



# **Statement Of Accounts**

**2009/10**

## **THE GUILDHALL**

### **YORK**

The Guildhall is an integral part of York's history. It is built on the site of an earlier guildhall or "common hall" and is referred to in a charter of Henry III of 1256. However, the exact site of this building is unknown.

The present Guildhall dates from the mid-fifteenth century and an agreement with the Guild of St. Christopher in 1445 stipulates that the building costs were to be divided equally. The guild was granted the rest of the site reserving a right of entry from Coney Street across the yard to the Guildhall. (The City Council took over the whole site in 1549 following the Dissolution of King Henry VIII.)

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## INTRODUCTION BY THE LEADER



Welcome to the Statement of Accounts for City of York Council for 2009/10.

These accounts show that the Council has been successful in addressing the major financial issues that it continues to face, in these difficult economic times.

The Council has managed to improve the quality of several services and York's performance is amongst the best in the country, despite having to manage with the lowest charge for council services in Yorkshire.

The accounts play a vital part in providing information to the public, business and organisations on the Council's financial performance. They show how we've spent our money, how we've performed against our budget and how we've invested in our assets. The accounts are the means by which the Council provides details of its stewardship of resources and financial performance to its stakeholders.

In 2009/10, the Council has continued to improve services in line with its Corporate Strategy Priorities 2009-12, against a difficult financial background. The Corporate Strategy milestones and key achievements completed in 2009/10 include:

- a) New schools - Joseph Rowntree school opened in March 2010. This school has delivered a much improved learning environment for the children and has been recognised as such through receiving a national award for its flexible learning environment.
- b) Park and Ride - planning permission for Askham Bar and Wigginton Road received. It is expected that the delivery of new park and ride sites will reduce congestion in the city.
- c) Recycling Roll-out - the Groves area now has recycling facilities, and further roll-out continues this summer. This will increase levels of recycling within the city, and there is a roll-out programme to include other areas that do not yet have full recycling collections.
- d) Cycling City - a number of additional routes are under way. York has received national funding to become a Cycling City, and further improvements to the cycling network is intended to reduce journeys by car within the city, and therefore reduce congestion and vehicle pollution.
- e) Community Stadium - options are being considered, and the outline business case is being prepared. A report went to Executive in July 2010 with updates and options for recommendation. The aim of this project is to provide additional high quality sporting and community facilities within the city.
- f) New Council Headquarters - site and developers have been selected. The target date for commencement of works is October 2010, with scheduled completion in 2012. This will make substantial savings to the council in accommodation costs.
- g) Leisure facilities - Energise swimming pool opened in December 2009, to provide improved swimming facilities and thus contribute towards healthier lifestyles for the people of York. This has seen significant increases in the number of users of sports facilities.
- h) The Explore Central Library opened in April 2010, and it is expected that the refurbished building will lead to an increase in the number of library users and library satisfaction. The Council was shortlisted for an LGC award on the basis of its partnership with Aviva to carry out the work.
- i) New Visitor Information Centre opened in May 2010, with the aim of increasing visitor numbers to York and providing easily-accessible modern premises for the estimated seven million visitors who contribute towards the economy of the city.
- j) Development of the former Terry's site - on 3rd February 2010, planning approval was given for proposals to develop a 'mixed use scheme' on the site. The development proposals include housing, apartments, offices, two hotels, a small shop, a nursery, a medical centre and small retail spaces that will include food and drink outlets. Further detailed applications will be submitted in due course.
- k) York Sports Village Swimming Pool - the original proposals for the university pool have been redesigned, together with a revised viable business plan. This has also reduced the project costs to £9m (previously £10.3m). Bids for additional funding have been submitted to Sport England, the Football Foundation and the ASA (Amateur Swimming Association).

## INTRODUCTION BY THE LEADER

More specifically with regards to performance indicators where the Council is measured nationally, the highlights of 2009/10 are:

- a) *Community Safety* - Overall recorded crime in York reduced by 24% in 2009-10 and resident perceptions on York as a safe place to live improved for the 5th year running. Serious acquisitive and violent crime both reduced significantly, however cycle theft increased by 10%.
- b) *Educational attainment* - York continues to make improvements in many key attainment areas, including the % of pupils achieving 5 or more A\*-C (including English & Maths), which improved to 59%. This moves York from 2nd to top quartile. The proportion of pupils living in the most deprived areas of York also increased GCSE attainment by 7%.
- c) *Healthy children* - The number of children and young people in York participating in high quality PE in school increased to 87%, which is one of the highest rates in the region.
- d) *Independent living* - The number of citizens supported to live independently through the Council's social services has risen by 22% since 2007-08. In addition, the number of social care clients receiving self directed support payments doubled in 2009-10.
- e) *Homelessness* - The number of York households living in temporary accommodation continues to reduce, despite a national increase in home repossessions across England.
- f) *Road safety* - People killed or seriously injured on York's roads reduced by 38% in 2009-10.
- g) *Economy* - York's unemployment rate and the number of people in the city who are claiming out-of-work benefits or job seekers allowance is much lower than the regional and national average. York residents now have the second highest weekly income (on average) in the Yorkshire & Humber region.

The Council continues to strive to achieve with ever increasing demands on Council services and in the tight financial operating environment due to the effects of the economic slowdown. In 2010/11 and the foreseeable future pressure on the council's budget continues. The Government spending review on 20 October 2010 will clarify the funds available to this Council, which will assist the setting of the budget for 2011/12 and beyond.

The Council's "More for York" transformation programme continues with its efficiency agenda to ensure that value for money is being achieved across all areas of the Council. The Government initiative of "one place" and partnership working - in the local area with police, fire, the NHS and other organisation - is also playing a key role in the development of York as an effective and sustainable city for the future.

Finally, thank you to all Council's Members and Officers who have assisted in the production of the 2009/10 Accounts and have contributed to the sound financial performance that they demonstrate.

Andrew Waller  
Leader of the Council

## **Foreword by the Director of Customer and Business Support Services**

### **1. Introduction**

The purpose of the foreword is to provide an easily understandable guide to the most significant matters reported in City of York Council's Accounts. The pages which follow are the Council's final accounts for the year ending 31 March 2010 with notes to give further details of the key figures. A summary of the purpose of each statement and an overview of the Council's financial position is shown in this section.

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

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

#### **Statement of Responsibilities**

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

#### **Annual Governance Statement**

This explains the internal controls in force in the Council and also highlights some key issues that have already been addressed or will be addressed over the coming twelve months.

#### **Income and Expenditure Account**

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

The account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

#### **Statement of the Movement on the General Fund Balance**

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

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- the payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

## FOREWORD

### **Introduction** cont'd

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built-up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the out-turn on the Income and Expenditure Account and the General Fund Balance.

### **Statement of Total Recognised Gains and Losses**

This statement brings together all the recognised gains and losses of the Council during the financial period. The gain on revaluation of fixed assets (mostly land and buildings) and actuarial loss on pension assets and liabilities represent gains and losses from re-measuring (broadly revaluing) certain assets and liabilities to current value at the balance sheet date and do not contribute to the resources that can be used to fund the Council's services.

The statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

### **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.

### **Cash Flow Statement**

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

### **Housing Revenue Account Income and Expenditure**

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

### **Statement of Movement on the Housing Revenue Account Balance**

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

### **Collection Fund**

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

**Introduction** cont'd

**Group Accounts**

The Council conducts some of its activities through partnerships and separate undertakings. Some of these are not directly reflected in the Core Statements due to legal and regulatory reasons. These Group Accounts are required to present a full picture of the Council's economic activities and financial position in order to aid the primary financial statements.

**Glossary**

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

**2. Structure of the Council's Accounts**

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

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

The way each of these is funded is also different:

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

**3. Income and Expenditure Account and Statement of Movement on the General Fund Balance**

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 £8.6m was approved in the 2009/10 budget process, although this was accompanied by savings of £5.6m.

The Council's General Fund budget for its own net expenditure was set at £113.5m, after the assumed use of £3.7m from reserves and General Fund balances and £8.9m from Area Based Grant (ABG) and Housing and Planning Delivery Grant. To this sum the parish precepts added a further £0.6m.

During the year Members approved additional net expenditure totalling £0.6m, which was to be funded by using balances and reserves. This approval was mainly for the cost of financing work originally budgeted to be completed in 2008/09. The revised budget before the use of balances and ABG was therefore £127.3m, with the use of reserves and balances amounting to £4.3m.

The out-turn position is net expenditure, including parish precepts, of £125.0m, an underspend of £2.3m. Included within the net underspend, however, are several service areas where items of expenditure that will have ongoing budgetary pressures into 2010/11. These have been identified and reported to Members and will be continually monitored during 2010/11.

## FOREWORD

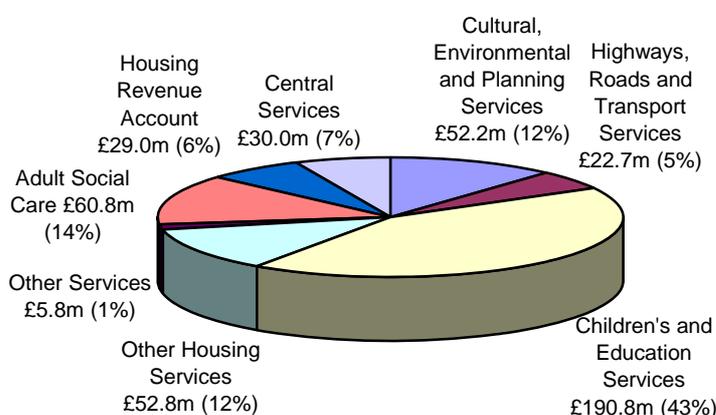
### Income and Expenditure Account and Statement of Movement on the General Fund Balance cont'd

The overspending budgets were compensated for by reduced expenditure/additional income in other areas, a proportion of which was known about when the budget for 2010/11 was set and is reflected in that budget, and a proportion which is the result of one-off events that cannot be expected to recur in future financial years, e.g. receipt of a large VAT refund and higher net income on investments due to higher balances in the early part of the year. Of the remainder, Members have already agreed that £0.3m can be spent in 2010/11 to complete projects that could not be finalised in 2009/10.

The Council's gross expenditure on services, as shown on the Income and Expenditure Account, was £444.1m and the following two diagrams show this firstly on a service by service basis and then by category of expenditure:

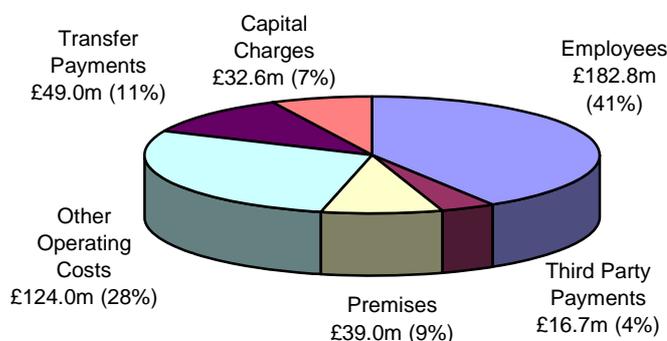
Included within other services is expenditure on court services, corporate and democratic core, non-distributed costs and exceptional items.

#### Gross Expenditure on Services 2009/10



In the above analysis employees costs include the full cost of employing all staff including teachers; third party payments include levies from Internal Drainage Boards; and transfer payments relate principally to benefit payments and rent rebates.

#### How the Money Was Spent 2009/10

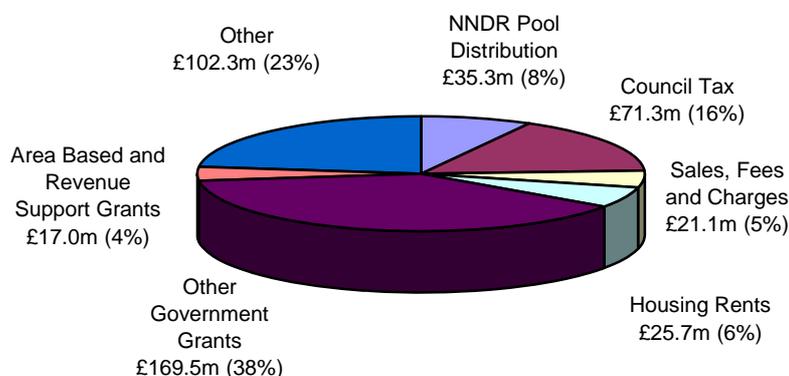


## FOREWORD

### Income and Expenditure Account and Statement of Movement on the General Fund Balance cont'd

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

**Funding of Gross Expenditure on Services**



The diagram above shows General Fund income of £442.2m, £1.9m less than was needed to fund expenditure. The deficit is transferred to general fund balances, which now total £13.7m. However, of this total £6.7m relates to the amount held by governors under schemes to finance schools and so is not available for any other purposes. The sum available to support other services is therefore £7.0m.

The Council transferred £95.9m to schools via the Individual Schools budget (ISB), the Learning Skills Council (LSC) 6th form grant, Devolved Standards Fund Grants, Teachers Performance Pay Grants and the Schools Standard Grant. In addition schools also received devolved capital and harnessing technology capital grants totalling £3.4m. 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 2009/10 this was a transfer to reserves of £1.05m, increasing the balances held to £6.7m. These balances can only be used by schools.

