorkshire Pension Fund, representing 15.9% (15.0%) of pensionable pay for employees paying 6% contributions and 13.25% (12.5%) of pensionable pay for employees paying 5% contributions. The contribution rate was determined by the Fund's Actuary based on triennial actuarial valuations, the last review being on 31 March 2001. Under Pension Fund Regulations contribution rates are now set to meet 100% of the liabilities of scheduled bodies (mainly Local Authorities) and 100% of the liabilities of admitted bodies.

The pensions payments for 2002/03 relating to additional service awarded for premature retirement, together with related pension increases, amounted to £382k (£379k), representing 0.788% (0.833%) of pensionable pay. The capital cost of discretionary increases in pension payments (e.g. discretionary added years) agreed by the Council (whether funded by the Pension Fund or by the Council) is as follows:

| 2001/02<br>£(000) |  | 2002/03<br>£(000) |
|-------------------|--|-------------------|
| 78                | in year  | -                 |
| 6,771             | in earlier years for which payments are still being made | 6,870             |

The Fund's Actuary has advised that the pension costs that would have been necessary to provide for in the year, in accordance with UK GAAP (Generally Accepted Accounting Principles) are £8.386m, equivalent to 17.32% of pensionable pay.

Further information can be found in North Yorkshire Pension Fund's Annual Report that is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.

Further details on pensions liabilities are provided in note 27 to the Consolidated Balance Sheet on pages 36 and 37.

### 19. Contributions to Joint Committees and Joint Bodies

City of York Council has to contribute to the cost of providing Magistrates Services throughout the administrative area of North Yorkshire. This contribution is included in the Consolidated Revenue Account within the Court Services total and is £210k (£203k). Following the transfer of the responsibility for the cost of the Probation Service to the North Yorkshire Probation Committee there are some residual capital financing costs that remain with the Council from the former joint Local Authority funding. These costs are also included in the Court Services total and amount to £9k (£10k).

City of York Council is a constituent member of the North Yorkshire Fire and Rescue Service and as such is responsible for meeting its proportion of the cost of the service. For 2002/03 this was £5.356m (£4.761m) and is included in the Central Services total on the Consolidated Revenue Account.



## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The Area Child Protection Committee develops, monitors and reviews local child protection policies and had gross costs of £53.9k (£16.5k) and received contributions totalling £14.9k (£12.7k) from various bodies, including North Yorkshire Health Authority, North Yorkshire Police and the Probation Services.

The Safer York Partnership is a statutory partnership launched in July 1998 following the enactment of the Crime and Disorder Act 1998. It brings together many organisations in the public, private and voluntary sectors to form a comprehensive partnership approach to fighting crime in York. The cost to the Council in 2002/03 was £198k (£195k).

York Youth Offending Team was established under the Crime and Disorder Act 1998 to ensure that appropriate youth justice services are provided within the City of York. It is composed of officers from City of York Council, North Yorkshire Police, North Yorkshire Probation Service and North Yorkshire Health Authority. The cost to the Council in 2002/03 was £112k (£77k).

The Joint Equipment service orders, stores and supplies equipment to customers in the York Health Trust area. The gross cost of the service was £498k (£377k) with income of £37k (£51k). Contributions from North Yorkshire County Council and York Health Trust totalled £160k (£114k).

The Childrens' Fund is a partnership that aims to address a recognised gap in the provision of preventative services for young people at risk of social exclusion by providing increased and better co-ordinated preventative services for 5-13 year olds. The cost to the Council is £61k, which is matched by an equivalent grant.

There is also a pooled budget to improve the life chances of adults with learning disabilities. The contributors to this budget are York City Council, North Yorkshire County Council and the Selby and York PCT and the Council's income and expenditure were £83k.

The Council contributed £50k to the North Yorkshire Partnership that is delivering the County wide Access To Services Project, the partnership consists of nine Local Authorities who have each contributed the same amount. The contributions are to pay for the cost of the procurement in terms of consultancy fees and officer time that is devoted to the partnership work.

### 20. Long-Term Contracts

The Council is committed to making payments for the provision of care and support contracts estimated at £1.788m (£1.307m) per annum. The actual level of payments will depend on the service required. The contracts expire between July 2003 and March 2006.

### 21. Leasing

The Council holds a few capital assets acquired under finance leases, all of which are now in extension periods and have been fully depreciated in the accounts. No new finance leases have been entered into.

The Council uses certain vehicles, plant and equipment financed under the terms of operating leases and is committed to paying rentals of £3.195m over the next seven years based on those agreements entered into by the Council prior to 31 March 2003. Operating lease rentals paid during 2002/03 amounted to £1.682m (£1.653m). The outstanding lease commitments fall into the following years revenue accounts:

| Year    | £(000) |
|---------|--------|
| 2003/04 | 1,311  |
| 2004/05 | 936    |
| 2005/06 | 574    |
| 2006/07 | 236    |
| 2007/08 | 79     |
| 2008/09 | 43     |
| 2009/10 | 16     |
|         | 3,195  |

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 22. Rates

After adjustments for costs of collection, write-offs and variations to the charges made in the old rating system there was no balance available for distribution in accordance with the Rates and Precepts (Final Adjustments) Order 1991.

### 23. Related Parties

The 1998 Accounting Code of Practice requires that material transactions with related parties should be disclosed.

The transactions in 2002/03 were as follows:

|  | Receipts<br>£(000) | Payments<br>£(000) |
|--|--------------------|--------------------|
| Central Government   |                    |                    |
| Revenue Grants   | 83,343             |                    |
| Capital Grants   | 9,677              |                    |
| National Non-Domestic Rating Pool - payment into the Pool of rating income collected and receipt of redistributed Pool   | 55,160             | 60,052             |
| North Yorkshire Police Authority - precept and payment of share of the Collection Fund surplus   |                    | 5,617              |
| Precept payments to Parish Councils  |                    | 433                |
| Levy payment to Environmental Agency   |                    | 847                |
| Levy payments to Drainage Boards   |                    | 480                |
| CYCs share of the cost of providing the following services run by other bodies:  |                    |                    |
| North Yorkshire Fire and Rescue Authority  |                    | 5,356              |
| Magistrates  |                    | 228                |
| Probation  |                    | 9                  |
| North Yorkshire Pension Fund - payment of employer's superannuation contributions in respect of employees  |                    | 7,533              |
| Yorwaste - transactions include the cost of disposal of waste, as well as transportation, Landfill Tax and management expenses. The income relates to rent, air space and royalties in respect of power generation | 403                | 3,456              |
| Yorkshire Purchasing Organisation - CYC are members of this consortium, which uses its purchasing powers to obtain better discounts on supplies  | 127                | 822                |
| Joint arrangements between Social Services and North Yorkshire Services for people with learning difficulties  | 2,321              | 2,321              |
| North Yorkshire Information and Communications Technology Partnership  |                    | 50                 |
| Youth Offending Team   |                    |                    |
| North Yorkshire Health Authority   | 33                 |                    |
| North Yorkshire Police   | 52                 |                    |
| North Yorkshire County Council   | 26                 |                    |
| Employees - car loans made under the Council's scheme  | 327                | 289                |

## CONSOLIDATED BALANCE SHEET

| 31 March 2002<br>£(000) |  | Note | 31 March 2003<br>£(000) | £(000)         |
|-------------------------|--|------|-------------------------|----------------|
|                         | <b>LONG-TERM ASSETS</b>                      |      |                         |                |
| 579,303                 | Fixed Assets                                 | (1)  |                         | 578,152        |
| 7,349                   | Deferred Charges                             | (2)  |                         | 6,879          |
| 28,149                  | Prepayment                                   | (4)  |                         | 26,925         |
| 1,221                   | Long - Term Investments                      | (5)  |                         | 1,221          |
| <u>1,044</u>            | Long - Term Debtors                          | (6)  |                         | <u>877</u>     |
| <u>617,066</u>          | <b>LONG - TERM ASSETS</b>                    |      |                         | <u>614,054</u> |
|                         | <b>CURRENT ASSETS</b>                        |      |                         |                |
| 36,000                  | Temporary Investments                        |      | 24,780                  |                |
| 411                     | Stocks                                       |      | 214                     |                |
| 376                     | Work in Progress                             |      | 130                     |                |
| 15,895                  | Debtors                                      | (7)  | 19,639                  |                |
| 67                      | Cash in Hand                                 |      | 51                      |                |
| <u>5,876</u>            | Schools Cash at Bank                         |      | <u>7,480</u>            |                |
| 58,625                  |  |      | 52,294                  |                |
|                         | <b>CURRENT LIABILITIES</b>                   |      |                         |                |
| 10,000                  | Long - Term Loans due within 12 months       | (8)  | 1,700                   |                |
| -                       | Temporary Loans                              | (8)  | -                       |                |
| 24,989                  | Creditors                                    | (9)  | 26,094                  |                |
| <u>2,459</u>            | Cash Overdrawn                               |      | 5,567                   |                |
| <u>21,177</u>           | <b>NET CURRENT ASSETS</b>                    |      |                         | <u>18,933</u>  |
|                         | <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |      |                         | <u>632,987</u> |
| <u>638,243</u>          |  |      |                         | <u>632,987</u> |
|                         | <b>LONG TERM LIABILITIES</b>                 |      |                         |                |
| 62,065                  | Long - Term Loans                            | (8)  | 60,365                  |                |
| 1,256                   | Provisions                                   | (10) | 1,470                   |                |
| 28,149                  | Deferred Liabilities                         | (11) | 26,925                  |                |
| <u>2,700</u>            | Deferred Credits                             | (12) | <u>350</u>              |                |
| <u>94,170</u>           |  |      |                         | <u>89,110</u>  |
| <u>544,073</u>          | <b>TOTAL ASSETS LESS LIABILITIES</b>         |      |                         | <u>543,877</u> |
|                         | <b>CAPITAL RESERVES</b>                      |      |                         |                |
| 387,859                 | Fixed Asset Restatement Reserve              | (13) |                         | 371,109        |
| 3,473                   | Government Grants Deferred Account           | (14) |                         | 4,142          |
| 2,173                   | Developers Contributions Deferred Account    | (14) |                         | 1,977          |
| 117,474                 | Capital Financing Reserve                    | (15) |                         | 129,612        |
| 6                       | Capital Grants Unapplied                     | (16) |                         | 1,155          |
| 2,256                   | Usable Capital Receipts                      | (17) |                         | 4,364          |
|                         | <b>REVENUE RESERVES</b>                      |      |                         |                |
| 7,070                   | General Fund Reserve                         |      |                         | 8,181          |
| 1,857                   | Housing Revenue Account Reserve              |      |                         | 2,215          |
| 576                     | DLO & DSO Reserves                           | (18) |                         | 500            |
| 2,040                   | Collection Fund Reserve                      |      |                         | 2,125          |
| <u>19,289</u>           | Earmarked Reserves                           | (19) |                         | <u>18,497</u>  |
| <u>544,073</u>          | <b>TOTAL EQUITY</b>                          |      |                         | <u>543,877</u> |

Signed ..... *S. Wiles* .....  
S. Wiles CPFA  
Director of Resources

Dated ..... *1/14/03* .....

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. Fixed Assets

The movements in fixed assets during the year were as follows:

|   | Council dwellings<br>£(000) | Other land and buildings<br>£(000) | Vehicles, plant etc.<br>£(000) | Infra-structure<br>£(000) | Comm-unity Assets<br>£(000) | TOTAL Operational Assets<br>£(000) | Non-Operational Assets<br>£(000) | TOTAL All Assets<br>£(000) |
|---|-----------------------------|------------------------------------|--------------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------------|----------------------------|
| Value at 31.3.02                              | 308,146                     | 209,184                            | 3,517                          | 31,833                    | 143                         | 552,823                            | 36,266                           | 589,089                    |
| Less: accumulated depreciation/<br>impairment | <u>(4,395)</u>              | <u>(2,736)</u>                     | <u>(1,136)</u>                 | <u>(1,487)</u>            | <u>-</u>                    | <u>(9,754)</u>                     | <u>(32)</u>                      | <u>(9,786)</u>             |
| Net Book Value of Assets at 31.3.02           | 303,751                     | 206,448                            | 2,381                          | 30,346                    | 143                         | 543,069                            | 36,234                           | 579,303                    |
| <del>Movement in 2002/03</del>                |                             |                                    |                                |                           |                             |                                    |                                  |                            |
| Category Adjustment                           | (11,370)                    | 11,370                             | -                              | -                         | -                           | -                                  | -                                | -                          |
| Additions                                     | 5,363                       | 8,152                              | 472                            | 8,979                     | 118                         | 23,084                             | 159                              | 23,243                     |
| Disposals                                     |                             |                                    |                                |                           |                             |                                    |                                  |                            |
| Gross book value                              | (6,841)                     | (172)                              | -                              | -                         | -                           | (7,013)                            | (267)                            | (7,280)                    |
| Accum. Deprecn                                | -                           | 1                                  | -                              | -                         | -                           | 1                                  | 4                                | 5                          |
| Revaluations                                  | (5,363)                     | (6,240)                            | -                              | (2,143)                   | (138)                       | (13,884)                           | 3,371                            | (10,513)                   |
| Depreciation                                  | (4,274)                     | (701)                              | (721)                          | (879)                     | -                           | (6,575)                            | (31)                             | (6,606)                    |
| Impairment                                    | -                           | -                                  | -                              | -                         | -                           | -                                  | -                                | -                          |
| Category Adjustment                           | <u>-</u>                    | <u>-</u>                           | <u>-</u>                       | <u>-</u>                  | <u>-</u>                    | <u>-</u>                           | <u>-</u>                         | <u>-</u>                   |
| Net Book Value of Assets at 31.3.03           | <u>281,266</u>              | <u>218,858</u>                     | <u>2,132</u>                   | <u>36,303</u>             | <u>123</u>                  | <u>538,682</u>                     | <u>39,470</u>                    | <u>578,152</u>             |
| Value at 31.3.03                              | 285,540                     | 222,294                            | 3,989                          | 38,669                    | 123                         | 550,615                            | 39,529                           | 590,144                    |
| Less: accumulated depreciation/<br>impairment | <u>(4,274)</u>              | <u>(3,436)</u>                     | <u>(1,857)</u>                 | <u>(2,366)</u>            | <u>-</u>                    | <u>(11,933)</u>                    | <u>(59)</u>                      | <u>(11,992)</u>            |
| Net Book Value of Assets at 31.3.03           | <u>281,266</u>              | <u>218,858</u>                     | <u>2,132</u>                   | <u>36,303</u>             | <u>123</u>                  | <u>538,682</u>                     | <u>39,470</u>                    | <u>578,152</u>             |

The figure for additions above is the total value of expenditure in the year on fixed assets. Only a proportion of the expenditure either increases the value of the asset or is for a new asset, the remainder is either expenditure classified as work in progress (£3.354m) or expenditure of a capital nature but which does not enhance the value of the asset (£11.714m). The requirements of the Code of Practice are that work in progress is shown as non-operational assets, but that the expenditure which does not enhance the value of the asset is not included in the balance sheet under the heading fixed assets, but is shown as a transfer to the FARR (see note 13 on page 30). This adjustment is included in the line described as revaluations. This transfer leaves expenditure of £11.529m in the year that increases the value of fixed assets.

The main items of capital expenditure that are included in fixed assets during the year are:

|   |               |
|---|---------------|
|   | £(000)        |
| Highways footpaths/various infrastructure schemes | 6,875         |
| Roofing and boiler work on various properties     | 138           |
| Various expenditure on schools                    | 690           |
| Other smaller schemes                             | 472           |
| Assets under construction                         | <u>3,354</u>  |
|   | <u>11,529</u> |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Fixed Assets cont'd

The disposals have been taken out of the accounts at net book value, as required by the Code of Practice, and include the following:

|                       | £(000)       |
|-----------------------|--------------|
| 188 Council Dwellings | 6,841        |
| Assembly Rooms        | 51           |
| 20 Bootham            | 63           |
| 22 Bootham Terrace    | 149          |
| Upper Poppleton Farms | 71           |
| White Cross Lodge     | <u>100</u>   |
|                       | <u>7,275</u> |

During 2002/03 requirements for capital accounting valuations to be carried out on all major Council assets have been met in full. Valuations are required to be carried out at least every 5 years and at 31 March 2003 no valuations are greater than five years old. Major assets valued during 2002/03 include the Barbican Centre, Yearsley Baths and Edmund Wilson swimming pool and Haxby Road Primary School as well as a variety of other properties and a number of administrative buildings. The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements. The revaluation figure shown reflects the change made to bring the valuations held for balance sheet purposes into line with those provided under the above regulations. This has resulted in a lower revaluation figure being stated in the accounts for 2002/03. The valuations process is led by John Reid, Senior Property Consultant with the Council, who is a Chartered Surveyor.

All Operational and Non-Operational assets, other than non-depreciable land and investment properties, are depreciated from 2000/01 on a straight-line basis over their expected life; a proxy of 40 years has been used. Vehicles, plant and equipment are valued at historic cost as a proxy for current cost and depreciated on a straight-line basis over their expected life. Infrastructure and community assets are valued at historic cost where applicable. Infrastructure assets are depreciated, on a straight-line basis, over 40 years.

The Council has a variety of assets that are classified as Community Assets. The historic costs for the bulk of the Community Assets have been wiped out by inflation in the 20th Century. To include the costs of improvements at historic cost in the balance sheet gives a misleading impression. Community Assets are, therefore, recorded in the asset register at a nil valuation to maintain custodianship but not give misleading accounting information. Where a valuation is recorded there is a requirement to maintain in perpetuity and the useful life becomes infinite. As depreciation is immaterial an annual impairment test has been carried out. The Council also holds a number of listed buildings for which there is a requirement to maintain in perpetuity. The useful life of these assets is therefore infinite, and depreciation becomes immaterial. The required annual impairment test has been carried out.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

| Basis of Valuation | Council dwellings<br>£(000) | Other land and buildings<br>£(000) | Vehicles, plant etc.<br>£(000) | Infra-structure<br>£(000) | Comm-unity Assets<br>£(000) | TOTAL Operational Assets<br>£(000) | Non-Operational Assets<br>£(000) | TOTAL All Assets<br>£(000) |
|--------------------|-----------------------------|------------------------------------|--------------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------------|----------------------------|
| Historic Cost      | -                           | 7,142                              | 2,132                          | 36,149                    | -                           | 45,423                             | 3,492                            | 48,915                     |
| Current Value in:  |                             |                                    |                                |                           |                             |                                    |                                  |                            |
| Current year       | 281,266                     | 29,468                             | -                              | 154                       | 90                          | 310,978                            | 3,764                            | 314,742                    |
| Previous year      | -                           | 158,007                            | -                              | -                         | -                           | 158,007                            | 4,299                            | 162,306                    |
| 2 years ago        | -                           | 23,316                             | -                              | -                         | 33                          | 23,349                             | 27,915                           | 51,264                     |
| 3 years ago        | -                           | 925                                | -                              | -                         | -                           | 925                                | -                                | 925                        |
| 4 years ago        | -                           | -                                  | -                              | -                         | -                           | -                                  | -                                | -                          |
| <b>Total</b>       | <u>281,266</u>              | <u>218,858</u>                     | <u>2,132</u>                   | <u>36,303</u>             | <u>123</u>                  | <u>538,682</u>                     | <u>39,470</u>                    | <u>578,152</u>             |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Fixed Assets cont'd

At 31 March 2003 gross capital expenditure commitments were over £8m, of which the most significant were for Neighbourhood Nurseries (£1.5m), Fulford Secondary School (£4.0m), the Homeless Hostel (£1.4m) and modernising Elderly Persons' Homes (£0.9m).

Included amongst the assets owned by the Council at 31 March 2003 are the following:

| Council Dwellings:               | Other Buildings:                     |                         |
|----------------------------------|--------------------------------------|-------------------------|
| 3,673 Flats                      | Bar Walls                            | 1 Art Gallery           |
| 4,733 Houses and Bungalows       | Mansion House                        | 8 Community Centres     |
|                                  | 25 Administrative Buildings          | 2 Sports Pavilions      |
| Land:                            | 184 Commercial Properties            | 3 Sport Centres         |
| 722 km Road                      | 1 Open Air Market                    | 19 Off Street Car Parks |
| 964 km Footpath                  | 1 Theatre                            | 2 Coach Parks           |
| 19 Allotment Sites (1,152 plots) | 1 Crematorium                        | 1 Sports Stadium        |
| 6 Public Parks (approx 74 acres) | 17 Toilet blocks                     |                         |
| 3 Travellers Sites               | 2 Swimming Pools                     |                         |
| 4 Equipped Farms                 | 2 Museums                            |                         |
|                                  | 72 Schools                           |                         |
| Vehicles:                        | 15 Residential Homes                 |                         |
| 12 Miscellaneous Vehicles        | 8 Day Centres                        |                         |
|                                  | 15 Libraries                         |                         |
|                                  | 17 Youth Centres                     |                         |
|                                  | 5 Waste Disposal/Civic Amenity Sites |                         |

## 2. Deferred Charges

These are expenditure of a capital nature where there are no tangible fixed assets (e.g. housing improvement grants), loan restructuring premiums/discounts, where consent has been received from the government to amortise costs (e.g. local government review) or where the government has given capital approval for revenue type expenditure (Public Service Agreements).

With the exception of the latter two items mentioned above the expenditure in the year has been written off to revenue as summarised below.

| Balance at<br>1.4.02 | Account                                | Expenditure<br>During Year | Written off<br>to Revenue<br>in Year | Balance at<br>31.3.03 |
|----------------------|--|----------------------------|--------------------------------------|-----------------------|
| £(000)               |  | £(000)                     | £(000)                               | £(000)                |
| 2,916                | Local Government Review                | -                          | 684                                  | 2,232                 |
| -                    | Public Service Agreements              | 57                         | 57                                   | -                     |
| -                    | Improvement Grants                     | 1,793                      | 1,793                                | -                     |
| -                    | Other Grants                           | 593                        | 593                                  | -                     |
| <u>4,433</u>         | Loan Restructuring Premiums/ Discounts | <u>400</u>                 | <u>186</u>                           | <u>4,647</u>          |
| <u>7,349</u>         |  | <u>2,843</u>               | <u>3,313</u>                         | <u>6,879</u>          |

The Council was successful in participating in Public Service Agreements in twelve areas. Pump-priming capital grant has been received in the sum of £929k, which is to be used over the length of the projects. The figures above represent the expenditure incurred during the current financial year.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 3. Sources of Finance

A summary of the total capital expenditure is shown below, together with the sources of finance utilised.

| 2001/02<br>£(000) |                               | 2002/03<br>£(000) |
|-------------------|-------------------------------|-------------------|
|                   | <b>Expenditure in year</b>    |                   |
| 18,975            | Operational Assets            | 23,084            |
| 202               | Non-operational Assets        | 159               |
| <u>2,969</u>      | Deferred Charges              | <u>2,443</u>      |
| <u>22,146</u>     |                               | <u>25,686</u>     |
|                   | <b>Source of Finance</b>      |                   |
| 7,581             | Borrowing Approvals           | 10,835            |
| 7,989             | Grants and Contributions      | 10,037            |
| 3,962             | Capital Receipts              | 3,610             |
| 266               | Internal Funds and Provisions | 476               |
| 1,246             | Revenue Contributions         | 611               |
| <u>1,102</u>      | Net Accruals                  | <u>117</u>        |
| <u>22,146</u>     |                               | <u>25,686</u>     |

### 4. Prepayment

During 1999/00 the Council repaid the notional amount outstanding for servicing the debt for assets transferred to it as a consequence of local government reorganisation in 1996. The principle applied was that the accounting treatment should reflect its expected economic impact on the City of York. A prepayment has been established which is being recharged to the revenue account in equal instalments over 25 years, commencing in 2000/01. This represents the remaining time over which the Council would expect, on average, to benefit from the portfolio of assets inherited. The figure in the balance sheet represents the amount of prepayment remaining to be written down.