From April 2006 funding for schools has been provided through the Dedicated Schools Grant (DSG) from the Department for Children, Schools and Families (DCSF). In 2009/10 the DSG totalled £88.3m.

As part of the 2010/11 budget Members agreed to fund non-recurring items of expenditure by using £1.3m from general fund balances. In addition, Members have also agreed to use £0.3m to finance work which was budgeted to be completed in 2009/10 but which could not be completed in the year.

#### 4. Housing Revenue Account (HRA)

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

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

## FOREWORD

### Housing Revenue Account (HRA) cont'd

When the 2009/10 revenue estimates were approved, rents were increased by £1.72 per week or 2.86%, in accordance with the government's guideline increase. Previously, expenditure for Housing Benefits was charged to the HRA. From 2004/05 this expenditure has transferred to the general fund. This has resulted in the HRA now being in a 'negative subsidy' position, whereby the HRA pays over its assumed surplus to the Department for Communities and Local Government (DCLG). The payment for 2009/10 was estimated to be £5.831m compared to an actual at the year-end of £5.792m.

This variation together with those to other original budgets have resulted in a surplus on the HRA of £8.880m at the year-end, which is an increase of £0.828m from that originally budgeted for. The most significant variations have resulted from:

	£000's
(i) Reduction in repairs and maintenance costs	75
(ii) Reduced costs from departmental and support services, mainly due to staffing	335
(iii) Reduced cost of providing temporary accommodation	283
(iv) Reduced cost of utilities	30
(v) Reduced provision for bad debts	62
(vi) Reduced HRA subsidy payment	23
(vii) Increase in income from Council houses, shops and service charges	94
(viii) Additional interest on working balances	(40)
(ix) Reduced capital charges	51
(x) Reduction in caretaking costs	14
(xi) Reduced income from Supporting People	(121)
(xii) Increase in miscellaneous receipts	15
(xiii) Other minor variations	7
	828

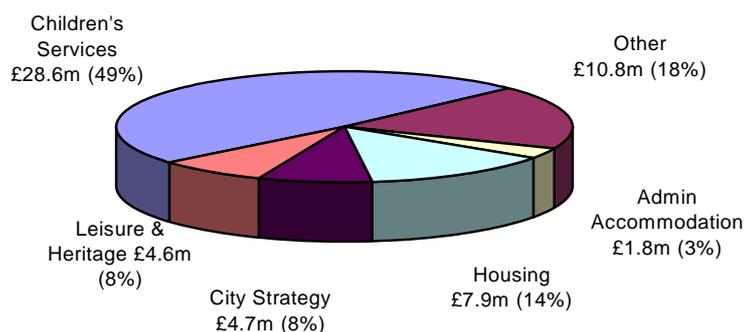
### 5. Collection Fund

At 31 March 2010 the surplus on the Collection Fund is £1.211m although £0.236m of this is owed to the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority. While preparing for the 2010/11 budget it was estimated that the Council's share of an estimated surplus would be £0.288m and the 2010/11 council tax charge reflects the use of this sum to reduce the bills for residents. The year-end surplus has arisen due to increased recovery action taken during the last three months of the year. 97.5% of the total sum collectable for 2009/10 Council Tax bills 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 98.3% of the 2009/10 bills.

**6. Capital Expenditure**

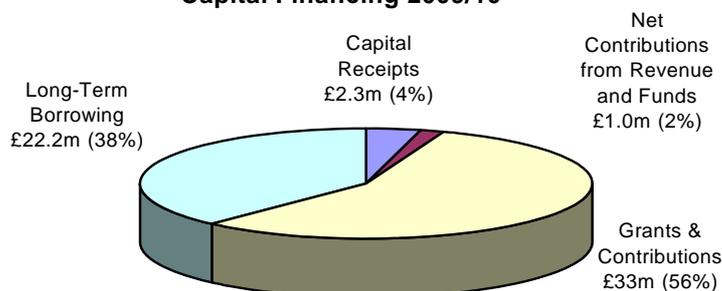
The original gross expenditure budget was £64.3m (2008/09 £86.2m), however, due to re-programming some of the work, the final budget was £63.0m (2008/09 £60.2m). Total expenditure on capital schemes in 2009/10 was £58.5m gross (2008/09 £48.0m). This included expenditure of £0.7m (2008/09 £0.7m) on a scheme where a budget could not be assigned due to the nature of the expenditure, e.g. a capitalisation directive received from the government. Thus the comparative spend against the approved capital budget was £58.1m (2008/09 £57.3m). Of the underspend on capital schemes during 2009/10 £0.4m will increase spend on the projects during 2010/11. An analysis of where the money was spent in 2009/10 is shown diagrammatically below:

**Capital Expenditure 2009/10**



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

**Capital Financing 2009/10**



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

- The delivery of the Local Transport Plan (£4.8m)
- The modernisation and repairs to Council properties (£6.1m)
- Joseph Rowntree Pathfinder School (£16.9m)
- New Deal for Schools modernisation and devolved capital works on a variety of schools (£4.3m)
- The resurfacing and refurbishment of the Council's roads (£3.3m)
- York Pools strategy (£2.9m)
- Cycle England (£1.1m)

## FOREWORD

### 7. Borrowing Facilities and Capital Borrowing

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

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

In February 2009, full Council approved indicators for both the authorised limit and the operational boundary. During the year an amendment was agreed to the level of the operational boundary. Both authorisations are set out below:

	Opening Limits £000's	Amended Limits £000's
Authorised Limit	186,000	186,000
Operational Boundary	145,000	145,000
Long Term Debt	102,065	116,065

Although the Council may borrow from a variety of financial institutions, the majority of its long-term debt is borrowed from the Public Works Loan Board (PWLB). During 2009/10 the Council's long-term borrowing was as follows:

		2009/10 £000's
2008/09 £000's		£000's
104,743	Opening Borrowing at 1 April	102,499
(378)	Reversal of Interest Owed & Adj Carry Value 2008/09	(434)
16,500	Borrowing to fund capital schemes	18,000
1,556	Interest Owed on Long Term Debt at 31st March	1,676
(1,122)	Adjusted Carry Value of Loans due Debt Restructure	(1,091)
<u>(18,800)</u>	Loans maturing in the year	<u>(4,000)</u>
<u>102,499</u>	Closing Borrowing at 31 March	<u>116,650</u>
147,000	Authorised Limit for year	186,000
125,000	Operational Boundary for year	145,000

PWLB debt of £4m was repaid in line with the original maturity date of the loan in May 2009. The Council drew down £18m of PWLB debt throughout 2009 at rates between 0.85% and 3.91%. No debt restructures took place during the year. Due to changes in the way in which the 2007 SORP required the Councils long term debt position to be presented, each year the interest owed and the adjusted carrying value relating to the previous financial year must be reversed from the opening borrowing figure (as shown by the -£0.434m) with the new figures shown in full in the respective lines. In total at 31 March 2010 the Council's debt was £116.650m. Consequently, the Council did not exceed either the authorised limit of £186m or the operational boundary of £145m. The average rate of interest on all long-term loans at 1 April 2009 was 4.567% and at 31 March 2010 was 4.37%.

## **8. Changes in Accounting Policies**

The new Code of Practice introduces several key changes. They include:

- a change in the treatment in the Accounts for the Collection Fund. Formerly all the transactions on the Fund for both NNDR and council tax, except for the share of the year-end balance on the Fund that was due to the Police and Fire Authorities, were consolidated into the Council's Accounts. The Code of Practice now requires the Collection Fund to be treated as an agency agreement, and so only the Council's share of council tax transactions are consolidated.
- the Code of Practice has identified that the Housing and Planning Act Grant is a general grant rather than a service specific grant. This grant is therefore now included in the Income and Expenditure statement with other general income sources such as income from the Collection Fund and NNDR distribution.
- the payment of the notional debt on the transferred assets from the 1996 Local Government reorganisation has changed, with the Balance Sheet liability being transferred from the Capital Adjustment Account to a Deferred Liability.
- the accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS), more specifically IFRIC 12 Service Concession Arrangements. It is expected that the PFI properties used to deliver the PFI services which are currently 'off Balance Sheet' will generally be required to be recognised on local authorities' Balance Sheets along with a liability for the financing provided by the PFI operator.

## **9. Significant Points to Note in Respect of the Balance Sheet**

The Fixed Asset Register shows a net movement in 2009/10 of £26.0m. This is comprised of the following movements - £16.4m for depreciation in the year, £35.3m capital expenditure, £19.9m of impairment due to the downturn in market value and £3.0m impairment where capital expenditure does not add value to the council assets. The Council's fixed assets were valued at £821.737m (2008/09 £795.754m).

Government grants deferred and developer's contributions deferred represent income for capital expenditure where the balance must be set aside and written down to revenue in line with the expected life of the capital asset they funded. In the year they have both increased in value, in total by £4.9m, to reflect this. At the same time capital grants unapplied has increased by £2.9m which reflects grants received in advance of profiled expenditure in future years.

Long-term debtors and deferred liabilities relating to the 1996 transferred assets have been removed from the Balance Sheet at 31.3.10 as this represents current accounting practice.

Debtors have increased by £3.6m, which is mainly due to an increase in the indebtedness between the Council and the government. Of this £3.8m is due to an increase in the number of claimants for Housing Benefit rent rebates in the latter half of the financial year due to the economic downturn.

The increase in long-term loans outstanding is the result of pro active treasury management ensuring that the debt is drawn down at the most financially advantageous point when viewed over the medium term. Expectations are for the cost of long term borrowing to increase sharply and as a result a proportion of the Council's debt has been taken to smooth the impact of the future borrowing rate rises.

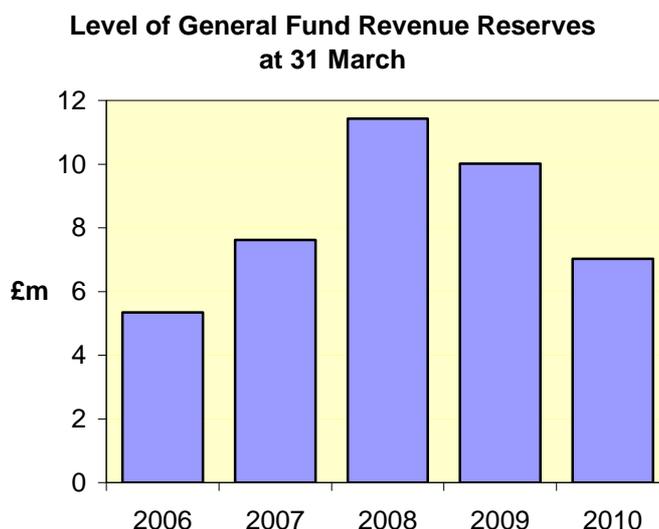
There is also an increase in the Council's share of the North Yorkshire Pension Fund's deficit of £39.036m from £150.942m to £189.978m. This increase has been calculated by the Fund's actuaries based on assumptions about events and circumstances in the future. It is matched by an increase in the level of the pensions reserve. The inclusion of both the liability and the reserve on the balance sheet are a statutory requirement.

## FOREWORD

### 10. Review of the Council's Financial Position

At the beginning of the 2009/10 financial year the revenue reserves stood at £41.2m, excluding the pensions reserve. The equivalent revenue resources at 31 March 2010 stand at £39.8m, including £6.7m for schools' accumulated reserves. It was expected that the overall level of revenue reserves would reduce by £5.4m during 2009/10, but in actual fact they only reduced by £5.3m. The main reasons that balances reduced less than projected are: delays in planned expenditure on the general fund that will now be incurred in 2010/11, underspends/additional income that were identified and incorporated into the 2010/11 budget, a large one-off VAT refund, an increase in HRA balances although this will be needed in 2010/11 and increased contributions from developers to fund future capital expenditure as well as the modest year end underspend reported as part of the out-turn report. In compliance with the Education Reform Act 1988, individual school balances (ISB) will be carried forward into 2010/11. It is currently planned to use £0.8m of revenue reserves in 2010/11.

The reserves are split into earmarked reserves, examples being the reserve to support capital and the insurance fund, 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, excluding the schools' accumulated reserves which are not available for any other use, over the last five years.



The benchmark recommended by the Comprehensive Performance Assessment (CPA) for local authorities was that there should be a minimum level of reserves equivalent to 5% of the net non-schools revenue budget. However, the Director of Customer and Business Support Services has also undertaken a risk assessment to calculate an alternative minimum level to hold, and this was incorporated into the Council's budget reports. For 2009/10 this gives a recommended level of £5.893m.

The actual level of reserves that can be taken into account for comparison to these levels amount to £7.030m at 31 March 2010. The Council is committed to some large projects which, although provided for, will create significant financial demands on the Council. The planned and projected use of the designated reserves during 2010/11 will result in a reserve level of £5.2m at 31 March 2011. This will allow no headroom above the minimum recommended level to provide funding for unexpected developments in future years.