### 5. Long-Term Investments

These are investments held for the medium/long-term that include share investments in three companies. The three companies are Yorwaste (£1,007,940), York Science Park (£200,000) and Careers Company (£6,400). These shares are included in the balance sheet at nominal value. The other investments have been deposited in such a way as to be realisable quickly, although the intention is to hold them for a medium/long-term.

### 6. Long-Term Debtors

These represent sums outstanding which will be repaid over a period of years and include both mortgage debts on, for example, loans for house purchase, and loans to housing associations. They are analysed as follows:

| As at<br>1.4.02<br>£(000) |                         | As at<br>31.3.03<br>£(000) |
|---------------------------|-------------------------|----------------------------|
| 528                       | Staff Car Loans         | 478                        |
| 459                       | Council House Mortgages | 349                        |
| 20                        | Housing Act Advances    | 16                         |
| <u>37</u>                 | Other                   | <u>34</u>                  |
| <u>1,044</u>              |                         | <u>877</u>                 |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 7. Debtors

This figure has been netted down by £5.473m (£5.664m) being the provision for bad and doubtful debts. The debtors and provision for bad and doubtful debts figures can be analysed as follows:

| Balance at<br>1.4.02<br>£(000) |   | Balance at<br>31.3.03<br>£(000) |
|--------------------------------|---|---------------------------------|
|                                | <b>Taxpayers</b>                            |                                 |
| 2,787                          | Council Tax                                 | 2,767                           |
| 113                            | Poll Tax                                    | 1                               |
| 1,192                          | NNDR  | 1,055                           |
|                                | <b>Central Government</b>                   |                                 |
| 917                            | Government Departments                      | 1,390                           |
| 416                            | Customs and Excise                          | 543                             |
| -                              | Business Rates                              | -                               |
|                                | <b>Other</b>                                |                                 |
| 1,744                          | Housing Rents                               | 1,832                           |
| 1,595                          | Housing Benefits                            | 1,363                           |
| 2,700                          | Deferred Capital Receipt                    | -                               |
| <u>10,095</u>                  | Other Debtors                               | <u>16,161</u>                   |
| <u>21,559</u>                  |   | <u>25,112</u>                   |
|                                | <b>Provision for Bad and Doubtful Debts</b> |                                 |
| 2,706                          | Collection Fund                             | 2,414                           |
| 1,233                          | Housing Rents                               | 1,344                           |
| 1,171                          | Housing Benefits                            | 998                             |
| <u>554</u>                     | Other                                       | <u>717</u>                      |
| <u>5,664</u>                   |   | <u>5,473</u>                    |
| <u>15,895</u>                  | <b>Total Debtors</b>                        | <u>19,639</u>                   |

### 8. Loans Outstanding

The following tables detail the source of long-term loans outstanding and an analysis of maturity periods.

| As at<br>1.4.02<br>£(000) |                                       | As at<br>31.3.03<br>£(000) |
|---------------------------|---------------------------------------|----------------------------|
|                           | <b>Total Outstanding</b>              |                            |
| 62,065                    | Public Works Loan Board               | 52,065                     |
| -                         | CLF Municipal Bank                    | -                          |
| 10,000                    | Royal Exchange Trust Co Ltd           | 10,000                     |
| -                         | Local Bonds                           | -                          |
| -                         | Short Term Loans                      | -                          |
| <u>72,065</u>             | Total                                 | <u>62,065</u>              |
|                           | <b>Analysis of loans by maturity:</b> |                            |
| 10,000                    | Maturing within one year              | 1,700                      |
| -                         | Maturing in 1 - 2 years               | -                          |
| 4,000                     | Maturing in 2 - 5 years               | 4,000                      |
| -                         | Maturing in 5 - 10 years              | -                          |
| <u>58,065</u>             | Maturing in more than 10 years        | <u>56,365</u>              |
| <u>72,065</u>             | Total                                 | <u>62,065</u>              |



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 9. Creditors

The creditors figure can be analysed as follows:

| Balance at<br>1.4.02<br>£(000) |                           | Balance at<br>31.3.03<br>£(000) |
|--------------------------------|---------------------------|---------------------------------|
|                                | <b>Taxpayers</b>          |                                 |
| 1,552                          | Council Tax               | 865                             |
| 3                              | Poll Tax                  | 3                               |
| 740                            | NNDR                      | 1,430                           |
|                                | <b>Central Government</b> |                                 |
| 863                            | Government Departments    | 2,467                           |
| 2,412                          | Inland Revenue            | 2,496                           |
| 531                            | Business Rates Owed       | 2,567                           |
|                                | <b>Other</b>              |                                 |
| 114                            | Housing Rents             | 135                             |
| <u>18,774</u>                  | Other Creditors           | <u>16,131</u>                   |
| <u>24,989</u>                  | <b>Total Creditors</b>    | <u>26,094</u>                   |

### 10. Provisions

The following summarises the 'Provisions' held:

| Balance at<br>1.4.02<br>£(000) |                          | Expenditure<br>During Year<br>£(000) | Income<br>During Year<br>£(000) | Balance at<br>31.3.03<br>£(000) |
|--------------------------------|--------------------------|--------------------------------------|---------------------------------|---------------------------------|
|                                | Policy & Resources       |                                      |                                 |                                 |
| 1,041                          | Insurance Fund - General | 567                                  | 745                             | 1,219                           |
| <u>215</u>                     | Miscellaneous            | <u>-</u>                             | <u>36</u>                       | <u>251</u>                      |
| <u>1,256</u>                   |                          | <u>567</u>                           | <u>781</u>                      | <u>1,470</u>                    |

The general insurance provision is held to meet future potential liabilities in respect of claims outstanding but not received covering a period of several years. The size of the provision is based on information supplied by the Council's insurers. The miscellaneous provisions held are for potential payments to employees dependant upon the outcome of current legal action and frozen holiday pay, a sum to provide funds that may arise as a consequence of the closure of the special schools in York as well as a small provision for outstanding appeals against the banding for Council Tax purposes.

### 11. Deferred Liabilities

This represents the liability for the amount chargeable to the revenue account in future financial years. This is based on the liability for the payment of notional debt on the 1996 local government reorganisation transferred assets as set out in note 4 on page 27.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 12. Deferred Credits

These are amounts receivable in respect of the sale of assets where the monies due will be received in instalments over an agreed period of time. They arise principally from mortgages on sales of council houses. In addition, during 2000/01 the Council agreed to defer a capital receipt for one year. The money was received in two instalments, the first during March 2002, and the second during April 2002.

### 13. Fixed Asset Restatement Reserve

This reserve represents the difference between the valuations of assets under the new system of capital accounting compared to the previous system. The reserve is adjusted to reflect writing out the net book value of assets disposed of and capital expenditure that has not resulted in an increase in asset values.

|                                   | 2001/02                         |                 |   |                                   | 2002/03                         |                 |  |
|-----------------------------------|---------------------------------|-----------------|---|-----------------------------------|---------------------------------|-----------------|--|
| Housing Revenue Account<br>£(000) | General Fund Services<br>£(000) | Total<br>£(000) |   | Housing Revenue Account<br>£(000) | General Fund Services<br>£(000) | Total<br>£(000) |  |
| 86,864                            | 170,484                         | 257,348         | <b>Balance at 1 April</b>   | 166,495                           | 221,364                         | 387,859         |  |
| <u>89,709</u>                     | <u>57,711</u>                   | <u>147,420</u>  | Surplus/(Deficit) on revaluation of fixed assets                  | <u>(1,612)</u>                    | <u>3,851</u>                    | <u>2,239</u>    |  |
| 176,573                           | 228,195                         | 404,768         | Less: Disposal of fixed assets                                    | 164,883                           | 225,215                         | 390,098         |  |
| <u>5,250</u>                      | <u>297</u>                      | <u>5,547</u>    | Less: Expenditure in year which does not increase value of assets | <u>6,841</u>                      | <u>434</u>                      | <u>7,275</u>    |  |
| 171,323                           | 227,898                         | 399,221         | Less: Expenditure in year which does not increase value of assets | 158,042                           | 224,781                         | 382,823         |  |
| <u>4,828</u>                      | <u>6,534</u>                    | <u>11,362</u>   | <b>Balance at 31 March</b>  | <u>5,363</u>                      | <u>6,351</u>                    | <u>11,714</u>   |  |
| <u>166,495</u>                    | <u>221,364</u>                  | <u>387,859</u>  |   | <u>152,679</u>                    | <u>218,430</u>                  | <u>371,109</u>  |  |

### 14. Government Grants Deferred and Developers Contributions Deferred

These are sums of money that have been received from government departments and outside sources to contribute towards the cost of fixed assets. The money is transferred to revenue, via the Asset Management Revenue Account (AMRA), at the same rate that the asset is depreciated so that the revenue accounts receive a reduced charge in each year the asset is usable.

The transactions in the year are as follows:

| Balance at 1.4.02<br>£(000) |                                    | Receipts During Year<br>£(000) | Transfer to AMRA in Year<br>£(000) | Balance at 31.3.03<br>£(000) |
|-----------------------------|------------------------------------|--------------------------------|------------------------------------|------------------------------|
| 3,473                       | Deferred Government Grants         | 805                            | 136                                | 4,142                        |
| <u>2,173</u>                | Deferred Developer's Contributions | <u>(136)</u>                   | <u>60</u>                          | <u>1,977</u>                 |
| <u>5,646</u>                |                                    | <u>669</u>                     | <u>196</u>                         | <u>6,119</u>                 |

The negative receipts shown against deferred developers contributions reflect the fact that £433k was included in the 31 March 2002 total in error. This sum has been transferred back to the Capital Financing Reserve.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 15. Capital Financing Reserve

This reserve represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital transactions.

| 2001/02<br>£(000) |   | £(000)       | 2002/03<br>£(000) |
|-------------------|---|--------------|-------------------|
| 110,386           | <b>Balance at 1st April</b>                 |              | 117,474           |
| 4,417             | Add: Capital Receipts set aside in year     |              | 6,638             |
| <u>684</u>        | Set aside in year                           |              | <u>792</u>        |
| 115,487           |   |              | 124,904           |
|                   | Add: Capital Financing in year              |              |                   |
| 3,962             | - Usable Capital Receipts                   | 3,610        |                   |
| 7,989             | - Grants & Contributions                    | 10,037       |                   |
| 537               | - Revenue Contributions - Housing           | 287          |                   |
| 709               | - Revenue Contributions - Other Departments | 324          |                   |
| 266               | - Contributions from internal funds         | 476          |                   |
| <u>1,224</u>      | - Other Authority Debt Repayment            | <u>1,224</u> | <u>15,958</u>     |
| 130,174           |   |              | 140,862           |
|                   | Less: Expenditure in year                   |              |                   |
| 5,005             | Transfer to CRA                             | 4,866        |                   |
| 2                 | Application for Housing Loans               | 4            |                   |
| 2,004             | Transfer to Deferred Capital Grants         | 1,408        |                   |
|                   | Transfer to Deferred Developers             |              |                   |
| 733               | Contributions                               | 14           |                   |
| 4,272             | Transfer to Major Repairs Reserve           | 4,274        |                   |
| <u>684</u>        | Repayment of LGR SCA                        | <u>684</u>   | <u>11,250</u>     |
| <u>117,474</u>    | <b>Balance at 31st March</b>                |              | <u>129,612</u>    |

The two items above identified as 'set aside in year' and 'transfer to CRA' are shown as a net figure on the Consolidated Revenue Account as contribution from Capital Financing Reserve.

### 16. Capital Grants Unapplied

These are sums of money received from the government towards capital expenditure where the expenditure has not been incurred in the current year. The expenditure to fully utilise the grant will be incurred in the next financial year.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 17. Usable Capital Receipts

From 1 April 1990 it has been a requirement to reserve specified proportions of capital receipts from the sale of assets in order to either avoid or repay future debt. The remaining proportion being available to finance new capital expenditure.

| 2001/02<br>£(000) |   | 2002/03<br>£(000) |
|-------------------|---|-------------------|
| -                 | Balance at 1 April                            | 2,256             |
| 10,278            | Receipts in year from sale of assets          | 11,766            |
| <u>357</u>        | Receipts in year from other bodies            | <u>590</u>        |
| 10,635            |   | 14,612            |
| <u>4,417</u>      | Less: reserved proportion                     | <u>6,638</u>      |
| 6,218             | Available Usable Receipts                     | 7,974             |
| <u>3,962</u>      | Receipts applied during the year              | <u>3,610</u>      |
| <u>2,256</u>      | Usable Capital Receipts Unapplied at 31 March | <u>4,364</u>      |

#### **Memorandum Account Provision for Credit Liabilities**

| 2001/02<br>£(000) |   | 2002/03<br>£(000) |
|-------------------|---|-------------------|
| -                 | Balance at 1 April  | -                 |
|                   | add:  |                   |
| 4,417             | Reserved proportion of new receipts                                       | 6,638             |
| <u>684</u>        | Minimum Revenue Provision (MRP) to be set aside for repayment<br>of loans | <u>792</u>        |
| 5,101             |   | 7,430             |
|                   | less:   |                   |
| -                 | Loans repaid from PCL   | -                 |
| <u>5,101</u>      | PCL applied to Long-Term Liabilities                                      | <u>7,430</u>      |
| <u>NIL</u>        | Balance at 31 March   | <u>NIL</u>        |

### 18. DLO and DSO Reserves

The following summarises the Direct Labour Organisation and Direct Service Organisation Funds balances. The detail of the surpluses and deficits in the year are shown in more detail on pages 48 and 49.

| Balance at<br>1.4.02<br>£(000) | Account                          | Surplus/<br>(Deficit) in<br>Year<br>£(000) | Transfer (to)/<br>from Reserves<br>& General Fund<br>£(000) | Balance at<br>31.3.03<br>£(000) |
|--------------------------------|----------------------------------|--|---|---------------------------------|
| 181                            | Building Maintenance Reserve     | 63   | -   | 244                             |
| 461                            | Civil Engineering Reserve        | 193  | (139)   | 515                             |
| (51)                           | Other Sections Reserve           | (133)                                      | (6)   | (190)                           |
|                                | Transport - Operating Reserve    | 122  | -   | 122                             |
|                                | Total Leisure Management Reserve | (100)                                      | -   | (191)                           |
| <u>76</u>                      | Housing                          | <u>(76)</u>                                | <u>-</u>  | <u>-</u>                        |
| <u>576</u>                     | Total                            | <u>69</u>                                  | <u>(145)</u>  | <u>500</u>                      |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 19. Earmarked Reserves

The following reserves established in earlier years are held to offset future expenditure:

| Balance at<br>1.4.02<br>£(000)   | Account                                  | Expenditure<br>During Year<br>£(000) | Income<br>During Year<br>£(000) | Balance at<br>31.3.03<br>£(000) |
|----------------------------------|--|--------------------------------------|---------------------------------|---------------------------------|
| <b>Repairs and Renewals Fund</b> |  |                                      |                                 |                                 |
| <u>24</u>                        | I.T. Repairs/Renewals                    | <u>24</u>                            | <u>-</u>                        | <u>-</u>                        |
| <b>Other Reserves</b>            |  |                                      |                                 |                                 |
| 1,214                            | Investment Reserves                      | -                                    | -                               | 1,214                           |
| 5,666                            | Education Delegated School Reserves      | 599                                  | -                               | 5,067                           |
| 735                              | Maior Repairs Reserve                    | 4,128                                | 4,274                           | 881                             |
| 710                              | Emplovment and Economic Development Fund | 710                                  | -                               | -                               |
| 3,286                            | Venture Fund                             | 734                                  | 164                             | 2,716                           |
| 1,865                            | Developers Contributions' Unapplied      | 448                                  | 777                             | 2,194                           |
| <u>4,233</u>                     | Miscellaneous                            | <u>1,616</u>                         | <u>1,778</u>                    | <u>4,395</u>                    |
| <u>17,709</u>                    |  | <u>8,235</u>                         | <u>6,993</u>                    | <u>16,467</u>                   |
| <u>1,556</u>                     | <b>Capital Reserve</b>                   | <u>373</u>                           | <u>847</u>                      | <u>2,030</u>                    |
| <u>19,289</u>                    |  | <u>8,632</u>                         | <u>7,840</u>                    | <u>18,497</u>                   |

The Education Delegated School Reserves represent the net balances held in schools as unspent revenue received from the Local Education Authority (LEA). There are 6 (2) schools with deficit rather than surplus balances at a total deficit of £522k (£308k).

### 20. Insurance Fund

The Council has created an Insurance Fund rather than externally insure the majority of its public liability and some school insurance risks. Once claims total more than a pre-determined sum, any additional costs would be met by external insurers.

The Council (with its Insurers) has reviewed the provision made to meet future liabilities and, as a result, established insurance reserves to hold surplus funds. At 31 March 2003 the insurance reserves stood at £1.299m (£1.255m).

### 21. Analysis of Net Assets Employed

The following table shows the split of the total equity of the Council between the General Fund, the Housing Revenue Account and the Direct Service Organisations.

| Balance at<br>1.4.02<br>£(000) |                              | Balance at<br>31.3.03<br>£(000) |
|--------------------------------|------------------------------|---------------------------------|
| 347,157                        | General Fund                 | 351,818                         |
| 196,196                        | Housing Revenue Account      | 202,518                         |
| <u>720</u>                     | Direct Service Organisations | <u>656</u>                      |
| <u>544,073</u>                 |                              | <u>554,992</u>                  |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 22. Contingent Liabilities

The Council guarantees an overdraft facility of £10k for the York Theatre Trust and one for £15k for the Poppleton Lawn Tennis Club (as agreed at Leisure Services Committee on 8 July 1999). Included in the capital reserves balance is a sum of money earmarked for outstanding claims on capital schemes.

On 16 July 2002 Members agreed to provide a pensions guarantee with North Yorkshire County Council and the Guidance Enterprise Group in respect of the Chief Executive designate of Connexions Limited. CYC are underwriting £100k, one third of the total guarantee, but Connexions will make a payment of £30k p.a. to reduce the total liability over ten years (subject to actuarial valuations at the time).

On 10 March 2003 Members received a report that asked them to consider an issue relating to a staff assimilation claim. There is a potential financial liability to the Council should the matter still be unresolved in twelve months time.

The Council has agreed to indemnify an outside body for costs that are being incurred prior to the receipt of land purchase and planning permission for a joint project.

### 23. 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 Consolidated Balance Sheet. The balances of these funds are invested with the Council. There are over 20 funds; the main trusts are detailed below, with the table showing the movements in the year.

Edward Lamb donated the **James Cox Automoton Clock** to the Castle Museum in 1982. Mr. Lamb died on 2 May 1986 and in his will left a legacy of £6,000 to be used and applied by the Museum solely for the maintenance of the said clock.

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

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

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

William Ismay bequeathed his collection of pottery to the Yorkshire Museum Charitable Trust in January 2001. In addition, his home was bequeathed to the **Ismay Trust** for the sale proceeds to be put into trust to maintain and develop the collection. The sale proceeds, £45,212, were received in January 2002.

| Balance at |                                     | Expenditure | Income      | Balance at |
|------------|-------------------------------------|-------------|-------------|------------|
| 1.4.02     |                                     | During Year | During Year | 31.3.03    |
| £(000)     |                                     | £(000)      | £(000)      | £(000)     |
| 17         | James Cox Automoton Clock           | 1           | 1           | 17         |
| 17         | Edmund Wilson Trust                 | 1           | 1           | 17         |
| 45         | Ismay Trust                         | -           | 2           | 47         |
| 41         | Haughton/Gardiner Trust Fund        | 3           | 2           | 40         |
| 56         | Strensall & Towthorpe Village Trust | -           | 2           | 58         |
| <u>35</u>  | Other Funds                         | <u>28</u>   | <u>31</u>   | <u>38</u>  |
| <u>211</u> |                                     | <u>33</u>   | <u>39</u>   | <u>217</u> |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 24. Yorwaste Limited

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% share-holding in the above company. The only other shareholder is North Yorkshire County Council. The Company's profit and loss account is not included as part of the Consolidated Revenue Account on page 11, however dividend income of £292k (£268k) is included as part of the Council's income for Cultural, Environmental and Planning Services. Similarly, the Company's assets and liabilities are not included in the Consolidated Balance Sheet.

Brief details of the Company are as follows:

|                              |   |
|------------------------------|---|
| Name                         | Yorwaste Limited  |
| Business                     | The principal activities of the Company are the management, transport and disposal of waste |
| Council's shareholding       | 22.27%  |
| Net assets                   | £10.9m  |
| Loans to/(from) CYC          | None  |
| Profit for period to 31.3.03 |   |
| (a) Before tax               | £3.2m   |
| (b) After tax                | £2.1  |
| Copies of accounts held at   | County Treasurer's Department<br>County Hall<br>Northallerton                               |
| Auditors Report              | Unqualified   |

The Council has a contract with Yorwaste Limited for waste disposal services. Contract prices are negotiated on an arms length commercial basis. The total value of services received in the year was £3.456m including Landfill Tax of £1.292m (£2.164m net of Landfill Tax), and at 31 March 2003 there was a creditor balance of £556k. In addition the Council provides services to Yorwaste Limited that totalled £403k during 2002/03. There was a debtor outstanding at 31 March 2003 of £14k.

### 25. Rates and Costs in Arrears

Rate Arrears at 31 March 2003 show a decrease of £0.2k over the figure at April 2002.

### 26. Euro

Despite the fact that the possible introduction of the single European currency remains some way off, it has been established that if it were to happen there would be significant preparatory work involved. Accordingly, the Council is currently examining whether there is a need to draw up a plan of action to quantify the possible effects on both business and the community and the Council's own systems and procedures.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 27. Financial Reporting Standard 17 (FRS 17) Disclosure Items

The aim of the FRS17 (Retirement Benefits) is to ensure that the Council's financial statements reflect the future pension liabilities that have been incurred, at a fair value, and the extent to which assets have already been set aside to fund them.

As part of the terms and conditions of employment the Council offers retirement benefits to its' employees. Although these benefits will not be payable until the employees retire, the Council has a commitment to make the payments that will enable the cost of these benefits to be met. The future commitment for meeting these payments needs to be disclosed at the time that the employees earn their future entitlement.

In accordance with the Accounting Code of Practice guidance on FRS17 the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its' employees.

As explained in note 18 to the Consolidated Revenue Account the Council participates in two schemes, the North Yorkshire Pension Fund and the Teachers Scheme. The liability for payment of pensions under the Teachers Pension scheme rests with the Department for Education, and it is therefore classed as a multi-employer defined benefit scheme for which the liabilities of individual employers cannot be separated. This means that it should be treated in the same way as a defined contribution scheme. No additional disclosures are required.

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.