## **11. Future Developments**

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

### Reductions in Funding from Central Government

The Government has stated its intention to significantly reduce public sector spending commitments, the main details of which will be dealt with through the 3 year spending review which will be announced in the Autumn. The Council will need to be able to respond to the challenge of reduced funding whilst seeking to maintain priority services.

### Economic Downturn

- pressures resulting from the impact on the performance of the Council's investments, an area which has traditionally provided strong support to the revenue budget
- higher demands for Council Services as the economic situation directly impacts on Citizens and business in the district
- the impact on income as a result of spending on fee generating services reducing, together with associated difficulties of income recovery.

### Waste Management

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

### Service Pressures

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

### Pension Fund Deficit

- the impact of the global financial problems on the investment returns of the Pension Fund may lead to increases in employers' contributions following the next triennial valuation of the Pension Fund. Any increases in contribution rates will impact adversely on the Council's revenue budget.

### Capital Programme

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

### Efficiency Programme

- the Council's Medium Term Financial Plan sets out the scale of efficiency/other savings that will be required in future years, and these are projected at around some £10m per annum over the next few years. This means that the More for York programme will need to be much wider than the current agreed reviews, and will need to consider both efficiency and overall levels of service provision



## STATEMENT OF ACCOUNTS



## **Independent auditor's report to Members of City of York Council**

### **Opinion on the financial statements**

I have audited the Council's and Group accounting statements and related notes of City of York Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Council's and Group accounting statements comprise the Council's and Group Income and Expenditure Account, the Council's Statement of Movement on the General Fund Balance, the Council's and Group Balance Sheet, the Council's and Group Statement of Total Recognised Gains and Losses, the Council's and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### **Respective responsibilities of the Director of Customer and Business Support Services and auditor**

The Director of Customer and Business Support Services' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Council's and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Council and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

## DISTRICT AUDITOR'S REPORT

I read other information published with the Council and Group accounting statements, and consider whether it is consistent with the audited Council and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council and Group accounting statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Council and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the Council and Group accounting statements and related notes, 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 Council and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council and Group accounting statements and related notes.

### **Opinion**

In my opinion:

- The Council's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Council's Responsibilities**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009], and the supporting guidance, I am satisfied that, in all significant respects, City of York Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### **Certificate**

I certify that I 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.

Steve Nicklin  
District Auditor

Nickalls House  
Metro Centre  
Gateshead  
NE11 9NH

30 September 2010



## STATEMENT OF ACCOUNTING POLICIES

### 1. General

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end, 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). 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 10). They comply with guidance notes issued by CIPFA on the application of Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP) 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. Accruals of Income and Expenditure

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 (accruals of income and expenditure) at the end of the year. In this way activity is accounted for in the year it takes place, not simply when the cash payments are made through the Council's bank account.

With the exception of public utilities, such as gas, electricity and telephones, and benefit payments made, debtors and creditors are raised in respect of goods and services received and provided by 31 March. This policy is consistently applied each year.

- public utilities are included in the accounts on the basis of four quarterly accounts or twelve monthly payments
- benefit payments made follow the same payment cycle as the subsidy the Council receives from the Department of Works and Pensions (DWP), typically following a 52 week cycle. Therefore no accruals are made for when payment periods span two financial years or when the year-end fall mid-week. This approach is in line with subsidy claim guidelines

The amounts not accrued for the exceptions would not be material. In particular:

- fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet
- works are charged as expenditure when they are completed, before which they are carried as works-in-progress on the balance sheet
- interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

## STATEMENT OF ACCOUNTING POLICIES

### 3. Provisions and Contingencies

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions 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 appropriate revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement, and are shown on the Balance Sheet. When payments are eventually made they are charged to the provision set up in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year. Where insufficient provision exists a further charge is made to the appropriate revenue account. Where it becomes more likely than not that a transfer of economic benefit will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant revenue account.

Where some or all of the payment required to settle the obligation is expected to be met by another party, e.g. from an insurance claim, this is only recognised in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The provisions held by the Council are detailed in note 27. 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 24.

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 as a provision.

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 65 to the Core Statements. 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.

### 4. Earmarked Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council. These reserves are explained in policies 6, 10 and 11. The earmarked reserves held by the Council are detailed in notes 36 and 37 to the Core Statements. The major ones are:

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.

## STATEMENT OF ACCOUNTING POLICIES

### Earmarked Reserves cont'd

The **Trading Operations Reserve** was established under the former legislation for compulsory competitive tendering as a source of funding against the possibility that a loss was made in any year. This avoided any losses being a direct charge on the General Fund. The reserve has been transferred to general balances during 2009/10.

The Council established a **Venture Fund** with an initial capital of £4m (£2m from the Reserve to Support Capital 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.

During 2008/09 an **Invest to Save** Fund was established to enable the Council to meet its efficiency and strategic procurement programmes over the coming financial years. Repayments will be made back to the fund from efficiencies made.

The Department for Communities and Local Government (DCLG) has changed the HRA subsidy arrangements. As part of the changes the HRA subsidy for debt repayment has been removed and as a consequence of this the requirement for the HRA to make a compulsory 'set-aside' of monies for debt repayment has been removed. A reserve has therefore been created in order to set funds aside for the future **voluntary repayment** of HRA debt.

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

The **Pensions Reserve** has been created as part of the accounting requirements of implementing FRS17, and is equal to the Pensions Liability shown in the Balance Sheet.

### 5. Revenue Government Grants and Contributions

Whether paid on account, by instalments or in arrears, revenue government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### 6. Retirement Benefits (FRS 17)

The Council has two different pension schemes. Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. The two schemes are:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions (CTP) on behalf of the Department for Children, Schools and Families (DCSF)
- the Local Government Pensions Scheme, administered by North Yorkshire County Council.

#### The Teachers' Pension Scheme

This is an unfunded scheme. Although the scheme is unfunded the CTP uses a notional fund as the basis for calculating the employers' contribution rate. The liabilities of this scheme cannot be identified to the individual employers therefore the scheme is accounted for as if it were a defined contributions scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Children's and Education Services revenue accounts are charged with the employer's contributions payable to the CTP. The Council is responsible for payments related to added years awarded and any pension increases on the added years as they occur.

## STATEMENT OF ACCOUNTING POLICIES

### Retirement Benefits (FRS 17) cont'd

#### The Local Government Pension Scheme

This scheme is for non-teaching employees who are eligible to join if they meet the qualifying criteria. It is accounted for as a defined benefits scheme. The following 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 (NYPF), which provides members with defined benefits related to pay and service. The contribution rate is determined by the NYPF's actuary following a triennial revaluation; the last review being on 31 March 2007.

The following sets out how the transactions relating to the NYPF are shown in the accounts:

- the liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees
- liabilities are discounted to their value at current prices, for 2008/09 by calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employers.
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market
- the change in the net pensions liability is analysed into seven components:
  - current service cost - the increase in liabilities as a result of years of service earned this year. These costs are allocated in the Income and Expenditure Account to the revenue accounts of services for whom the employees worked
  - past service costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These costs are debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This cost is debited to Net Operating Expenditure in the Income and Expenditure Account
  - expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. This income is credited to Net Operating Expenditure in the Income and Expenditure Account
  - gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. These are debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Statement of Total Recognised Gains and Losses
  - contributions paid to the NYPF - cash paid as the Council's employer's contribution to the pension fund.

In accordance with the Code of Practice the HRA statements include a proportion of the pension fund transactions that are attributable to it. There is no change to the overall cost of the HRA, nor cross-subsidisation from the general fund as all movements are balanced within net cost of services, net pensions costs and contribution to/(from) pension reserve.

## STATEMENT OF ACCOUNTING POLICIES

### Retirement Benefits (FRS 17) cont'd

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### Discretionary Benefits

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

### 7. Value Added Tax (VAT)

VAT is included within the accounts, and charged to service expenditure, only to the extent that it is irrecoverable. All other income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs, and all VAT paid is recoverable from them.

### 8. Overheads and Support Services

The Council agreed, in June 1997, the support service allocation process. Its aims are:

- that it reflects good management practice and brings transparency to the cost of provision for support services
- it assists the Council 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'.

The basic principles and methods of charging agreed within this exercise have been used to allocate all support service costs in 2009/10, 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 (i.e. the costs relating to the Council's status as a multi-functional, democratic organisation) and non-distributed costs (the cost of discretionary benefits awarded to employees retiring early) are not charged or apportioned to service expenditure but appear as separate headings on the Income and Expenditure Account, as part of Net Cost of Services.

### 9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The cost is charged to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## STATEMENT OF ACCOUNTING POLICIES

### 10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

#### Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance), is charged to revenue as it is incurred.

#### Measurement

Assets are initially measured at cost, where cost comprises all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then included in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements - lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment - lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets - depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties - existing use value
- specialised operational properties - depreciated replacement cost
- investment properties and surplus assets - market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in their value, but as a minimum are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

#### Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value (impairment). Where impairment is identified as part of this review or as a result of a valuation exercise or as a result of a major accident, this is accounted for as follows:

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account
- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account a contra entry is made to the Capital Adjustment Account in order to neutralise any impact on Council Tax.

## STATEMENT OF ACCOUNTING POLICIES

### Tangible Fixed Assets cont'd

#### Disposals

When an asset is decommissioned the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

A proportion of capital receipts relating to housing disposals (75% for dwelling and mortgage repayments and 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government, to be paid into a Pool which is then used across authorities to support capital expenditure. However, 100% of the value of land sales may be retained if it is to be used for affordable housing. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

#### Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment - straight-line allocation over the life of the asset as advised by a suitably qualified officer
- infrastructure - straight-line allocation over 40 years.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

#### Grants and Contributions

Where grants and contributions are received for capital expenditure on fixed assets with a finite useful life, the amounts received are credited to the Government Grants and Developers' Contributions Deferred Accounts. The sums received are then released to the Income and Expenditure Account in line with the depreciation policy applied to the relevant asset. Where an asset is not depreciated the grant or contribution is transferred to the Capital Adjustment Account. Grants and contributions are accounted for on an accruals basis and recognised when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

## STATEMENT OF ACCOUNTING POLICIES

### 11. Charges to Revenue for Fixed Assets

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

- 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 2009/10 this charge is calculated using the straight-line basis with no residual value. The exception to this is for assets acquired under finance leases, where the charge for depreciation is set at the same value as the principal repaid to the leasing company.
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

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 Resource Accounting regulations.

### 12. Revenue Expenditure Funded from Capital under Statute

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

### 13. Leases

#### Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset - the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets (Policy 10), subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

## STATEMENT OF ACCOUNTING POLICIES

### Leases contd

#### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. This is usually on a straight-line basis.

SSAP21 also requires information to be given as notes to the accounts about long-term rental agreements, where the Council is both a lessee and lessor. The Council's long-term agreements are with tenants for the occupation of our land and buildings and the transactions are shown under operating leases.

#### 14. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

The Council does not have any stock issue. However, if it had, the stock issue would be carried at a lower amortised cost than the outstanding principal and interest would be charged at a marginally higher effective rate of interest than the rate payable to stockholders as a material amount of costs incurred in its issue would be financed over the life of the stock.

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

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

#### 15. Financial Assets

Financial assets are classified into two types:

- Loans and receivable - assets that have fixed or determinable payments but are not quoted in an active market
- vehicles, plant and equipment - a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer.

## STATEMENT OF ACCOUNTING POLICIES

### Financial Assets contd

#### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

In 2009/10 the Council made no loans to voluntary organisations at less than market value (soft loans). The policy when soft loans are made is to record a loss in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provision require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

#### Available-for-Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses. The exception is where impairment losses have been incurred - these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

## STATEMENT OF ACCOUNTING POLICIES

### **Financial Assets** contd

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the Statement of Total Recognised Gains and Losses.

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

### **Instruments Entered into Before 1 April 2006**

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provision might be required or a contingent liability note is needed under the policies set out in Policy 3.

### **16. Investments**

Investments are included in the Balance Sheet at cost. If the value of an investment falls below its cost, the investment is written down to the market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall. Investment income is credited to the Income and Expenditure Account when it falls due.

### **17. Stocks and Works-in-Progress**

Stocks and stores are shown in the Balance Sheet at the lower of cost and net realisable value.

Works-in-progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus a prudent estimate of any attributable profit less any foreseeable losses.

### **18. Private Finance Initiative (PFI)**

PFI contracts involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service and operating / maintaining that property for a specified period of time. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year. The Council has one PFI contract for the provision of three primary schools with Sewell Education (York) Ltd.

In line with the SORP 2009, the PFI contract for the three schools is accounted for differently in the 2009/10 accounts. The two schools which are voluntary aided continue to be accounted for under the previous regulations and FRS5 - Substance of Transactions. The third school, which will revert back to the Council at the end of the contract, is accounted for under IFRIC 12 - Service Concession Arrangements. Therefore this asset is now accounted for on the Council's Balance Sheet.

#### **Recognition of Assets and Liabilities**

Under SORP 2009, for the school owned by the Council the property used in the PFI contract is recognised as an asset of the Council. A related liability is also recognised on the Balance Sheet.