Pensions costs have been charged to the Consolidated Revenue Account on the basis of contributions payable for the year to the North Yorkshire Pension Fund (based on a formal actuarial valuation for 31 March 2001) and the pensions payable in the year to retired employees. However, at 31 March 2003 the Council had the following overall assets and liabilities that have not been included in the balance sheet.

| As at<br>31.3.02<br>£m |  | As at<br>31.3.03<br>£m |
|------------------------|--|------------------------|
| 154.6                  | Estimated share of liabilities in scheme | 168.6                  |
| <u>111.4</u>           | Estimated share of assets in scheme      | <u>91.2</u>            |
| <u>43.2</u>            | Council's net liability (deficit)        | <u>77.4</u>            |

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

| As at<br>31.3.02<br>% pa |   | As at<br>31.3.03<br>% pa |
|--------------------------|---|--------------------------|
| 2.5                      | Rate of Inflation                       | 2.5                      |
| 4.0                      | Rate of increase in salaries            | 4.0                      |
| 2.5                      | Rate of increase in pensions            | 2.5                      |
| 6.0                      | Rate for discounting scheme liabilities | 6.0                      |



## NOTES TO THE CONSOLIDATED BALANCE SHEET

Assets in the Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

| As at<br>31.3.02<br>£(000) | As at<br>31.3.02<br>% pa |                    | As at<br>31.3.03<br>£(000) | As at<br>31.3.03<br>% pa |
|----------------------------|--------------------------|--------------------|----------------------------|--------------------------|
| 84,441                     | 75.8                     | Equities           | 69,379                     | 76.1                     |
| 23,060                     | 20.7                     | { Government Bonds | 365                        | 0.4                      |
|                            |                          | { Other Bonds      | 18,234                     | 20.0                     |
| -                          | -                        | Property           | -                          | -                        |
| <u>3,899</u>               | 3.5                      | Other              | <u>3,190</u>               | 3.5                      |
| <u>111,400</u>             |                          |                    | <u>91,168</u>              |                          |

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

| As at<br>31.3.02<br>% pa |                    | As at<br>31.3.03<br>% pa |
|--------------------------|--------------------|--------------------------|
| 8.0                      | Equities           | 7.5                      |
| 6.0                      | { Government Bonds | 4.5                      |
|                          | { Other Bonds      | 5.4                      |
| 4.0                      | { Property         | 6.5                      |
|                          | { Other            | 3.75                     |

The movement in the net pension liability for the year is as follows:

|   | 2002/03<br>£(000) |
|---|-------------------|
| Net pensions liability at 1 April                               | 43,200            |
| Movement in year  |                   |
| Current service cost  | 6,234             |
| Employer contributions (including unfunded retirement benefits) | (7,773)           |
| Past service cost/curtailment costs                             | 19                |
| Interest costs  | 9,413             |
| Expected return on assets in the scheme                         | (8,522)           |
| Actuarial (Gain)/Loss   | <u>34,844</u>     |
| Net pensions liability at 1 April                               | <u>77,415</u>     |

The actuarial (gains)/losses can be analysed into the following categories, measured both as absolute amounts and as a percentage of assets or liabilities at 31 March.

|   | As at<br>31.3.03<br>£(000) | As at<br>31.3.03<br>% |
|---|----------------------------|-----------------------|
| Difference between the expected and actual return on assets - (gain)/loss         | 34,844                     | 38.2                  |
| Difference between actuarial assumptions about liabilities and actual experience  | -                          | -                     |
| Changes in the demographic and financial assumptions used to estimate liabilities | -                          | -                     |

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 28. **Municipal Mutual Insurance**

During 1993/94 the former York City and North Yorkshire County Councils' insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. Although there is the potential for future claims arising, currently there are no claims outstanding with MMI. The current position of MMI's finances is subject to a high level of volatility due to the inescapable uncertainty of the level of current and future claims. However, the Board of MMI state that they feel a solvent run-off will be achieved.

### 29. **Post Balance Sheet Events**

On 5 July 1991 the deposits with the Bank of Credit and Commercial International SA (B.C.C.I.) were frozen. At the time the former York City Council had £1.3m deposited. With the agreement of the District Auditor provision was made for non-recovery of the deposits to 60% of the value (£780k). At 31 March 2002 £948k had been recovered. The Council has been notified that two further payments totalling £215k will be received during 2003/04, bringing the total recovery to £1.163m.

The assimilation issue that was identified as a contingent liability at 31 March 2003 has now been resolved, with no further costs to the Council.

An appeal against the rating valuation in 1990 for the Barbican Centre has been successful. The sum due back to the Council is £590k, with a further potential rebate should the appeal against the 1995 valuation also be successful.

The Council dwellings held by the Housing Revenue Account are revalued annually on 1 April. The increase in value on 1 April 2003 was £99.9m.



## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. The Council has a general revenue reserve that was established to support all Council services and is maintained at a level that is considered prudent by the Council. In addition there are other specific earmarked reserves.

The details of the movement in the year on these reserves is set out below:

|  | Balance<br>1.4.02<br>£(000) | Balance<br>31.3.03<br>£(000) | Movement<br>in Year<br>£(000) |
|--|-----------------------------|------------------------------|-------------------------------|
| <b>General Fund Reserve</b>              | 7,070                       | 8,181                        | 1,111                         |
| <b>Housing Revenue Account</b>           | 1,857                       | 2,215                        | 358                           |
| <b>Collection Fund</b>                   | 2,040                       | 2,125                        | 85                            |
| <b>Earmarked Reserves</b>                |                             |                              |                               |
| DLO & DSO Reserve                        | 576                         | 500                          | (76)                          |
| Repairs and Renewals Fund                | 24                          | -                            | (24)                          |
| Investment Reserves                      | 1,214                       | 1,214                        | -                             |
| Education Delegated School Reserves      | 5,666                       | 5,067                        | (599)                         |
| Maior Repairs Reserve                    | 735                         | 881                          | 146                           |
| Employment and Economic Development Fund | 710                         | -                            | (710)                         |
| Venture Fund                             | 3,286                       | 2,716                        | (570)                         |
| Developers Contributions' Unapplied      | 1,865                       | 2,194                        | 329                           |
| Miscellaneous                            | 4,233                       | 4,395                        | 162                           |
| Capital Reserve                          | <u>1,556</u>                | <u>2,030</u>                 | <u>474</u>                    |
| <b>Total Earmarked Reserves</b>          | <u>19,865</u>               | <u>18,997</u>                | <u>(868)</u>                  |
|  | <u>30,832</u>               | <u>31,518</u>                | <u>686</u>                    |

2. The total change in realised capital resources is obtained from analysing the movement on Usable Capital Receipts and grants and contributions received in year.

|  | Usable<br>Capital<br>Receipts<br>£(000) | Unapplied<br>Capital<br>Grants<br>£(000) | Unapplied<br>Capital<br>Contributions<br>£(000) |
|--|---|--|---|
| <b>Movements in realised capital resources</b>                 |   |  |   |
| Amounts receivable   | 5,718                                   | 10,706                                   | 480   |
| Amounts applied to finance new capital investment              | <u>(3,610)</u>                          | <u>(9,557)</u>                           | <u>(480)</u>                                    |
| <b>Total increase/(decrease) in realised capital resources</b> | <b>2,108</b>                            | <b>1,149</b>                             | <b>-</b>  |
| Opening balance at 1 April                                     | <u>2,256</u>                            | <u>6</u>                                 | <u>-</u>  |
| Closing balance at 31 March                                    | <u>4,364</u>                            | <u>1,155</u>                             | <u>NIL</u>                                      |

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

3. The movement in the unrealised value of fixed assets and the value of assets sold, disposed of or decommissioned is obtained from analysing the Fixed Asset Restatement Reserve (FARR).

|  | FARR<br>£(000)  |
|--|-----------------|
| <b>Movements in unrealised value of fixed assets</b>             |                 |
| Gains/(losses) on revaluation of fixed assets                    | <u>(9,475)</u>  |
| <b>Total increase/(decrease) in unrealised capital resources</b> | <b>(9,475)</b>  |
| <b>Value of assets sold, disposed of or decommissioned</b>       |                 |
| Amounts written off fixed asset balances for disposals           | <u>(7,275)</u>  |
| <b>Total movement on reserve</b>                                 | <b>(16,750)</b> |
| Opening balance at 1 April                                       | <u>387,859</u>  |
| Closing balance at 31 March                                      | <u>371,109</u>  |

4. The movement in the amounts set aside to finance capital investment is obtained from analysing the Capital Financing Reserve, Government Grants and Developers Contributions Deferred.

|   | CFR<br>£(000)   | Govt Gts Def<br>£(000) | Dev Cont Def<br>£(000) | TOTAL<br>£(000) |
|---|-----------------|------------------------|------------------------|-----------------|
| <b>Movements in amounts set aside to finance capital expenditure</b>                |                 |                        |                        |                 |
| Capital receipts set aside  |                 |                        |                        |                 |
| - reserved receipts   | 7,430           | -                      | -                      |                 |
| - usable receipts applied   | <u>14,871</u>   | <u>-</u>               | <u>-</u>               |                 |
| <b>Total capital receipts set aside</b>   | <u>22,301</u>   | <u>-</u>               | <u>-</u>               | 22,301          |
| Revenue resources set aside   |                 |                        |                        |                 |
| - capital expenditure financed from revenue   | 1,087           | -                      | -                      |                 |
| - reconciling amount for provisions for loan repayment                              | <u>(11,250)</u> | <u>-</u>               | <u>-</u>               |                 |
| <b>Total revenue resources set aside</b>  | <u>(10,163)</u> | <u>-</u>               | <u>-</u>               | (10,163)        |
| Grants applied to capital investment  | -               | 805                    |                        |                 |
| Contribns applied to capital investment   |                 |                        | (136)                  |                 |
| Applied to AMRA   | <u>-</u>        | <u>(136)</u>           | <u>(60)</u>            |                 |
| <b>Movement on Grants and Developers Contributions Deferred</b>                     | <u>-</u>        | <u>669</u>             | <u>(196)</u>           | <u>473</u>      |
| <b>Total increase/(decrease) in amounts set aside to finance capital investment</b> |                 |                        |                        | 12,611          |
| <b>Total movement on reserve</b>  | <b>12,138</b>   | <b>669</b>             | <b>(196)</b>           |                 |
| Opening balance at 1 April  | <u>117,474</u>  | <u>3,473</u>           | <u>2,173</u>           |                 |
| Closing balance at 31 March   | <u>129,612</u>  | <u>4,142</u>           | <u>1,977</u>           |                 |



## CASH FLOW STATEMENT

| 2001/02<br>£(000) |   | Note       | 2002/03  |                 |
|-------------------|---|------------|----------|-----------------|
|                   |   |            | £(000)   | £(000)          |
|                   | <b>Management of Liquid Resources</b>             | (8)        |          |                 |
| -                 | Net (increase)/decrease in short term deposits    | (9)        |          | -               |
| -                 | Net (increase)/decrease in other liquid resources | (9)        |          | -               |
| <u>22,025</u>     | Short-Term Investments                            | (9)        |          | <u>(11,220)</u> |
| 22,025            |   |            |          | (11,220)        |
|                   | <b>Financing</b>                                  | (8)        |          |                 |
|                   | Cash Outflow:                                     |            |          |                 |
| 2,001             | Repayments of amounts borrowed                    | (9)        | 36,150   |                 |
| -                 | Capital element of finance lease rental payments  | (9)        | <u>-</u> |                 |
| <u>2,001</u>      |   |            | 36,150   |                 |
|                   | Cash Inflow:                                      |            |          |                 |
| (21,015)          | New loans raised                                  | (9)        | (26,150) |                 |
| <u>(19,014)</u>   |   |            | <u>-</u> | 10,000          |
| (522)             | <b>Increase/(Decrease) in cash</b>                | (9) & (10) |          | <u>(1,520)</u>  |
| <u>2,489</u>      |   |            |          | <u>(2,740)</u>  |

## NOTES TO THE CASH FLOW STATEMENT

1. The figures are derived from an analysis of the Council's expenditure on services, net of internal recharges and the use of balances, including the Housing Revenue Account, and can be reconciled as follows:

|   | £(000)         | £(000)       |
|---|----------------|--------------|
| (Surplus)/Deficit per Consolidated Revenue Account                  |                | (1,111)      |
| Non-cash transactions   |                |              |
| Provisions set aside  |                |              |
| - Insurance Fund  | (178)          |              |
| - Bad/Doubtful Debts  | 191            |              |
| Contributions (to)/from reserves                                    |                |              |
| - Collection Fund   | (85)           |              |
| - HRA   | (358)          |              |
| - DSO   | 76             |              |
| - Other Earmarked   | <u>756</u>     | <u>402</u>   |
|   |                | (709)        |
| Items on an accruals basis  |                |              |
| Increase/(decrease) in stocks and works in progress                 | (443)          |              |
| Increase/(decrease) in debtors                                      | 3,553          |              |
| (Increase)/decrease in creditors                                    | (1,105)        |              |
| Increase/(decrease) in prepayments                                  | <u>(1,224)</u> | <u>781</u>   |
|   |                | 72           |
| Items included in another classification in the Cash Flow Statement |                |              |
| Capital Activities  | 2,450          |              |
| Investment Income/Finance Leasing Payments                          | <u>(1,263)</u> | <u>1,187</u> |
|   |                | <u>1,259</u> |

2. The other revenue grants figure includes the following:

|                                 | £(000) |
|---------------------------------|--------|
| Housing Benefits Administration | 352    |
| HRA Subsidy                     | 8,600  |
| Education Standards Fund        | 5,840  |
| Nursery Education Grants        | 1,211  |
| Preserved Rights                | 3,259  |
| Building Care Capacity          | 658    |
| Promoting Independence          | 483    |
| Children Leaving Care           | 614    |
| Schools Standard Support Grant  | 2,374  |
| Teachers Pay Reform             | 2,013  |
| Childcare and Early Years       | 1,026  |
| Mental Health Grants            | 510    |
| Other Miscellaneous             | 4,046  |

3. This figure comes from Note 1 to the Consolidated Balance Sheet, excluding internal salaries.
4. This is the increase in long-term investments; see also Note 5 to the Consolidated Balance Sheet.
5. This figure comes from Note 2 to the Consolidated Balance Sheet.
6. These are receipts received in the year from the sale of council houses and other assets.



## NOTES TO THE CASH FLOW STATEMENT

7. This figure represents grants received for capital expenditure and includes the following:

|                                   | £(000) |
|-----------------------------------|--------|
| Disabled Facilities Grant         | 424    |
| Major Repairs Allowance           | 4,128  |
| Education Standards Fund          | 3,114  |
| Traffic Calming Management Scheme | 186    |
| Public Service Agreements         | 929    |
| Other Miscellaneous               | 896    |

8. This is a reconciliation of the items shown within the Financing and Management of Liquid Resources sections of the Cash Flow Statement to the related items in the Consolidated Balance Sheet.

|                                       | Balance<br>1.4.02<br>£(000) | Balance<br>31.3.03<br>£(000) | Movement<br>in Year<br>£(000) |
|---------------------------------------|-----------------------------|------------------------------|-------------------------------|
| <i>Management of Liquid Resources</i> |                             |                              |                               |
| Temporary Investments                 | 36,000                      | 24,780                       | (11,220)                      |
| Temporary Loans                       | -                           | -                            | -                             |
|                                       | <u>36,000</u>               | <u>24,780</u>                | <u>(11,220)</u>               |
| <i>Financing</i>                      |                             |                              |                               |
| Long-Term loans due within 12 months  | 10,000                      | 1,700                        | 8,300                         |
| Long-Term Loans                       | 62,065                      | 60,365                       | 1,700                         |
|                                       | <u>72,065</u>               | <u>62,065</u>                | <u>10,000</u>                 |

9. The following shows the movement on net debt in the year:

|                          | Balance<br>1.4.02<br>£(000) | Balance<br>31.3.03<br>£(000) | Movement<br>in Year<br>£(000) |
|--------------------------|-----------------------------|------------------------------|-------------------------------|
| Cash-in-hand and at bank | 3,484                       | 1,964                        | (1,520)                       |
| Long-Term Loans          | (72,065)                    | (62,065)                     | 10,000                        |
| Temporary Loans          | -                           | -                            | -                             |
| Temporary Investments    | 36,000                      | 24,780                       | (11,220)                      |
| Total net debt           | <u>(32,581)</u>             | <u>(35,321)</u>              | <u>(2,740)</u>                |

10. The following shows the movement in cash in the year:

|                      | Balance<br>1.4.02<br>£(000) | Balance<br>31.3.03<br>£(000) | Movement<br>in Year<br>£(000) |
|----------------------|-----------------------------|------------------------------|-------------------------------|
| Cash-in-hand         | 67                          | 51                           | (16)                          |
| Schools Cash at Bank | 5,876                       | 7,480                        | 1,604                         |
| Cash Overdrawn       | (2,459)                     | (5,567)                      | (3,108)                       |
|                      | <u>3,484</u>                | <u>1,964</u>                 | <u>(1,520)</u>                |

## HOUSING REVENUE ACCOUNT

| 2001/02<br>£(000) |   | Note      | 2002/03<br>£(000) |
|-------------------|---|-----------|-------------------|
|                   | <b>Expenditure</b>                                      |           |                   |
|                   | Housing Repairs   |           |                   |
| 3,827             | Responsive  |           | 4,450             |
| 1,028             | Programmed  |           | 920               |
|                   | Supervision and Management                              |           |                   |
| 3,406             | General   |           | 3,454             |
| 2,132             | Special Services  |           | 2,297             |
| 87                | Rents, Rates, Taxes and Other Charges                   |           | 118               |
| 11,996            | Rent Rebates  | (3)       | 12,996            |
| 471               | Provision for Bad or Doubtful Debts                     | (4) & (5) | 423               |
|                   | Capital Charges   |           |                   |
| 14,282            | Interest  | (6)       | 17,996            |
| 4,400             | Depreciation  | (7)       | 4,402             |
| 52                | Debt Management Expenses                                | (6)       | 38                |
| 41,681            | <b>Total Expenditure</b>                                |           | 47,094            |
|                   | <b>Income</b>   |           |                   |
| 20,694            | Gross Rents   | (8)       | 21,082            |
| 483               | Other Rents from Land and Buildings                     |           | 478               |
| 1,227             | Charges for Services and Facilities                     |           | 1,243             |
| 62                | Contributions Towards Expenditure                       |           | 75                |
| 8,492             | Housing Revenue Account Subsidy                         | (9)       | 8,600             |
| 128               | Other Government Grants                                 |           | 128               |
| 51                | Transfer from General Fund                              | (10)      | 16                |
| 31,137            | <b>Total Income</b>                                     |           | 31,622            |
| 10,544            | <b>Net Cost of Services</b>                             |           | 15,472            |
|                   | <b>Other Operating Costs</b>                            |           |                   |
| (14,282)          | Capital Charges - interest                              | (6)       | (17,996)          |
| 2,061             | Loan charges - interest                                 | (6)       | 1,695             |
| -                 | Amortised premiums/discounts                            | (6)       | -                 |
| (128)             | Interest receivable                                     | (6)       | (158)             |
| (1,805)           | <b>Net Operating Expenditure</b>                        |           | (987)             |
|                   | <b>Appropriations</b>                                   |           |                   |
| 596               | Housing set aside                                       | (6)       | 470               |
| 537               | Revenue contributions to capital                        |           | 287               |
| -                 | Usable capital receipts for Right to Buy administration |           | -                 |
| (128)             | Depreciation on non-Council dwellings                   |           | (128)             |
| (800)             | <b>(Surplus)/Deficit for the year</b>                   |           | (358)             |
|                   | <b>HOUSING REVENUE RESERVE</b>                          |           |                   |
| 1,057             | Balance at beginning of year                            |           | 1,857             |
| 800               | Surplus/(Deficit) for the year                          |           | 358               |
| 1,857             | Balance at end of year                                  |           | 2,215             |
|                   | <b>MAJOR REPAIRS RESERVE</b>                            |           |                   |
| -                 | Balance at beginning of year                            |           | 735               |
| 735               | Surplus/(Deficit) for the year                          |           | 146               |
| 735               | Balance at end of year                                  |           | 881               |

## NOTES TO THE HOUSING REVENUE ACCOUNT

1. The Local Government and Housing Act 1989 introduced many changes to the funding of the HRA from 1 April 1990. The introduction of the new subsidy system, and the income and expenditure that can be charged to the account, have been redefined to reflect authorities' activities as landlord. The HRA shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs, and how these are met by rents, government subsidy and other income. There is also a statutory requirement to show revenue financing of any HRA capital expenditure within the account. The Act sets out the framework for ring fencing the HRA, preventing the subsidisation of rents from the general income of the Council. The following notes are provided to help aid the understanding of the 2002/03 HRA.
2. The Council is required to keep the HRA in a particular form and to have business plans in place under the HRA Resource Accounting regulations. The main objectives of this format are to encourage a more efficient use of housing assets, increase the transparency of the HRA and assist the Council to plan their housing strategy. This system ensures consistency with central Government resource accounting structures and also promotes comparability between Councils.

Under Resource Accounting the HRA statement has three main divisions showing:

- a) net cost of services (including income and expenditure)
- b) operating costs (new category)
- c) appropriations (new category)

HRA subsidy includes a new Major Repairs Allowance (replacing certain capital allocations) acting as a proxy for depreciation of council dwellings. This is intended to reflect the actual cost of maintaining the present condition of the housing stock and aids medium and long term financial planning.

3. Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. Mandatory rebates are included as part of the calculation of the new HRA Subsidy (see note 9).

The net cost to the Council for the year is:

| 2001/02<br>£(000) |                     |                       | 2002/03<br>£(000) |
|-------------------|---------------------|-----------------------|-------------------|
| 11,996            | Rebates Given       | - Mandatory           | 12,996            |
| <u>-</u>          |                     | - Discretionary       | <u>-</u>          |
| <u>11,996</u>     | Total Rebates Given |                       | <u>12,996</u>     |
| -                 | Met by              | - General Fund        | -                 |
| 4,220             |                     | - HRA Deficit Subsidy | 4,326             |
| <u>7,776</u>      |                     | - HRA                 | <u>8,670</u>      |
| <u>11,996</u>     | Total Income        |                       | <u>12,996</u>     |

4. A provision was made in 2002/03 for bad and doubtful debts in accordance with the HRA (Arrears of Rent and Charges) Directions 1990. During 2002/03 rent arrears as a proportion of gross rent income have increased from 8.0% of the amount due to 8.26%. The rent arrears figures are as follows:

| 2001/02<br>£(000) |                                      |                   | 2002/03<br>£(000) |
|-------------------|--------------------------------------|-------------------|-------------------|
| 1,221             | Arrears at 31 March                  | - Current tenants | 1,272             |
| 523               |                                      | - Former tenants  | 560               |
| 164               | Amounts Written Off during the Year  |                   | 307               |
| 415               | Increased Provision during the Year  |                   | 418               |
| 1,233             | Provision for Bad and Doubtful Debts |                   | 1,344             |

## NOTES TO THE HOUSING REVENUE ACCOUNT

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

| 2001/02<br>% |  | 2002/03<br>% |
|--------------|--|--------------|
|              | Dwelling rent arrears as a % of gross rent debit |              |
| 5.6          | - Current tenants                                | 5.73         |
| <u>2.4</u>   | - Former tenants                                 | <u>2.53</u>  |
| <u>8.0</u>   |  | <u>8.26</u>  |

5. A provision was made in 2002/03 for debts outstanding on rechargeable repairs. The arrears figures are as follows:

| 2001/02<br>£(000) |   | 2002/03<br>£(000) |
|-------------------|---|-------------------|
| 90                | Arrears at 31 March                           | 51                |
| 14                | Amounts Written Off during the Year           | 22                |
| 8                 | Increased/(Reduced) Provision during the Year | (2)               |
| 54                | Provision for Bad and Doubtful Debts          | 30                |

6. Capital Financing Charges contain the following amounts calculated in accordance with prescribed 'Item 8 Debit and Credit' determinations. The debit under Item 8 of part VI of the Local Government and Housing Act 1989 comprises an amount set aside to redeem debt. This amount is calculated as 2% of the Housing opening debt together with an apportionment of interest payable on external debt. For 2002/03 this amounted to £2.203m (£2.709m). In addition, in accordance with the requirements of Resource Accounting, a sum representing the cost of capital tied up in HRA assets is charged into the accounts as interest, but, to avoid impacting on council house rents, is reversed out in other operating costs, thus having a net nil effect.