For the voluntary aided schools the Council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the trustees of the schools at the end of the scheme (reversionary interest). An assessment has been made of the net present value that these assets will have at the end of the scheme (non-enhanced) and a reversionary interest asset has been created in the Council's Balance Sheet.

## STATEMENT OF ACCOUNTING POLICIES

### Private Finance Initiative (PFI) cont'd

#### Prepayment

A prepayment of £4.032m was made prior to service commencement. Under the terms of the contract the Council has granted Sewell a licence for use of the land for 30 years. The new accounting requirements for PFI require that where ownership of the land and buildings of the non voluntarily aided schools reverts in 2036 (at the end of the contract) to the local authority, then the PFI properties should be recognised on the local authority's balance sheet along with a liability for the financing provided by the PFI operator.

For the voluntary aided schools, the difference between the value of the asset at the date of transfer and any residual value that might accrue to the authority at the end of the contract is treated as a contribution made to the contractor and is accounted for as prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on council tax or rents.

#### PFI Credits

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure. In the case of the current PFI all PFI credits are utilised during the year.

### 19. Landfill Allowance Trading Scheme

Under the legislative provisions of the Waste and Emissions Trading Act 2003 each waste disposal authority (WDA), of which City of York Council is one, is obliged to reduce the amount of biodegradable municipal waste disposed to landfill. The scheme allocates tradable landfill allowances to each WDA. The WDA can then either use its allocation to meet its liability or sell any unneeded allowance to another WDA. The policies used in compiling these accounts are:

- the charge for the usage of landfill in the year, including any additional allowance needed to be bought from another WDA is included on the Income and Expenditure Account as expenditure against Cultural, Environmental and Planning Services
- the landfill allowance for 2008/09, including any 'profit' from selling any unused allowance, was shown as income on the Cultural, Environmental and Planning Services line on the Income and Expenditure Account. 2009/10 was closed as a target year for the scheme and no allowances could be brought forward into this year and no allowances can be carried forward into 2010/11
- the profit or loss from buying or selling any landfill allowances is shown as a net cost of service on the Income and Expenditure Account, and thus forms part of the surplus or deficit in the year transferred to the General Fund Balance
- the landfill allowance used in the year is shown as a current asset, and any income from selling any unused allowance is included within cash, also under current assets
- the liability to the Department of Food and Rural Affairs (DEFRA) is shown as a current liability
- the net position on current assets and liabilities matches the amount transferred to the General Fund from the Income and Expenditure Account transactions.

## STATEMENT OF ACCOUNTING POLICIES

### 20. Interests in Companies and Other Entities

The Council has a material interest in two entities, one that has the nature of a subsidiary and the other the nature of an associate. These entities are consolidated, along with the Council, in group accounts.

#### **York Business Development Limited**

York Business Development 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 Group Accounts for more information.

#### **Yorkshire Purchasing Organisation**

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

#### **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 manages the Company.

### 21. 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. The Code of Practice has required revised comparative figures for 2009/10 resulting from the changes set out in the following section. In all cases the notes have also been amended to reflect the revised figures.

### 22. Restated Opening Figures and Prior Period Adjustments

The Code of Practice for 2009/10 requires a restatement of the 2008/09 Accounts in order to provide comparable figures for the revised presentation. The following sets out the changes as they affect the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses and the Balance Sheet.

The Code of Practice has amended the treatment in the Accounts for the Collection Fund. Formerly all the transactions on the Fund for both NNDR and council tax, except for the share of the year-end balance on the Fund that was due to the Police and Fire Authorities, were consolidated into the Council's Accounts. The Code now requires the Collection Fund to be treated as an agency agreement, and so only the Council's share of council tax transactions are consolidated. It has also required that the Collection Fund balance shown on the Balance Sheet is renamed the Collection Fund Adjustment Account and a change in presentation of the Collection Fund transactions on the Income and Expenditure Account and the Statement of Movement on the General Fund Balance.

In addition the Code identified that the Housing and Planning Act Grant is a general grant rather than a service specific grant. This grant is therefore now included the Income and Expenditure statement with other general income sources such as income from the Collection Fund and NNDR distribution.

## STATEMENT OF ACCOUNTING POLICIES

### Restated Opening Figures and Prior Period Adjustments cont'd

All four of the core statements have been affected as a result of bringing the PFI asset onto the Balance Sheet. The Net Cost of Services and Interest Payable is adjusted by £1.608m to reflect the change in accounting policies necessary to bring the PFI onto the balance Sheet. The Statement of Movement in General Fund Balance is adjusted by £0.947m to account for both depreciation and MRP figures related to the PFI asset. The Balance Sheet is adjusted to show the asset being brought onto it, with a value of £10.182m. Long Term Debtors is reduced by £2.519m to reflect an adjustment to the PFI Prepayment. In line with the new regulations, a PFI Liability of £6.249m is raised to correspond to the value of the asset less the prepayment adjustment. The Revaluation Reserve and Capital Adjustment Account have been adjusted by a total of £1,414 to reflect revision in the value of the asset.

Finally the liability for the payment of notional debt on the 1996 local government reorganisation transferred assets has resulted in a prior period adjustment. It has been brought back onto the opening balance sheet from the capital adjustment account due to correction in accounting treatment. This now enables the removal of both the notional asset and notional liability at the same time in 2009/10 in accordance with current accounting practice.



## 1. Scope of Responsibility

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

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

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is in the council's Constitution and on the council's website. This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## 2. The Purpose of the Governance Framework

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

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

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

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

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

**The Purpose of the Governance Framework** cont'd

The governance framework has been in place at the council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts for 2009/10.

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

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

Strategic Planning Processes

The council has in place a strategic planning process, informed by community and member consultation, that reflects political and community objectives and acts as the basis for corporate prioritisation. The council's Corporate Strategy expresses the council's priorities until 2012 and priorities and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

The full Council is responsible for agreeing overall policies and setting the budget. The Executive is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT) has responsibility for implementing council policies and decisions, providing advice to members and for coordinating the use of resources and the work of the council's directorates.

The Executive meets every fortnight and the CMT meets every week. The Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The officer Quality Control Group also reviews reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered. New arrangements have been developed to introduce officer agenda planning for all Executive decisions. This will ensure that all reports receive a legal overview.

The council has new scrutiny arrangements which were introduced during 2009/10, the effectiveness of those arrangements are yet to be measured and articulated but Audit Commission feedback on Use of Resources for 2009/10 suggests that there are some good practices which set the standard for all of the committees to achieve during 2010/11.

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

The council has a Standards Committee that is responsible for promoting good ethical governance within the organisation. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a Member of either, the City of York Council, or the parish councils within its administrative boundary. The Standards Committee has a membership that includes members of the council, members of the public and representatives of the parish councils. In addition, the Chair of the Committee must be one of the independent members.

### **The Council's Governance Framework** cont'd

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

#### Management and Decision Making Processes

During 2009/10 the Corporate Strategy, under its Effective Organisation theme included the 'Improvement Plan' which was developed after a fundamental review of corporate governance arrangements in early 2009. Its aim was to secure continuous improvement of internal processes and governance frameworks, which in turn support effective service delivery. Nine individual areas for improvement were identified, and progress against milestones monitored throughout the year by Executive.

Corporate management and leadership is supported and developed through the Corporate Leadership Group.

#### Policies and Guidance

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

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

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

#### Financial Management

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

The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government ( 2010) in that:

- he is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the council's financial strategy; and he
- leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### The Council's Governance Framework cont'd

In delivering these responsibilities he leads and directs a finance function:

- that is resourced to be fit for purpose; and
- is professionally qualified and suitably experienced.

The council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision. The financial management system includes:

- A Medium Term Financial Plan highlighting key financial risks and pressures on a 5 year rolling basis
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice, and Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.

### Compliance Arrangements

Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The Section 151 Officer
- The Monitoring Officer
- The Head of Internal Audit
- Finance officers and other relevant service managers.

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

Compliance with the council's governance arrangements are subject to ongoing scrutiny by the Audit Commission and other external agencies. The Officer Governance Group (OGG) also monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Audit & Governance Committee.

### Risk Management

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

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

### **The Council's Governance Framework** cont'd

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

#### Internal Audit and Fraud

The council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003 (as amended). The service in 2009/10 was provided by Veritau Limited, a shared service company established by the City of York and North Yorkshire Councils. Veritau's Internal Audit & Counter Fraud Team undertakes an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the control environment operating within the council. Through its work the team also provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides:

- advice and assistance to managers in the design, implementation and operation of controls
- support to managers in the prevention and detection of fraud, corruption and other irregularities.

#### Performance Management

The council recognises the importance of effective performance management arrangements and has been working to secure further improvements in 2009/10. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and financial based monitoring. During 2009/10 each directorate reported finance and performance monitoring progress to members through the revised Scrutiny arrangements. Corporate joint finance and performance reporting to CMT (monthly) and Executive (quarterly) takes place at a corporate level.

The council has embarked on an ambitious programme of efficiency improvements known as MoreforYork. The Programme was approved by members in principle in July 2009 and in detail, supported by detailed business plans, in October 2009. The MoreforYork Programme has a clear governance structure with CMT as its Programme Board and a clear project management approach with financial and performance monitoring processes in place.

#### Consultation and Communication Methods

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

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform stakeholders and services users of the previous year's achievements and outcomes
- the annual report on the performance of the scrutiny function
- opportunities for the public to engage effectively with the council including attending meetings
- the Talkabout Citizen's Panel
- regular residents' surveys including the Place Survey
- publications such as Your City and Your Ward
- involvement in devolved budget decision-making at ward level

**The Council's Governance Framework cont'd**

- budget and other consultation processes
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

The overall governance framework established by the council contributes to effective partnership and joint working arrangements. In addition, the council is seeking build on existing protocols for partnership working that ensure that the responsibilities are clearly defined to ensure that the relationship works effectively, for the benefit of service users. For each partnership the legal status of the entity is defined and also the extent that decisions taken by the partnership will be binding for each organisation. Regular review of the existing partnerships database is undertaken to monitor the extent of joint working and its effectiveness. An annual review of governance arrangements of the council's key partnerships is undertaken and further development of this work is covered in the section on Significant Governance Issues below.

**4. Review of Effectiveness**

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

- the adequacy and effectiveness of key controls, both within individual directorates and across the council
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the Review of the Effectiveness of Internal Audit
- the MoreforYork efficiency programme, including the organisational review
- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the council's risk register and any other issues highlighted through the Council's risk management arrangements including the review of significant partnership governance arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2008/09 Annual Governance Statement.

## 5. Significant Governance Issues

In considering the significant internal control issues contained within the 2008/09 AGS, it is noted that the following enhancements have been achieved, mostly through the actions resulting from council's 2009/10 Improvement Plan:

- improved corporate Human Resource structures and frameworks including the development of a Workforce Development Plan
- improvements in the quality and consistency of financial monitoring processes
- a review of internal communications with improvements informing the design of the new corporate intranet;
- further development of the Health and Safety Framework
- development of the Single Corporate Equality Scheme and action plan, and further development and delivery of Equality Impact Assessments
- introduction of internal performance challenge processes
- development and approval of an Information Governance Policy & Strategy and related action plans
- development and launch of the council's Business Model which provides the council's standard framework of governance rules and procedures to officers.

In addition to the above, a number of issues referred to in the 2008/09 AGS have been partially actioned in 2009/10 and will be further progressed during 2010/11 and beyond (through the named plans in brackets):

- project and programme management (Chief Executive's Directorate Plan)
- partnership governance including shared use of resources (Corporate Strategy)
- officer Code of Conduct awareness including a revision of current procedures such as the Whistleblowing Policy, and the delivery of a training programme to cover this and the findings of a recent Fraud Awareness survey (Customer & Business Support Services (C&BSS) Directorate Plan).

New areas identified through the effectiveness review at Section 4 above, are outlined below with details of the plans which will be monitored by the OGG during 2009/10 for evidence of improvement:

- Organisational leadership and cultural change (Corporate Strategy/MoreforYork Programme Project Plan)
- Improved use of scrutiny, including training for members and officers (Corporate Strategy)
- Improvements to officer and member decision-making processes (Corporate Strategy)
- Improved compliance with Financial Regulations and Contract Procedure Rules to ensure lawful, effective and efficient use of the council resources in relation to procuring goods and services (CBSS Directorate Plan)
- Compliance with the requirements of the new Information Governance Strategic Framework (CBSS Directorate Plan)
- Improved processes for bank reconciliations during 2010/11 (CBSS Directorate Plan).

The full Council is the sovereign body that considers and approves changes to the council's Constitution. It is recognised, however, that the Audit & Governance Committee has a very important role in terms of the council's Constitution generally and specifically in relation to advising the Council on any proposed changes to the council's governance and decision-making arrangements. As Audit & Governance Committee has requested, this important role will continue.