| 2001/02<br>£(000) |  | 2002/03<br>£(000) |
|-------------------|--|-------------------|
|                   | <b>Charges</b>   |                   |
| 596               | Principal  | 470               |
| 1,384             | Interest   | 1,052             |
| 677               | Amortised premiums/discounts                                   | 643               |
| <u>52</u>         | Debt management expenses                                       | <u>38</u>         |
| <u>2,709</u>      |  | <u>2,203</u>      |
|                   | <b>Credits</b>   |                   |
| 34                | Mortgage interest from loans for the purchase of HRA dwellings | 24                |
| <u>94</u>         | Other interest for the average notional cash balance           | <u>134</u>        |
| <u>128</u>        |  | <u>158</u>        |
| <u>2,581</u>      |  | <u>2,045</u>      |

7. Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the useful life of the asset. The charge has been calculated using the straight-line basis with no residual value. The incidence of depreciation between the difference types of asset held by the HRA is:

| 2001/02<br>£(000) |                          | 2002/03<br>£(000) |
|-------------------|--------------------------|-------------------|
| 4,272             | Dwellings                | 4,274             |
| -                 | Other Land and Buildings | -                 |
| <u>128</u>        | Non-operational property | <u>128</u>        |
| <u>4,400</u>      |                          | <u>4,402</u>      |

## NOTES TO THE HOUSING REVENUE ACCOUNT

8. The Council was responsible for managing 8,475 dwellings at 31 March 2003. Included within this total are 69 properties that the Council manages on behalf of two Housing associations, although these properties are not part of the HRA stock. The HRA stock was made up as follows:

|                      | Pre<br>1919 | 1919/<br>1944 | 1945/<br>1964 | After<br>1964 | Total        |
|----------------------|-------------|---------------|---------------|---------------|--------------|
| Low Rise Flats       | 1           | 578           | 668           | 758           | 2,005        |
| Medium Rise Flats    | 4           | 4             | 864           | 796           | 1,668        |
| Houses and Bungalows | <u>16</u>   | <u>2,255</u>  | <u>1,666</u>  | <u>796</u>    | <u>4,733</u> |
|                      | <u>21</u>   | <u>2,837</u>  | <u>3,198</u>  | <u>2,350</u>  | <u>8,406</u> |

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

| 2001/02      |   | 2002/03              |              |              |
|--------------|---|----------------------|--------------|--------------|
| Total        |   | Houses/<br>Bungalows | Flats        | Total        |
|              | <b>Operational Stock</b>                      |                      |              |              |
| 8,775        | Balance at 1 April                            | 4,886                | 3,718        | 8,604        |
| (171)        | Sales   | (152)                | (36)         | (188)        |
| -            | Demolitions                                   | -                    | (8)          | (8)          |
| -            | Dwellings declared surplus                    | -                    | -            | -            |
| -            | Dwellings reprovided with Housing Association | -                    | -            | -            |
| -            | Re-categorisation                             | -                    | -            | -            |
| -            | To General Fund                               | -                    | -            | -            |
| -            | To HRA non-housing stock                      | <u>(1)</u>           | <u>(1)</u>   | <u>(2)</u>   |
| <u>8,604</u> | Balance at 31 March                           | <u>4,733</u>         | <u>3,673</u> | <u>8,406</u> |
|              | <b>Surplus Stock</b>                          |                      |              |              |
| -            | Balance at 1 April                            | -                    | -            | -            |
| -            | Sales   | -                    | -            | -            |
| -            | Dwellings declared surplus                    | <u>-</u>             | <u>-</u>     | <u>-</u>     |
| <u>-</u>     | Balance at 31 March                           | <u>-</u>             | <u>-</u>     | <u>-</u>     |

Gross rent income is the total amount due for the year after allowance for voids of £331k which represents 1.44% of the gross rent income including charges for services. Average rents in March 2002 were £45.62 a week. The average increase of £1.52 in April 2002 was an increase of 3.34%.

9. The new HRA subsidy replaced existing housing subsidy, DWP subsidy for housing benefits and GRF contributions to the HRA. The subsidy is based on a notional account with the deficit on the account being the entitlement to subsidy. The notional account in 2002/03 is:

| Expenditure                | £(000)        | Income              | £(000)        |
|----------------------------|---------------|---------------------|---------------|
| Management and Maintenance | 8,041         | Rent Income         | 18,786        |
| Rent Rebates               | 12,970        | Interest            | 30            |
| Capital Financing Charges  | 2,142         |                     |               |
| Other Items                | -             |                     |               |
| MRA                        | 4,274         |                     |               |
|                            | <u>27,427</u> | HRA Deficit Subsidy | <u>18,816</u> |
|                            |               |                     | <u>8,611</u>  |
|                            |               |                     | <u>27,427</u> |

## NOTES TO THE HOUSING REVENUE ACCOUNT

10. The discretion given to local authorities to make contributions from the General Fund to the HRA has been replaced. Only under exceptional circumstances will the Secretary of State consider making a direction for the general transfer of monies from the General Fund. The contribution continues to be made to reflect the benefit the community receives as a whole for the enhancements made to the new build schemes at Walmgate.
11. Councils are required by an amendment to the Accounts and Audit Regulations 1996, to establish and maintain a Major Repairs Reserve (MRR). The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. The determination under item 8 of part VI of the Local Government and Housing Act 1989 requires any difference between the depreciation credit on the reserve and the Major Repairs Allowance to be transferred back to the HRA. Councils are able to charge capital expenditure directly to the reserve. The following table shows the movement on the MRR:

| 2001/02<br>£(000) |  | 2002/03<br>£(000) |
|-------------------|--|-------------------|
| -                 | Balance at 1 April                         | (735)             |
| (4,523)           | Transfer to the reserve                    | (4,402)           |
| 128               | Transfer from the reserve                  | 128               |
| <u>3,660</u>      | Capital expenditure charged to the reserve | <u>4,128</u>      |
| <u>(735)</u>      | Balance at 31 March                        | <u>(881)</u>      |

12. The HRA owns land, houses and other property where the value is included in the consolidated balance sheet. The analysis of the movement on the HRA element of the fixed assets are as follows:

|   | Council dwellings<br>£(000) | Other land and buildings<br>£(000) | Vehicles, plant etc.<br>£(000) | Infra-structure<br>£(000) | Comm-unity Assets<br>£(000) | TOTAL Operational Assets<br>£(000) | Non-Operational Assets<br>£(000) | TOTAL All Assets<br>£(000) |
|---|-----------------------------|------------------------------------|--------------------------------|---------------------------|-----------------------------|------------------------------------|----------------------------------|----------------------------|
| Value at 31.3.02                              | 296,776                     | 9,286                              | -                              | 21                        | 32                          | 306,115                            | 39                               | 306,154                    |
| Less: accumulated depreciation/<br>impairment | <u>(4,395)</u>              | <u>(128)</u>                       | <u>-</u>                       | <u>-</u>                  | <u>-</u>                    | <u>(4,523)</u>                     | <u>-</u>                         | <u>(4,523)</u>             |
| Net Book Value of Assets at 31.3.02           | 292,381                     | 9,158                              | -                              | 21                        | 32                          | 301,592                            | 39                               | 301,631                    |
| <b>Movement in 2002/03</b>                    |                             |                                    |                                |                           |                             |                                    |                                  |                            |
| Additions                                     | 5,363                       | -                                  | -                              | -                         | -                           | 5,363                              | -                                | 5,363                      |
| Disposals                                     |                             |                                    |                                |                           |                             |                                    |                                  |                            |
| Gross book value                              | (6,841)                     | -                                  | -                              | -                         | -                           | (6,841)                            | -                                | (6,841)                    |
| Accum. Deprecn                                | -                           | -                                  | -                              | -                         | -                           | -                                  | -                                | -                          |
| Revaluations                                  | (5,363)                     | (1,615)                            | -                              | -                         | -                           | (6,978)                            | -                                | (6,978)                    |
| Depreciation                                  | (4,274)                     | (125)                              | -                              | -                         | -                           | (4,399)                            | -                                | (4,399)                    |
| Impairment                                    | <u>-</u>                    | <u>-</u>                           | <u>-</u>                       | <u>-</u>                  | <u>-</u>                    | <u>-</u>                           | <u>-</u>                         | <u>-</u>                   |
| Net Book Value of Assets at 31.3.03           | <u>281,266</u>              | <u>7,418</u>                       | <u>-</u>                       | <u>21</u>                 | <u>32</u>                   | <u>288,737</u>                     | <u>39</u>                        | <u>288,776</u>             |
| Value at 31.3.02                              | 285,540                     | 7,671                              | -                              | 21                        | 32                          | 293,264                            | 39                               | 293,303                    |
| Less: accumulated depreciation/<br>impairment | <u>(4,274)</u>              | <u>(253)</u>                       | <u>-</u>                       | <u>-</u>                  | <u>-</u>                    | <u>(4,527)</u>                     | <u>-</u>                         | <u>(4,527)</u>             |
| Net Book Value of Assets at 31.3.03           | <u>281,266</u>              | <u>7,418</u>                       | <u>-</u>                       | <u>21</u>                 | <u>32</u>                   | <u>288,737</u>                     | <u>39</u>                        | <u>288,776</u>             |

## NOTES TO THE HOUSING REVENUE ACCOUNT

The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements. The revaluation figure shown reflects the change made to bring the valuations held for balance sheet purposes into line with those provided under the above regulations. This has resulted in a lower revaluation figure being stated in the accounts for 2002/03.

13. In accordance with the Office of the Deputy Prime Minister's guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. As a consequence the Council recognises council dwellings at a value of £292.381m on the balance sheet. At vacant possession the same dwellings would have a value of £519.415m, therefore recognising an economic cost to the government of providing council housing at less than open market rents of £227.034m.
14. During 2002/03 £5.121m (£4.653m) was spent on capital expenditure on HRA services. The analysis of the expenditure and the sources of financing used are set out in the following table

| 2001/02         |                                  | 2002/03             |                               |                     |                 |
|-----------------|----------------------------------|---------------------|-------------------------------|---------------------|-----------------|
| Total<br>£(000) |                                  | Dwellings<br>£(000) | Infra-<br>structure<br>£(000) | Equipment<br>£(000) | Total<br>£(000) |
| <u>4,653</u>    | <b>Total capital expenditure</b> | <u>5,047</u>        | -                             | <u>74</u>           | <u>5,121</u>    |
|                 | <b>Financing</b>                 |                     |                               |                     |                 |
| 579             | Borrowing                        | 634                 | -                             | 69                  | 703             |
| -               | Capital Receipts                 | -                   | -                             | -                   | -               |
| 3,537           | Grants                           | 4,126               | -                             | 5                   | 4,131           |
| <u>537</u>      | Revenue Contributions            | <u>287</u>          | -                             | -                   | <u>287</u>      |
| <u>4,653</u>    |                                  | <u>5,047</u>        | -                             | <u>74</u>           | <u>5,121</u>    |

15. Under statute only 25% of capital receipts from housing sales can be used, the remainder has to be set aside to be used for redeeming debt. The receipts received can be analysed as follows

| 2001/02         |                              | 2002/03                        |                |                 |  |
|-----------------|------------------------------|--------------------------------|----------------|-----------------|--|
| Total<br>£(000) |                              | Council<br>Dwellings<br>£(000) | Land<br>£(000) | Total<br>£(000) |  |
| 5,583           | Sales proceeds               | 7,838                          | 10             | 7,848           |  |
| <u>68</u>       | less: administrative costs   | <u>68</u>                      | -              | <u>68</u>       |  |
| 5,515           | Net proceeds                 | 7,770                          | 10             | 7,780           |  |
| 58              | Right to buy discount repaid | 179                            | -              | 179             |  |
| <u>99</u>       | Mortgage principal repaid    | <u>109</u>                     | -              | <u>109</u>      |  |
| <u>5,672</u>    |                              | <u>8,058</u>                   | <u>10</u>      | <u>8,068</u>    |  |
|                 | of which:                    |                                |                |                 |  |
| 1,420           | Usable                       |                                |                | 2,019           |  |
| <u>4,252</u>    | Reserved                     |                                |                | <u>6,049</u>    |  |
| <u>5,672</u>    |                              |                                |                | <u>8,068</u>    |  |





## NOTES TO THE DIRECT SERVICE ORGANISATION ACCOUNTS

1. The majority of these trading activities were operated under the former Local Government, Planning and Land Act 1980 and the Local Government Act 1988.