## ANNUAL GOVERNANCE STATEMENT

### Significant Governance Issues cont'd

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed K. ENGLAND  
K. England  
Chief Executive

Dated 18 June 2010

Signed A. WALLER  
Cllr A. Waller  
Leader of the Council

Dated 18 June 2010

## INCOME AND EXPENDITURE ACCOUNT

2008/09 Restated Net Expenditure £000's	Note	Gross Expenditure £000's	2009/10 Income £000's	Net Expenditure £000's
12,903	(3)	30,009	(20,924)	9,085
32,688		52,175	(14,040)	38,135
53,128	(4)	190,804	(158,638)	32,166
11,922		22,688	(11,319)	11,369
16,199		29,003	(29,778)	(775)
2,942		52,772	(49,469)	3,303
41,757		60,817	(16,399)	44,418
297		304	-	304
5,105		4,204	(14)	4,190
457		868	(21)	847
400	(5)	466	(1,265)	(799)
177,798		444,110	(301,867)	142,243
375				(725)
561				585
(842)	(6)			-
5,999	(7)			5,259
85	(8)			334
-				-
(3,297)	(9)			(1,145)
(268)				(308)
6,872	(10)			11,620
187,283				157,863
(68,631)				(71,317)
(13,735)	(11)			(17,043)
(37,189)				(35,326)
67,728				34,177

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the authority for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure. Both income and expenditure are measured using essentially the same accounting conventions (i.e UK GAAP - Generally Accepted Accounting Practice) that a large (but unlisted) company would use in preparing its audited annual financial statements.

However, the items of 'income' and 'expenditure' that are required to be credited or charged to the General Fund and which therefore must be taken into account in determining a local authority's budget requirement and in turn its Council Tax demand is determined by statute and non-statutory proper practices rather than being wholly in accordance with UK GAAP. While the amounts that the SORP requires to be included in the Income and Expenditure Account and statute and non-statutory proper practices requires to be included in the General Fund are largely the same, there are a number of differences. For example, in some circumstances capital expenditure can be charged to the General Fund but all capital expenditure is excluded from the Income and Expenditure Account; and depreciation of fixed assets is charged to the Income and Expenditure Account but cannot be charged to the General Fund.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the authority's financial result for the year in accordance with GAAP, the movement on the General Fund Balance is also an important aspect of the authority's stewardship.

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are set out in this Statement.

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 Restated £000's		Note	2009/10 £000's
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund balance for the year</b>		
(62,605)	Depreciation, amortisation and impairment of fixed assets (excluding depreciation and amortisation charged to HRA services)	(12)	(31,729)
(3,443)	Excess of depreciation on HRA fixed assets over the Major Repairs Allowance element of Housing Subsidy income	(12)	(2,437)
1,198	Government Grants Deferred amortisation matching depreciation and impairments	(28)	1,581
(1,731)	Revenue Expenditure Funded from Capital under Statute	(13)	(1,147)
(375)	Net gain/(loss) on sale of fixed assets	(14)	725
226	Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements		145
(20,420)	Net charges made for retirement benefits in accordance with FRS17	(10)	(21,173)
<u>(87,150)</u>	<b>Total</b>		<u>(54,035)</u>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
4,053	Statutory provision for repayment of debt	(15)	3,709
2,580	Capital expenditure financed from the General Fund Balance		889
(85)	Transfer from Capital Receipts Reserve	(8)	(334)
14,183	Employer's contributions payable to the North Yorkshire Pension Fund and retirement benefits payable direct to pensioners	(10)	15,101
<u>20,731</u>	<b>Total</b>		<u>19,365</u>
	<b>Transfers to/(from) the General Fund that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
968	Statutorily required transfer of the (surplus)/deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance		1,366
795	Any voluntary extra provision for repayment of debt		1,051
(36)	Transfers made at the discretion of the Council to/(from) reserves that have been earmarked for specific purposes		
(556)	Council Tax Adjustment Account		676
<u>1,171</u>	Contribution to/(from) reserves	(16)	(663)
	<b>Total</b>		<u>2,430</u>
<u>(65,248)</u>	<b>Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year</b>		<u>(32,240)</u>
	<b>GENERAL FUND BALANCE</b>		
67,728	(Surplus)/Deficit for the Year on the Income and Expenditure Account		34,177
(65,248)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year		(32,240)
<u>2,480</u>	<b>(Increase)/Reduction in Balance in Year</b>		<u>1,937</u>
<u>(18,143)</u>	Balance Brought Forward		<u>(15,663)</u>
<u>(15,663)</u>	<b>Balance Carried Forward</b>		<u>(13,726)</u>
(5,650)	Amount of General Fund Balance held by governors under schemes to finance schools	(17)	(6,696)
<u>(10,013)</u>	Amount of General Fund Balance generally available for new expenditure		<u>(7,030)</u>
<u>(15,663)</u>			<u>(13,726)</u>

<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>
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2008/09 Restated £000's		Note	2009/10 £000's
	<b>Movement in Recognised Gains and Losses</b>	(18)	
	(Surplus)/deficit on the Income and Expenditure Account for the year		34,177
67,728	Surplus/loss arising on the revaluation of fixed assets		(31,467)
5,110	Surplus/loss arising on the revaluation of available-for-sale financial assets		-
-	Actuarial (gains)/losses relating to pensions	(10)	32,964
<u>9,134</u>	<b>Total recognised (gains)/losses for the year</b>		<u>35,674</u>
81,972			35,674
(591,994)	<b>Total Equity at 1 April</b>		(510,022)
<u>81,972</u>	In year activity		<u>35,674</u>
<u>(510,022)</u>	<b>Total Equity at 31 March</b>		<u>(474,348)</u>

(528,189)	<b>Original Equity at 31 March</b>
19,581	Transfer of Deferred Liability
(1,414)	Restated Balances and Prior Period Adjustments (see note 1 to the Core Statements)
<u>(510,022)</u>	<b>Revised Equity at 31 March</b>

## BALANCE SHEET

31 March 2009 Restated £000's	Note	31 March 2010 £000's      £000's	
<b>LONG-TERM ASSETS</b>			
3,266	(19)		2,214
792,488	(20)		819,523
5,215	(22)		1,215
21,560	(23)		3,587
<u>822,529</u>			<u>826,539</u>
<b>LONG - TERM ASSETS</b>			
<b>CURRENT ASSETS</b>			
27,534	(9)	26,107	
536		495	
20		11	
23,378	(24)	26,989	
59		59	
8,841		<u>9,690</u>	
60,368		63,351	
<b>CURRENT LIABILITIES</b>			
(5,556)	(25)	(8,676)	
-	(25)	-	
(35,328)	(26)	(36,973)	
(256)		(1,171)	
<u>19,228</u>			<u>16,531</u>
<b>NET CURRENT ASSETS</b>			
<u>841,757</u>			<u>843,070</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>LONG TERM LIABILITIES</b>			
(96,943)	(25)	(108,147)	
(3,437)	(27)	(2,498)	
(43,251)	(28)	(48,049)	
(7,480)	(28)	(7,619)	
(27,046)	(29)	(6,914)	
(2,581)	(30)	(5,476)	
(55)	(31)	(41)	
(150,942)	(10)	<u>(189,978)</u>	
<u>(331,735)</u>			<u>(368,722)</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>			
<u>510,022</u>			<u>474,348</u>
<b>FINANCED BY:</b>			
25,760	(32)	56,031	
-		-	
596,336	(33)	569,721	
(2,343)	(34)	(2,198)	
(150,942)	(10)	(189,978)	
-	(35)	154	
62	(36)	803	
15,663		13,726	
7,514		8,880	
299		975	
17,673	(37)	<u>16,234</u>	
<u>510,022</u>		<u>474,348</u>	
<b>TOTAL EQUITY</b>			

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

Dated 29 September 2010

## CASH FLOW STATEMENT

2008/09 £000's		Note	2009/10 £000's	£000's
(1,594)	<b>Revenue Activities Net Cash Flow</b>	(38)		(11,126)
	<b>Dividends from Joint Ventures and Associates</b>			
	Cash Inflow:			
(223)	Dividends received		(353)	(353)
	<b>Returns on Investments and Servicing of Finance</b>			
	Cash Outflow:			
4,366	Interest paid		5,221	
109	Interest element of finance lease rental payments		84	
4,475			5,305	
	Cash Inflow:			
(3,793)	Interest received		(1,547)	
682	<b>Return on Investments and Servicing of Finance Net Cash Flow</b>			3,758
	<b>Capital Activities</b>			
	Cash Outflow:			
38,533	Purchase of fixed assets	(39)	39,913	
4,000	Purchase of long-term investments	(22)	-	
15,791	Other capital cash payments	(13)	23,232	
58,324			63,145	
	Cash Inflow:			
(2,155)	Sale of fixed assets	(40)	(2,239)	
(34,533)	Capital grants received	(41)	(33,854)	
(1,163)	Other capital cash receipts		(460)	
20,473	<b>Capital Activities Net Cash Flow</b>			26,592
19,338	<b>Net Cash (Inflow)/Outflow before Financing</b>			18,871
	<b>Management of Liquid Resources</b>	(42)		
-	Net (increase)/decrease in short term deposits			-
-	Net (increase)/decrease in other liquid resources			-
(22,150)	Short-Term Investments			(5,025)
(22,150)				(5,025)
	<b>Financing</b>	(42)		
	Cash Outflow:			
18,800	Repayments of amounts borrowed		4,000	
424	Capital element of finance lease rental payments		393	
19,224			4,393	
	Cash Inflow:			
(16,500)	New loans raised		(18,173)	
2,724				(13,780)
88	<b>Increase/(Decrease) in cash</b>	(43)		(66)
(19,338)				(18,871)

## NOTES TO THE CORE STATEMENTS

### 1. Restated Comparative Figures for 2008/09

Accounting Policy number 22 explains the reasons for the restated opening figures for 2008/09. The impact of the changes as they affect the figures for 2008/09 are set out in the following tables. Only figures that have changed are included in the tables. All four of the core statements have been affected as a result of bringing the PFI asset onto the Balance Sheet. The Net Cost of Services and Interest Payable are adjusted by £1.608m to reflect the change in accounting policies necessary to bring the PFI onto the balance Sheet. The Statement of Movement in General Fund Balance is adjusted by £0.947m to account for both depreciation and MRP figures related to the PFI asset. The Balance Sheet is adjusted to show the asset being brought onto it, with a value of £10.182m. Long Term Debtors is reduced by £2.519m to reflect an adjustment to the PFI Prepayment. In line with the new regulations, a PFI Liability of £6.249m is raised to correspond to the value of the asset less the prepayment adjustment. The Revaluation Reserve and Capital Adjustment Account have been adjusted by a total of £1,414 to reflect revision in the value of the asset

The restated figures in the "General Grants" column reflects the implications of including the Housing and Planning Act Grant within General Grants rather than within Service Net Cost of Service. Those within the "Collection Fund" column are the effect of only including the Council's share of the Collection Fund within our own accounts under the change to agency agreement treatment.

The restated figures in the Deferred Liability columns relate to the change in accounting treatment for the payment of notional debt on the 1996 local government reorganization. It has been brought back onto the opening balance sheet from the capital adjustment account. This now enables the removal of both the notional asset and notional liability at the same time in 2009/10 in accordance with current accounting practice.

It should be noted that there is no movement on the General Fund Balance total.

Original 2008/09 Net Expenditure £000's	Income and Expenditure Account	PFI £000's	Restated 2008/09 General Grants £000's	Collection Fund £000's	Net Expenditure £000's
32,408	Cultural, Environmental and Planning Services	-	280	-	32,688
54,736	Children's and Education Services	(1,608)	-	-	53,128
87,144	<b>Impact on Net Cost of Services</b>	(1,608)	280	-	85,816
4,391	Interest Payable	1,608	-	-	5,999
91,535	<b>Impact on Net Operating Expenditure</b>	-	280	-	91,815
(68,467)	Demand on Collection Fund	-	-	(164)	(68,631)
(200)	Collection Fund transfer for the surplus at 31st March	-	-	200	-
(13,455)	General Government Grants	-	(280)	-	(13,735)
9,413	<b>Impact on Surplus/Deficit in the Year</b>	-	-	36	9,449
Original 2008/09 Net Expenditure £000's	Statement of the Movement on General Fund Balance	PFI £000's	Restated 2008/09 General Grants £000's	Collection Fund £000's	Net Expenditure £000's
9,413	<b>Impact on Surplus/Deficit in the Yr b/fwd</b>	-	-	36	9,449
(61,658)	Depreciation/impairment funded	(947)	-	-	(62,605)
3,106	Statutory Provision for Repayment of Debt	947	-	-	4,053
-	Collection Fund Adjustment Account	-	-	(36)	(36)
(49,139)	<b>Net Change in General Fund Balance</b>	-	-	-	(49,139)

## NOTES TO THE CORE STATEMENTS

### Restated Comparative Figures for 2008/09 cont'd

Original 2008/09 £000's	<b>Statement of Total Recognised Gains and Losses</b>	PFI £000's	Deferred Liability £000's	Collection Fund £000's	£000's
67,692	(Surplus)/deficit on the Income and Expenditure Account for the year	-	-	36	67,728
36	Attributable movement on the Collection Fund Account for the year	-	-	(36)	-
5,110	Surplus/loss arising on the revaluation of fixed assets	-	-	-	5,110
-	Surplus/loss arising on the revaluation of available-for-sale financial assets	-	-	-	-
9,134	Actuarial (gains)/losses relating to pensions	-	-	-	9,134
81,972	<b>Total recognised (gains)/losses in year</b>	-	-	-	81,972
(610,161)	<b>Total Equity at 1 April</b>	(1,414)	19,581	-	(591,994)
81,972	In year activity	-	-	-	81,972
(528,189)	<b>Total Equity at 31 March</b>	(1,414)	19,581	-	(510,022)
Original 31 March 2009 £000's	<b>Balance Sheet</b>	PFI £000's	Restated 31 March 2009 Deferred Liability £000's	Collection Fund £000's	31 March 2009 £000's
	<b>Long-Term Assets</b>				
782,306	Tangible Fixed Assets	10,182	-	-	792,488
24,079	Long-Term Debtors	(2,519)	-	-	21,560
	<b>Current Assets</b>				
26,042	Debtors	-	-	(2,664)	23,378
	<b>Current Liabilities</b>				
(37,990)	Creditors	-	-	2,662	(35,328)
	<b>Long-Term Liabilities</b>				
(3,439)	Provisions	-	-	2	(3,437)
(1,216)	Deferred Liabilities	-	(19,581)	-	(20,797)
-	PFI Liability	(6,249)	-	-	(6,249)
	<b>Sub-Total - change in Total Assets</b>				
789,782	<b>Less Liabilities</b>	1,414	(19,581)	-	771,615
	<b>Funded By:</b>				
24,953	Revaluation Reserve	807	-	-	25,760
615,310	Capital Adjustment Account	607	(19,581)	-	596,336
-	Collection Fund Adjustment Account	-	-	299	299
299	Collection Fund Reserve	-	-	(299)	-
640,562	<b>Sub-Total change in Equity</b>	1,414	(19,581)	-	622,395

## NOTES TO THE CORE STATEMENTS

### 2. Significance of the Income and Expenditure Account and the Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences are:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- the payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built-up in the past and contributions to reserves earmarked for future expenditure.

The Statement of Movement on the General Fund Balance summarises the differences between the out-turn on the Income and Expenditure Account and the General Fund Balance.

### 3. Discontinued Services / Continuing Operations

All Council operations are categorised as continuing operations.

### 4. Government Support for Schools

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, via the Dedicated Schools Grant (DSG). For 2009/10 the sum received is £88.321m (2008/09 £86.056m) and this is credited against the Children's and Education Services line in the Income and Expenditure Account.

The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a restricted range of services provided on a council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The council is able to supplement the Schools Budget from its own resources but this year decided against any additional spending for schools. The Schools Forum agreed to carry the deficit funding through to 2010/11, it was not therefore allocated to any budget in 2009/10. Details of the use of the DSG receivable for 2009/10 are as follows:

	Central Expend- iture £000's	Individual Schools Budget £000's	Not Allocated £000's	Total £000's
Original grant allocation to Schools Budget for the current year in the Council's budget	(11,547)	(76,400)	(79)	(88,026)
Adjustment to finalised grant allocation	<u>(295)</u>	<u>-</u>	<u>-</u>	<u>(295)</u>
DSG receivable for the year	(11,842)	(76,400)	(79)	(88,321)
Actual expenditure for the year	<u>11,953</u>	<u>76,375</u>	<u>-</u>	<u>88,328</u>
Over/(under) spend for the year	111	(25)	(79)	7
Over/(under) spend from prior year	<u>51</u>	<u>-</u>	<u>79</u>	<u>130</u>
<b>Underspend carried forward to 2010/11</b>	<u>162</u>	<u>(25)</u>	<u>-</u>	<u>137</u>

## NOTES TO THE CORE STATEMENTS

### 5. Exceptional Items

There are several items included within this category. As in previous years it includes the net income, after allowing for the costs of justifying and submitting claims, where the Council has been successful in appealing against the rating valuations assigned to some of its properties. The net income in the year is £275k (2008/09 £18k). The government granted powers to the Council to finance costs of £400k (2008/09 £680k) that would normally be revenue as if they were capital. Under the Code of Practice requirements these costs need to be shown in the Income and Expenditure Account as a 'revenue expenditure funded from capital under statute' adjustment, funded through the SMGFB.

Price Waterhouse Cooper (PWC) have undertaken work on behalf of the Council to recoup VAT following the VAT Fleming and Conde Nast cases. The Council received a refund of £446k (2008/09 £1,249k) plus interest of £526k (2008/09 £1,022k). This was offset by fees payable to PWC of £49k (2008/09 £454k). There were also transactions in 2008/09 that have not recurred in 2009/10. These were payments made to: facilitate the finalisation of the Job Evaluation exercise (£493k), increase the provision held for potential payments to employees (£601k), employees, costs no longer relevant to the administrative accommodation building (£520k) and the receipt from BCCI administrators (£59k).

### 6. Trading Accounts including Neighbourhood Services Turnover and Profit

Trading services are disclosed in line with the requirements of the BVACOP and are mainly activities of a commercial nature that are financed substantially by charges made to the service recipients. The council has ceased all CCT arrangements and no longer operates a Trading Operations reserve. All the trading operations previously shown below the net cost of services are now consolidated within the summary figures.

The surpluses and deficits generated from trading accounts which are included within the service expenditure are as follows:

Turnover (Income) £000's	2008/09 Expend- iture £000's	(Surplus)/ Deficit £000's		Turnover (Income) £000's	2009/10 Expend- iture £000's	(Surplus)/ Deficit £000's
<b>Significant Trading Services included in Net Cost of Services</b>						
(2,820)	637	(2,183)	Commercial Property	(2,712)	3,672	960
(538)	340	(198)	Markets	(596)	315	(281)
(5,430)	1,889	(3,541)	Car Parks	(5,496)	1,964	(3,532)
(1,317)	455	(862)	Crematorium	(1,300)	640	(660)
			Building Control			
(593)	526	(67)	(chargeable element)	(562)	511	(51)
N/A	N/A	N/A	Land Charges	(421)	359	(62)
(1,113)	987	(126)	Engineering Consultancy	(975)	914	(61)
(2,102)	2,247	145	Facilities Management	(1,948)	1,974	26
(476)	478	2	York Training Centre	(592)	525	(67)
			Building Maintenance	(7,519)	7,500	(19)
			Civil Engineering	(7,655)	6,588	(1,067)
			Neighbourhood Pride Servs	(3,501)	3,957	456
			Cleaning of Public Buildings	(3,605)	3,731	126
			Commercial Waste	(2,019)	1,509	(510)
			Transport Operating	(3,946)	3,672	(274)
<u>(14,389)</u>	<u>7,559</u>	<u>(6,830)</u>	<b>Total</b>	<u>(42,847)</u>	<u>37,831</u>	<u>(5,016)</u>

From Trading Operations

## NOTES TO THE CORE STATEMENTS

### Trading Accounts including Neighbourhood Services Turnover and Profit cont'd

Commercial property income is principally rental income and the deficit includes depreciation charges of £0.217m (£0m). Part of the commercial property portfolio is a non operational asset where no depreciation is charged. Markets income is mainly from Newgate market tolls and from other markets. The surplus is after charging £5k for depreciation charges.

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 £23k (2008/09 £171k) for depreciation. The main sources of income at the crematorium are cremation fees and memorialisation. The surplus is net of depreciation charges of £15k (2008/09 £16k) and £233k (2008/09 £nil) for impairment. Building Control is, by statute, split into two elements. Under new regulations from 1 April 2009 Land Charges are required to produce a balanced trading account over a 3 year period. The main sources of income for Engineering Consultancy and Facilities Management are fees charged to the Council's capital programme and to departmental revenue accounts. York Training Centre income is generated principally through government funded programmes and contracts to provide employment and training opportunities to York citizens.

Building Maintenance income is mainly from internal departments and consists of fees charged to Housing for council house repairs and to Facilities Management for council building maintenance. Commercial Waste income is generated through charges to commercial customers and schools for waste and recycling collection. Civil Engineering income is mainly fees charged for highway repair and maintenance but also includes income from the Drainage, Blacksmith and Ancient Monument Departments. Neighbourhood Pride Service income is mainly fees charged to internal clients. Cleaning income is mainly from schools and council buildings.

The following table shows those operations included below the net cost of services in the 2008/09 accounts, which are included within service expenditure in 2009/10.

Turnover (Income) £000's	2008/09 Expend- iture £000's	(Surplus)/ Deficit £000's	Turnover (Income) £000's	2009/10 Expend- iture £000's	(Surplus)/ Deficit £000's
<b>(Surplus)/Deficit from Trading Operations</b>					
(8,455)	8,569	114			Building Maintenance
(6,991)	6,305	(686)			Civil Engineering
(3,719)	4,052	333			Neighbourhood Pride Servs
(3,449)	3,653	204			Cleaning of Public Buildings
(2,086)	1,499	(587)			Commercial Waste
(1,789)	1,569	(220)			Transport Operating
<u>(26,489)</u>	<u>25,647</u>	<u>(842)</u>			<b>Total</b>

*Now included in Trading Services*

The balances on the Trading Operations reserve as at 1 April 2009 were distributed as shown in the table below.

2008/09 £000's		2009/10 £000's
<b>TRADING OPERATIONS RESERVE</b>		
(439)	Balance at beginning of year	(332)
(842)	(Surplus)/Deficit in year	-
742	Transfer to/(from) General Fund	300
<u>207</u>	Transfer to/(from) Earmarked Reserves	<u>32</u>
<u>(332)</u>	Balance at end of year	<u>-</u>

## NOTES TO THE CORE STATEMENTS

### 7. Interest Payable

Included in the revenue accounts is the interest payable of £5.259m (2008/09 £5.999m, including prior year adjustments relating to the PFI schemes) representing interest related costs on long terms loans.

### 8. Contribution to Housing Pooled Capital Receipts

Under Part 1 of the Local Government Act 2003 local authorities in England have to pay a proportion of specified housing related capital receipts into a Government Pool for redistribution. Although the SORP requires that this payment is shown as a revenue cost, it is matched by income transferred in from the Capital Receipts Reserve shown in the Statement of Movement on the General Fund Balance. In 2009/10 £334k (2008/09 £85k) of capital receipts were paid to the Government.

### 9. Temporary Investments and Interest and Investment Income

Temporary investments are investments made by the Council of surplus funds which are repayable within a period not exceeding twelve months. Interest earned on these balances is included within the Income and Expenditure Account.

Included in the Income and Expenditure Account is a return on investments of £1.143m (2008/09 £3.291m) with a further £2k (2008/09 £4k) from mortgage interest.

### 10. Pensions Costs and Net Pensions Liability Movement in Year

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

The Council participates in two schemes, the North Yorkshire Pension Fund and the Teachers Scheme. Brief details of the two pension schemes are shown in Policy 6 of the Statement of Accounting Policies.

The liability for payment of pensions under the Teachers Pension scheme rests with the Department for Children, Schools and Families, and it is therefore classed as a multi-employer defined benefit scheme for which the liabilities of individual employers cannot be separated. It is therefore treated in the same way as a defined contribution scheme, and no additional disclosures are required. However, where benefits have been offered outside the scheme costs they have to be funded by the Council instead of the Teachers Pension scheme. Under the FRS17 reporting requirements these payments need to be treated as if they were part of a defined benefit scheme and have been included in all the information provided by the Actuaries.

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

## NOTES TO THE CORE STATEMENTS

### Pensions Costs and Net Pensions Liability Movement in Year cont'd

#### Teachers

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

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

In 2009/10 the Council paid £6.950m (2008/09 £6.764m) to CTP in respect of teachers' retirement benefits, which represents 14.1% (2008/09 14.1%) of teachers' pensionable pay.

In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement which are not the responsibility of the CTP. These amounted to £624k (2007/08 £653k) and are fully accrued in the pensions liability described in the figures shown below.

#### Other Employees

The Council contributes to the North Yorkshire Pension Fund (NYPF) for other employees. The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions show how the payment made to the NYPF in the year is shown in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance.

2008/09 Restated £000's		2009/10 £000's	£000's
<b>Income and Expenditure Account Entries</b>			
<b>Net Cost of Services</b>			
13,180	Current service cost	9,016	
79	Past service cost	2	
289	Curtailment Cost	535	
13,548			9,553
<b>Net Operating Expenditure</b>			
21,530	Interest cost	21,233	
(14,658)	Expected return on assets in the scheme	(9,613)	
6,872			11,620
20,420	<b>Net Charge to the Income and Expenditure Account</b>		21,173
<b>Statement of Movement on the General Fund Balance Entries</b>			
(20,420)	Reversal of net charges made for retirement benefits in accordance with FRS17		(21,173)
14,183	Actual amount charged against Council Tax for Pensions in the year		15,101

## NOTES TO THE CORE STATEMENTS

### Pensions Costs and Net Pensions Liability Movement in Year cont'd

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses amounting to a loss of £32.964m (2008/09 loss of £9.134m) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses, since 2002/03, recognised in the Statement of Total Recognised Gains and Losses is a loss of £115.3m.

The NYPF, which is a Local Government Pension Scheme, is a defined benefit scheme, since the Council's liabilities to its current and former employees can be identified within the fund, and the Council will be liable to meet these, irrespective of the future performance of the fund. Further information can be found in NYPF's Annual Report that is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.