The 1980 and 1988 Acts were repealed with effect from 2 January 2000. City of York Council has taken the decision to continue to operate these accounts as if the legislation had not been repealed and that it will show the trading position for each financial year.

2. Building Maintenance has made a surplus of £63k against a turnover of £5.2m.

The workload from the housing repairs and the public buildings contracts were slightly ahead of the budget for the year. The work from Housing Associations has continued to grow. The result being a small surplus for the year.

3. Civil Engineering has made a profit of £193k against a turnover of £4.8m

The workflow into the Civils section from the highways maintenance contract remained constant for the year. Additional work completed by the drainage section has resulted in a surplus for the year.

4. Other Sections have made a loss of £11k against a turnover of £12.6m

Expenditure on refuse collection stabilised following the implementation of the hybrid wheeled bin/black sack collection service. Increased staffing was employed during the year in Cleansing activities as a result of customer feedback and Member expectations. The improved performance of Commercial Waste assisted this account.

5. Leisure Management

The uncertain future of the facilities has resulted in low attendance levels, and hence income in some of the core activities has fallen, despite active marketing and promotion. Expenditure on such core activities remains constant due to fixed energy costs, and for health and safety reasons, irrespective of user numbers, resulting in a loss on this account.

6. The Housing Management contract financial year ran from October to September. The contract has now reached the end of its' life, but, pending a review of the service, the existing arrangements are continuing with one difference: the surplus or deficit at the financial year-end is transferred to the Housing Revenue Account.

|                        |
|------------------------|
| <b>COLLECTION FUND</b> |
|------------------------|

**INCOME AND EXPENDITURE ACCOUNT**

| 2001/02<br>£(000) |   | Note | 2002/03<br>£(000) |
|-------------------|---|------|-------------------|
|                   | <b>Expenditure</b>  |      |                   |
|                   | Precepts and Demands  |      |                   |
| 3,842             | North Yorkshire Police Authority  |      | 5,512             |
| <u>45,059</u>     | City of York Council  |      | <u>48,852</u>     |
| 48,901            |   |      | 54,364            |
|                   | Business Rates  |      |                   |
| 53,642            | Payment to National Pool  |      | 60,052            |
| <u>280</u>        | Costs of Collection   |      | <u>278</u>        |
| 53,922            |   |      | 60,330            |
|                   | Council Tax Provision for uncollectable<br>accounts and outstanding appeals |      | (58)              |
| (5)               | Contribution from previous years'<br>Collection Fund surpluses              |      |                   |
| 67                | North Yorkshire Police Authority  |      | 105               |
| <u>829</u>        | City of York Council  |      | <u>1,241</u>      |
| <u>103,714</u>    | <b>Total Expenditure</b>  |      | <u>115,982</u>    |
|                   | <b>Income</b>   |      |                   |
| 49,777            | Council Tax Income  | (2)  | 55,735            |
| 53,922            | Income from business ratepayers   | (3)  | 60,330            |
|                   | Contributions:  |      |                   |
| 2                 | from previous years' community charges                                      | (4)  | 2                 |
| <u>145</u>        | for Council Tax Benefit Subsidy Limitation                                  | (5)  | <u>-</u>          |
| <u>103,846</u>    | <b>Total Income</b>   |      | <u>116,067</u>    |
| (132)             | <b>(Surplus)/Deficit for the year</b>                                       |      | (85)              |
|                   | <br><b>COLLECTION FUND BALANCE</b>  |      |                   |
| 1,908             | Balance at beginning of year  |      | 2,040             |
| <u>132</u>        | Surplus/(Deficit) for the year  |      | <u>85</u>         |
| <u>2,040</u>      | Balance at end of year  |      | <u>2,125</u>      |

## NOTES TO THE COLLECTION FUND

### 1. General

These accounts represent the transactions of the Collection Fund, which is a statutory fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR or uniform business rates).

The year-end surplus/deficit on the Collection Fund, in so far as it relates to Council Tax transactions, has to be distributed between billing (CYC) and precepting (NYPA) authorities.

In addition to Council Tax the Collection Fund also has residual transactions relating to the Community Charge (see also note 4).

### 2. Council Tax

The Council Tax is a charge on domestic property. Each property has been independently valued and put into one of eight bands (A to H). The charge for each property is calculated by reference to the 'band' charge. Specific reductions are made, in accordance with government regulations, for persons on lower incomes (council tax benefits). Government grant is received for this reduction.

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

This gives the tax base for the Council.

The valuation bands, the Band D equivalent figures originally estimated and the year-end figures for 2002/03 and the 2002/03 charges are as follows:

| Property Band | Property Value |          | Proportion of Band D | Estimated Tax Base for Year | Year-End Tax Base | Average Charge In Year |
|---------------|----------------|----------|----------------------|-----------------------------|-------------------|------------------------|
| A reduced     | up to          | £40,000  | 5/9                  | 5.18                        | 3.73              | £485.39                |
| A             | up to          | £40,000  | 6/9                  | 5,523.28                    | 5,600.42          | £582.47                |
| B             | £40,000 to     | £52,000  | 7/9                  | 15,187.18                   | 15,405.68         | £679.55                |
| C             | £52,000 to     | £68,000  | 8/9                  | 18,320.84                   | 18,732.61         | £776.63                |
| D             | £68,000 to     | £88,000  | 9/9                  | 9,930.90                    | 10,295.98         | £873.71                |
| E             | £88,000 to     | £120,000 | 11/9                 | 7,262.95                    | 7,535.36          | £1,067.87              |
| F             | £120,000 to    | £160,000 | 13/9                 | 3,859.96                    | 3,961.64          | £1,262.03              |
| G             | £160,000 to    | £320,000 | 15/9                 | 2,034.97                    | 2,152.93          | £1,456.18              |
| H             | over           | £320,000 | 18/9                 | 97.13                       | 102.96            | £1,747.42              |
| <b>TOTAL</b>  |                |          |                      | <b>62,222.39</b>            | <b>63,791.31</b>  |                        |

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

|                              |                         |        |
|------------------------------|-------------------------|--------|
|                              |                         | £(000) |
| Charge                       | ( 63,791.31 x £873.71 ) | 55,735 |
| which comprises              |                         |        |
| Income due from Chargepayers |                         | 50,546 |
| Council Tax Benefit          |                         | 5,189  |

## NOTES TO THE COLLECTION FUND

### 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 2003 was 164,504,538 (164,759,016) and the rate for 2002/03 was 43.7p (43.0p).

The total amount, less certain reliefs and deductions, is paid to a central pool (NNDR Pool) managed by Central Government, which in turn pays each local authority their apportionment of the NNDR Pool. This income is credited directly to the General Fund.

Under these arrangements the amount due is as follows:

|   | £(000) | £(000)        |
|---|--------|---------------|
| Rates payable for year  |        |               |
| ( 164,504,538 x 43.7 p)   |        | 71,888        |
| Less: Transitional Relief and part occupancy  | 4,555  |               |
| Charitable Relief   | 3,588  | <u>8,143</u>  |
|   |        | 63,745        |
| Less: Adjustments re previous years rates   |        | <u>2,028</u>  |
|   |        | 61,717        |
| Less: Other adjustments including making provision for bad debts and interest payments made |        | <u>1,388</u>  |
|   |        | <u>60,329</u> |

### 4. Community Charge

The transactions for the community charge have to be accounted for separately to those for the Council Tax. Any surplus or deficit that arises on Community Charge transactions belongs entirely to City of York Council. The position is as follows:

|                                    | 2001/02<br>£(000) |  | 2002/03<br>£(000) |
|------------------------------------|-------------------|--|-------------------|
| Surplus 1 April                    | 14                |  | 7                 |
| Income in year - from Chargepayers | <u>2</u>          |  | <u>2</u>          |
|                                    | 16                |  | 9                 |
| Transferred to General Fund        | <u>(9)</u>        |  | <u>(4)</u>        |
| Surplus 31 March                   | <u>7</u>          |  | <u>5</u>          |

The Council has already agreed to transfer £5k to the General Fund in 2003/04.

### 5. Council Tax Benefit Subsidy Limitation

The Government has now withdrawn legislation by which there was a penalty to pay if any Council, including a major precepting body, implemented a Council Tax rise in excess of government guidelines. The penalty was that the relevant Council had to contribute towards that element of the cost of Council Tax benefits that would normally have been paid by the Central Government. In 2001/02 both the North Yorkshire Police Authority and City of York Council levied an increase in excess of the guidelines and a contribution was received from both authorities (£41k and £104k respectively) towards the costs. The repeal of the legislation means that there were no contributions due in 2002/03.

## GLOSSARY

### **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.

### **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.

### **Agency**

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

### **Appropriation of Land or Buildings**

The transfer of 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.

### **Balance Sheet**

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

### **Capital Charge**

A charge to service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

### **Capital Expenditure**

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Authority in providing its services beyond the year of account or expenditure that adds to 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 Programme**

The capital schemes the Council intends to carry out over a specified time period.

### **Capital Receipt**

Money received from the sale of fixed assets, or other money received towards capital expenditure.

## GLOSSARY

### **Cash Flow Statement**

A statement summarising the inflows and outflows of cash, arising from transactions between the Council and third parties, for revenue and capital purposes.

### **Charging Authority**

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

### **Collection Fund**

A fund administered by the Charging Authorities into which is paid council tax and NNDR income and outstanding community charge income. Precepts are paid from the fund to Precepting Authorities, including the Charging Authority, and the NNDR collected is paid to the Government.

### **Community Assets**

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

### **Community Charge**

A flat rate charge which was payable by all registered chargepayers within the Authority's area to finance a proportion of the Authority's expenditure.

### **Council Tax**

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

### **Creditors**

Amounts owed by the Authority 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.

### **Debtors**

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

### **Deferred Charges**

Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible fixed assets.

## GLOSSARY

### **Deferred Capital Receipts**

Amounts due to the Authority from the sale of fixed assets that are not receivable immediately on sale.

### **Deferred Debtors**

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

### **Depreciation**

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

### **Direct Labour Organisation (DLO)**

An organisation which consists of workers directly employed by the Authority to carry out specified tasks. Such organisations are also known as Direct Service Organisations (DSO).

### **Fixed Assets**

Assets that can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.

### **General Fund**

The main account of the Authority that records the costs of service provision.

### **Government Grants**

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

### **Housing Revenue Account**

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

### **Leasing**

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

### **Liability**

An account due to an individual or organisation that will be paid at some future date.

### **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.

### **Precept**

The amount that a Precepting Authority requires from a Charging Authority to meet its expenditure requirements.

## GLOSSARY

### **Precepting Authority**

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

### **Provisions**

Amounts set aside in the accounts for future liabilities that cannot accurately be quantified.

### **Provision for Credit Liabilities**

Each year the Council is required to set aside amounts as a provision for credit liabilities. These sums, together with any amounts set aside voluntarily, may be used to redeem debt, meet liabilities under credit arrangements or finance expenditure covered by credit approvals.

### **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. The amount each local authority can borrow in any one year is determined by an annual maximum quota based on capital expenditure, outstanding debt and amounts set aside as provision to meet credit liabilities.

### **Reserves**

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

### **Revenue Account**

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

### **Revenue Support Grant (RSG)**

A general central government grant paid to the Consolidated Revenue Account in support of the Charging Authority's revenue expenditure.

### **Stocks**

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

### **Support Services**

The costs of departments that provide professional and administrative assistance to services.

### **Temporary Borrowing/Investment**

Money borrowed or invested for an initial period of less than one year.

### **Trust Funds**

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



## GLOSSARY

### **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.

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

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

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

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