### Assets and Liabilities in Relation to Retirement Benefits

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

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

As at 31.3.09			As at 31.3.10	
Local Government Pension Scheme	Unfunded Teachers Scheme		Local Government Pension Scheme	Unfunded Teachers Scheme
£000's	£000's		£000's	£000's
338,000	10,146	Balance at 1 April	287,911	8,880
13,180	-	Current service cost	9,016	-
20,930	600	Interest cost	20,626	607
		Contributions by scheme		
4,775	-	participants	5,137	-
(81,459)	(1,389)	Actuarial (gains)/losses	106,861	1,638
(7,736)	(624)	Benefits/transfers paid	(8,949)	(668)
17	62	Past service costs	-	2
204	85	Curtailments	331	204
<u>287,911</u>	<u>8,880</u>	Balance at 31 March	<u>420,933</u>	<u>10,663</u>

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

As at 31.3.09			As at 31.3.10	
Local Government Pension Scheme	Unfunded Teachers Scheme		Local Government Pension Scheme	Unfunded Teachers Scheme
£000's	£000's		£000's	£000's
(212,575)	-	Balance at 1 April	(145,849)	-
(14,658)	-	Expected rate of return	(9,613)	-
91,982	-	Actuarial (gains)/losses	(75,535)	-
(13,559)	(624)	Employer contributions	(14,433)	(668)
		Contributions by scheme		
(4,775)	-	participants	(5,137)	-
7,736	624	Benefits/transfers paid	8,949	668
<u>(145,849)</u>	<u>-</u>	Balance at 31 March	<u>(241,618)</u>	<u>-</u>

## NOTES TO THE CORE STATEMENTS

### Pensions Costs and Net Pensions Liability Movement in Year cont'd

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £85.148m (2008/09 loss of £77.324m).

### Scheme History

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

	2005/06 *	2006/07	2007/08	2008/09	2009/10
	£000's	Restated £000's	Restated £000's	£000's	£000's
<u>Present Value of Liabilities</u>					
Local Government Pension Scheme	292,762	301,497	338,000	287,911	420,933
Unfunded Teachers Pensions	7,955	8,530	10,146	8,880	10,663
<u>Fair Value of Assets</u>					
Local Government Pension Scheme	(191,883)	(214,450)	(212,575)	(145,849)	(241,618)
<u>(Surplus)/Deficit in the Scheme</u>					
Local Government Pension Scheme	100,879	87,047	125,425	142,062	179,315
Unfunded Teachers Pensions	7,955	8,530	10,146	8,880	10,663
<b>Total Scheme (Surplus)/Deficit</b>	<b>108,834</b>	<b>95,577</b>	<b>135,571</b>	<b>150,942</b>	<b>189,978</b>

\* The Council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £189.978m (2008/09 £150.942m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduced overall balance of £434.935m (2008/09 £510.022m).

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £14m.

### Basis for Estimating Assets and Liabilities

In calculating the Council's assets and liabilities Mercer, the fund's actuaries, had to make a number of assumptions about events and circumstances in the future. This means that the results of actuarial calculations are subject to uncertainties within a range of possible values. The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Ltd. an independent firm of actuaries, with the estimates being based on the latest full valuation of the scheme as at 31 March 2007.

## NOTES TO THE CORE STATEMENTS

### Pensions Costs and Net Pensions Liability Movement in Year cont'd

The principal assumptions used by the actuary have been:

As at 31.3.09		As at 31.3.10
	<b>Post Retirement Mortality Assumptions</b>	
PA92mc YoB Tables + 1 year	Non-retired members (retiring in the future in normal health)	PA92mc YoB Tables + 1 year
PA92mc YoB Tables + 1 year	Current pensioners (retired in normal health)	PA92mc YoB Tables + 1 year
	<b>Life expectancy</b>	
22.2 yrs	Of a male future pensioner aged 65 in 20 years time	22.2 yrs
25.0 yrs	Of a female future pensioner aged 65 in 20 years time	25.0 yrs
21.2 yrs	Of a male current pensioner aged 65	21.2 yrs
24.0 yrs	Of a female current pensioner aged 65	24.1 yrs
	<b>Commutation of pension for lump sum at retirement</b>	
50%	Take maximum cash	50%
50%	Take 3/80ths cash	50%

The following shows the inflation factors used:

As at 31.3.09	As at 31.3.09		As at 31.3.10	As at 31.3.10
% pa	% pa		% pa	% pa
LGPS	UTS		LGPS	UTS
3.30	3.30	Rate of Inflation	3.30	3.20
5.05	N/A	Rate of increase in salaries	5.05	N/A
3.30	3.30	Rate of increase in pensions	3.30	3.20

The Unfunded Teacher's Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

As at 31.3.09			As at 31.3.10	
£000's	%		£000's	%
109,096	74.8	Equities	184,113	76.2
12,397	8.5	Government Bonds	18,846	7.8
16,335	11.2	Other Bonds	33,585	13.9
-	-	Property	-	-
6,417	4.4	Cash/liquidity	5,074	2.1
1,604	1.1	Other	-	-
<u>145,849</u>	<u>100.0</u>		<u>241,618</u>	<u>100.0</u>

## NOTES TO THE CORE STATEMENTS

### Pensions Costs and Net Pensions Liability Movement in Year cont'd

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

As at		As at
31.3.09		31.3.10
% pa		% pa
7.50	Equities	7.50
4.00	Government Bonds	4.50
6.00	Other Bonds	5.20
N/A	Property	N/A
0.50	Cash/liquidity	0.50
7.50	Other	N/A

### History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the pensions reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	Local Government Pension Scheme				
	2005/06	2006/07	2007/08 Restated	2008/09	2009/10
	%	%	%	%	%
Differences between expected and actual return on assets	14.9	0.5	(13.0)	(63.1)	31.3
Experience gains and losses on liabilities	(2.5)	-	2.2	-	-
	Unfunded Teachers Pensions				
	2005/06	2006/07	2007/08 Restated	2008/09	2009/10
	%	%	%	%	%
Differences between expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	(5.5)	-	(0.2)	-	-

### 11. General Government Grants

The figure for general government grants comprises the following elements:

2008/09		2009/10
£000's		£000's
(5,177)	Revenue Support Grant	(8,154)
(8,278)	Area Based Grant	(8,643)
(280)	Housing and Planning Act Grant	(246)
(13,735)		(17,043)

## NOTES TO THE CORE STATEMENTS

### 12. Depreciation, Amortisation and Impairment of Fixed Assets

Local Authorities are required to charge their service accounts with a cost representing depreciation of the assets used in providing the service. Any impairment in the value of the assets must also be charged to the service accounts. Any capital government grants or contributions received towards the cost of the fixed assets are released to the General Fund at the same rate that depreciation is charged to the service accounts. However, as it is a requirement that the net cost of depreciation must not impact on the level of Council Tax or Housing Rents a balancing sum is transferred to the General Fund from the Capital Adjustment Account.

### 13. Revenue Expenditure Funded from Capital Under Statute

These are expenditure of a capital nature where there are no tangible fixed assets (e.g. housing improvement grants) or where the government has given capital approval for revenue type expenditure (equal pay claim settlements) which will be amortised in one year. The SORP requires that these are charged to the service accounts in the Income and Expenditure Accounts, but that they must not increase the council tax, so a balancing sum is transferred to the General Fund from the Capital Adjustment Account. The following table summarises the expenditure included in the Income and Expenditure Account in the year.

2008/09 £000's		2009/10 £000's
	Expenditure Charged to Service Accounts	
680	Expenditure for which the Secretary of State has granted permission	400
1,488	Improvement Grants	1,853
9,099	Building Schools for the Future	16,910
4,524	Other Expenditure	4,069
15,791		23,232
	Direct Grant Income Credited to Service Accounts	
(1,357)	Improvement Grants	(880)
(12,427)	Other Grants	(21,091)
(276)	Other Contributions	(114)
(14,060)		(22,085)
1,731	Total Charged to Income and Expenditure Account and Funded from the Capital Adjustment Account	1,147

### 14. Net Gain/(Loss) on Sale of Fixed Assets

This represents the loss or profit on disposal of fixed assets after taking account of allowable disposal costs where appropriate.

## NOTES TO THE CORE STATEMENTS

### 15. Statutory Provision for the Repayment of Debt

The method of calculating the Minimum Revenue Provision (MRP) is defined by the Local Government Act 2003 and the Local Government Act 2008 (Amendment). There is a requirement to make a prudent provision for the repayment of debt for the general fund but there is no longer an obligation to make a provision for the HRA. The prudent provision for the General Fund is 4% which is the same provision which was made in accordance with the 2003 statutory requirement, but the Council has decided not to make a voluntary debt repayment for the HRA. Consequently, the MRP for 2009/10 is £3.278m (2008/09 £4.168m). In 2008/09, a prior year adjustment of £947k was incorporated into the MRP calculation for the changes in accounting treatment required for the Private Finance Initiative (PFI). The MRP figure for 2008/09 was £3.221m, including the prior year adjustment of £947k increased to £4.168m as detailed. Further information regarding the prior year adjustment and the PFI are located elsewhere in the accounts. 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 the Council is allowed to offset against MRP. The commutation adjustment reduces the MRP required in 2009/10 to £3.709 (2008/09 £4.053m).

In addition to the statutory prudent provision of 4% being made for the repayment of debt, the Council also makes a general fund voluntary debt repayment. This is where debt is repaid at a faster rate than the prudent provision of 4% and could be for invest to save schemes. The voluntary debt repayment for 2008/09 is £1,051k (2008/09 £795k). The following table shows the transactions in the year:

2008/09		2009/10	
£000's		£000's	£000's
-	Housing Revenue Account (2%)	-	
<u>4,168</u>	Other Services (General Fund) (4%)	<u>3,728</u>	
4,168			<u>3,728</u>
<u>(115)</u>	Less: Commutation adjustment		<u>(19)</u>
4,053	Minimum Revenue provision for the year		3,709
<u>795</u>	Voluntary Debt Repayment		<u>1,051</u>
<u>4,848</u>	Total provision for the Repayment of Debt		<u>4,760</u>

### 16. Reserves

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

2008/09		Net	2009/10
£000's		Movement	£000's
£000's		£000's	£000's
(332)	Trading Operations Reserve	332	-
(2,276)	Venture Fund	(74)	(2,350)
(4,271)	Developers' Contributions Unapplied	125	(4,146)
(1,886)	Insurance Fund	836	(1,050)
(599)	Introducing New Technology	599	-
(1,072)	Invest to Save	276	(796)
<u>(5,458)</u>	Miscellaneous	<u>(1,431)</u>	<u>(6,889)</u>
<u>(15,894)</u>		<u>663</u>	<u>(15,231)</u>

Further information on the movements on these reserves is shown in note 37.

## NOTES TO THE CORE STATEMENTS

### 17. Amount of General Fund Balance Held By Governors Under Schemes to Finance Schools

These reserves are also known as Delegated School Reserves and represent the net balances held in schools as unspent revenue received from the Local Education Authority (LEA). These balances are held by the schools to be spent in future years and can only be used for that purpose. There are 7 (2008/09 6) schools with deficit rather than surplus balances at a total deficit of £243k (2008/09 £299k).

### 18. Movement in Equity

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. The details of the movement in the year on these reserves is set out below and a brief summary of each of the reserves follows the table, cross-referenced to where further information is available in this Statement of Accounts.

Balance at 31.3.09 £000's	Account	(Gains) /Losses For the Year £000's	Transfers Between Reserves £000's	Balance at 31.3.10 £000's
<b>Reserves</b>				
(25,760)	Revaluation Reserve	(31,467)	1,196	(56,031)
-	Available-for-sale Financial Instruments Reserve	-	-	-
(596,336)	Capital Adjustment Account	-	26,615	(569,721)
2,343	Financial Instruments Adjustment Account	-	(145)	2,198
150,942	Pensions Reserve	32,964	6,072	189,978
-	Capital Receipts Reserve	-	(154)	(154)
(62)	Major Repairs Reserve	-	(741)	(803)
(15,663)	General Fund Balance	34,177	(32,240)	(13,726)
(7,514)	Housing Revenue Account Reserve	-	(1,366)	(8,880)
(299)	Collection Fund Reserve	-	(676)	(975)
(17,673)	Earmarked Reserves	-	1,439	(16,234)
<u>(510,022)</u>		<u>35,674</u>	<u>-</u>	<u>(474,348)</u>

The Revaluation Reserve stores gains on revaluation of fixed assets not yet realised through sales. The Available-for-sale Financial Instruments Reserve stores gains on revaluation of investments not yet realised through sales. The Capital Adjustment Account stores capital resources set aside to meet past expenditure. The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

The Pensions Reserve is a balancing account to allow the inclusion of the pensions liability into the Council's Balance Sheet. Further information is provided in note 10.

The Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment, further information on this is set out in note 35.

The Council has a general revenue reserve (the General Fund Balance) that was established to support all non-housing Council services and is maintained at a level that is considered prudent by the Council. Further information is given in the Statement of Movement on the General Fund Balance.

## NOTES TO THE CORE STATEMENTS

### Movement in Equity cont'd

The Housing Revenue Account Reserve comprises resources to meet future running costs for council houses, and the Major Repairs Reserve exists to meet capital investment in council housing. Further information on both of these is included in the HRA Statements.

The Collection Fund shows the transactions of the Council acting as Charging Authority in relation to Council Tax, Community Charge and Non-Domestic Rating in aid of local services and shows how much monies have been distributed to the Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority, and parish councils. The balance at the year-end is the Council's share of Fund. Further information on this is shown in the Collection Fund Statements.

In addition there are other specific earmarked reserves the details of which are set out in note 37.

### 19. Intangible Fixed Assets

Intangible fixed assets are non-financial fixed assets, i.e. assets that do not have a physical substance, but are identifiable and are controlled by the Council through custody or legal rights. The costs are all for IT software. The cost of the assets is charged to the appropriate revenue account on a systematic basis over their economic lives. For those assets acquired through leasing activities the assets are amortised over the length of the leasing agreement. For others the cost is written off over the five-year life of the software. The transactions on intangible fixed assets are set out below:

2008/09 £000's		2009/10 £000's
	Purchased Software Licences	
6,303	Original Cost	7,389
(3,180)	Less: accumulated amortisation/impairment	(4,123)
3,123	Balance at 1 April	3,266
1,086	Expenditure in Year	50
-	Disposals - Gross book value	-
-	Accumulated Amortisation	-
(943)	Written off to revenue in year	(1,102)
3,266	Closing balance at 31 March	2,214
7,389	Value at 31 March	7,439
(4,123)	Less: accumulated amortisation/impairment	(5,225)
3,266	Net Book Value of Assets at 31 March	2,214

### 20. Tangible Fixed Assets

Tangible fixed assets are separated into two different types - operational and non-operational. Within operational assets is a category 'Community Assets'. The Council has a variety of assets that are classified as Community Assets, including the Bar Walls and parks. 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 their improvements at historic cost in the balance sheet gives a misleading impression. They 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. The Council also holds a number of listed buildings which must be maintained in perpetuity. The useful life of both these assets is therefore infinite, and depreciation becomes immaterial. The required annual impairment test has been carried out.

## NOTES TO THE CORE STATEMENTS

### Tangible Fixed Assets cont'd

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

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant etc. £000's	Infra-structure £000's	Comm-unity Assets £000's	TOTAL Operational Assets £000's
<b>Cost or Valuation</b>						
<b>At 1 April 2009</b>	443,872	260,470	8,193	80,376	297	793,208
Prior Year Adjustment	-	11,129	-	-	-	11,129
Restated 1 April 2009	<u>443,872</u>	<u>271,599</u>	<u>8,193</u>	<u>80,376</u>	<u>297</u>	<u>804,337</u>
Additions/Enhancements	6,093	7,102	1,578	4,561	-	19,334
Donations	-	-	-	-	-	-
Disposals	(596)	-	-	-	-	(596)
Reclassifications	-	1,174	-	1,125	-	2,299
Revaluations	8,475	19,842	-	-	-	28,317
At 31 March 2010	<u>457,844</u>	<u>299,717</u>	<u>9,771</u>	<u>86,062</u>	<u>297</u>	<u>853,691</u>
<b>Depreciation and Impairments</b>						
At 1 April 2009	(76,418)	(19,702)	(2,778)	(4,255)	(186)	(103,339)
Prior Year Adjustment	-	(947)	-	-	-	(947)
Restated 1 April 2009	<u>(76,418)</u>	<u>(20,649)</u>	<u>(2,778)</u>	<u>(4,255)</u>	<u>(186)</u>	<u>(104,286)</u>
Charge for 2009/10	(7,349)	(23,171)	(1,483)	(2,358)	-	(34,361)
At 31 March 2010	<u>(83,767)</u>	<u>(43,820)</u>	<u>(4,261)</u>	<u>(6,613)</u>	<u>(186)</u>	<u>(138,647)</u>
Balance Sheet amount at 1 April 2009	<u>367,454</u>	<u>250,950</u>	<u>5,415</u>	<u>76,121</u>	<u>111</u>	<u>700,051</u>
Balance Sheet amount at 31 March 2010	<u>374,077</u>	<u>255,897</u>	<u>5,510</u>	<u>79,449</u>	<u>111</u>	<u>715,044</u>
<b>Nature of Asset Holding</b>						
Owned	374,077	241,646	4,688	79,449	111	699,971
Finance Lease	-	-	822	-	-	822
PFI	-	14,251	-	-	-	14,251
	<u>374,077</u>	<u>255,897</u>	<u>5,510</u>	<u>79,449</u>	<u>111</u>	<u>715,044</u>

## NOTES TO THE CORE STATEMENTS

### Tangible Fixed Assets cont'd

The movements in the year on non-operational assets, and the total for all tangible assets, were as follows:

	Investment Properties £000's	Assets under Construct'n £000's	Surplus Assets £000's	TOTAL Non-Oper Assets £000's	TOTAL All Assets £000's
<b>Cost or Valuation</b>					
At 1 April 2009	74,662	29,622	17,837	122,121	915,329
Prior Year Adjustment	-	-	-	-	11,129
Restated 1 April 2009	<u>74,662</u>	<u>29,622</u>	<u>17,837</u>	<u>122,121</u>	<u>926,458</u>
Additions/Enhancements	35	15,868	12	15,915	35,249
Donations	-	-	-	-	-
Disposals	-	-	(894)	(894)	(1,490)
Reclassifications	807	(3,105)	(1)	(2,299)	-
Revaluations	<u>1,770</u>	<u>-</u>	<u>1,380</u>	<u>3,150</u>	<u>31,467</u>
At 31 March 2010	<u>77,274</u>	<u>42,385</u>	<u>18,334</u>	<u>137,993</u>	<u>991,684</u>
<b>Depreciation and Impairments</b>					
At 1 April 2009	(8,698)	(16,677)	(4,309)	(29,684)	(133,023)
Prior Year Adjustment	-	-	-	-	(947)
Restated 1 April 2009	<u>(8,698)</u>	<u>(16,677)</u>	<u>(4,309)</u>	<u>(29,684)</u>	<u>(133,970)</u>
Charge for 2009/10	<u>(1,311)</u>	<u>(7)</u>	<u>(2,512)</u>	<u>(3,830)</u>	<u>(38,191)</u>
At 31 March 2010	<u>(10,009)</u>	<u>(16,684)</u>	<u>(6,821)</u>	<u>(33,514)</u>	<u>(172,161)</u>
Balance Sheet amount at 1 April 2009	<u>65,964</u>	<u>12,945</u>	<u>13,528</u>	<u>92,437</u>	<u>792,488</u>
<b>Balance Sheet amount at 31 March 2010</b>	<u>67,265</u>	<u>25,701</u>	<u>11,513</u>	<u>104,479</u>	<u>819,523</u>
<b>Nature of Asset Holding</b>					
Owned	67,265	25,701	11,513	104,479	804,450
Finance Lease	-	-	-	-	822
PFI	-	-	-	-	14,251
	<u>67,265</u>	<u>25,701</u>	<u>11,513</u>	<u>104,479</u>	<u>819,523</u>

The figure for 'Additions/Enhancements' shown in the column 'Total All Assets' is the total value of expenditure in the year on tangible fixed assets. Of this a proportion relates to assets under construction, £15.868m (2008/09 £23.405m), which will become fixed assets in the future. In accordance with the Code of Practice assets under construction are shown as non-operational assets.

## NOTES TO THE CORE STATEMENTS

### Tangible Fixed Assets cont'd

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

	£000's
Resurfacing and Refurbishing Roads	5,203
Delivery of the Local Transport Plan	891
Devolved Capital Work on a Variety of Schools	4,450
Modernisation of Council Properties	6,093
Sports and Leisure Facilities	1,676
Other smaller schemes	1,068
<b>Expenditure that increases value of assets</b>	<b>19,381</b>
Delivery of the Local Transport Plan	3,708
Devolved Capital Work on a Variety of Schools	4,336
York Pools Strategy	2,949
Property related schemes	4,875
<b>Expenditure - Assets under Construction</b>	<b>15,868</b>
<b>Total Expenditure on Tangible Fixed Assets</b>	<b>35,249</b>

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's
Council dwellings	546
Bedern Hall	216
1 Blake Street	21
1 Newgate / 6 Patrick Pool	487
North Carlton Farm	170
Other smaller sites	50
	<b>1,490</b>

### Valuation of Tangible Fixed Assets

Valuations on all major Council assets are required to be carried out at least every 5 years and at 31 March 2010 no valuations are greater than five years old. The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements. Valuations are required when there are believed to be material changes in asset values and a review of the Council's assets has occurred where the valuer believes there has been a notable reduction in property prices, this is in addition to the 5 year revaluation programme. Impairment has, therefore, been assessed accordingly in line with the Code of Practice. The valuations process is led by Philip Callow, Senior Property Consultant with the Council, who is a Chartered Surveyor.

In accordance with guidance from the Department for Communities and Local Government council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. From 1 April 2005 the adjustment factor is 53%.

Council dwellings are depreciated on a straight-line basis over 50 years. Vehicles, plant and equipment, except those acquired by finance leases, are valued at historic cost as a proxy for current cost and depreciated on a straight-line basis over their expected life. Equipment acquired by finance leases is depreciated in line with the principal cost charged by the leasing company. Infrastructure and community assets are valued at historic cost where applicable. Infrastructure assets are depreciated, on a straight-line basis, over 40 years. All other assets, except non-depreciable land and investment properties, are depreciated on a straight-line basis over their expected life; a proxy of 40 years has been used.

## NOTES TO THE CORE STATEMENTS

### Tangible Fixed Assets cont'd

#### Analysis of Fixed Assets

Included amongst the assets owned by the Council at 31 March 2010 are the following:

<p>Council Dwellings:</p> <ul style="list-style-type: none"> <li>3,556 Flats</li> <li>4,399 Houses and Bungalows</li> </ul> <p>Land:</p> <ul style="list-style-type: none"> <li>754 km Road</li> <li>975 km Footpath</li> <li>19 Allotment Sites</li> <li>9 Public Parks</li> <li>8 Play Areas/Playgrounds</li> <li>3 Travellers Sites</li> <li>2 Equipped Farms</li> </ul> <p>Vehicles:</p> <ul style="list-style-type: none"> <li>47 Miscellaneous Vehicles</li> </ul> <p>Other Buildings:</p> <ul style="list-style-type: none"> <li>Bar Walls</li> <li>Mansion House</li> <li>7 Administrative Buildings</li> <li>197 Commercial Properties</li> </ul>	<p>Other Buildings (cont'd):</p> <ul style="list-style-type: none"> <li>1 Open Air Market</li> <li>1 Theatre</li> <li>1 Crematorium</li> <li>12 Toilet blocks</li> <li>69 Schools</li> <li>9 Respite Care and Residential Homes</li> <li>1 Day Centre</li> <li>3 Waste Disposal/Civic Amenity Sites</li> <li>1 Art Gallery</li> <li>8 Community Centres</li> <li>3 Sports Facilities</li> <li>14 Off Street Car Parks</li> <li>2 Coach Parks</li> <li>3 Park &amp; Ride sites</li> <li>2 Swimming Pools</li> <li>3 Museums</li> <li>10 Libraries</li> <li>8 Youth Clubs</li> <li>1 Windmill</li> <li>1 Training Centre</li> </ul>
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#### Future Capital Expenditure

The Council's approved capital programme shows planned capital payments in future years as follows:

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000's	£000's	£000's	£000's	£000's
Childrens' Services	26,726	10,715	10,715	10,715	10,715
Neighbourhood Services	5,940	5,635	3,220	3,308	3,401
Housing Services	10,003	9,425	9,028	10,923	8,722
Leisure and Culture Services	3,982	490	510	-	-
Economic Development	-	-	-	-	-
City Strategy	28,183	36,042	18,210	3,617	90
Resources	1,141	1,000	1,000	1,000	1,000
Chief Executive's Department	1,336	1,330	80	-	-
Social Services	801	235	245	255	255
Miscellaneous	510	-	-	-	-
<b>Total Capital Programme</b>	<b>78,622</b>	<b>64,872</b>	<b>43,008</b>	<b>29,818</b>	<b>24,183</b>

At 31 March 2010 gross capital expenditure commitments were over £6m, the most significant of which were Building Schools for the Future (£1.9m), various other learning, culture and childrens' schemes (£1.6m), heating upgrades in council housing (£1.4m), various other housing repairs (£0.7m) and Fulford Road highways works (£0.3m).

## NOTES TO THE CORE STATEMENTS

### 21. Sources of Finance

A summary of the total capital expenditure is shown below, together with the sources of finance utilised and how this affects the capital financing requirement of the Council.

2008/09 £000's		2009/10 £000's
	<b>Expenditure in year</b>	
15,837	Operational Assets	19,334
25,301	Non-operational Assets	15,915
1,086	Intangible Assets	50
15,791	Deferred Charges	23,232
	<b>Sources of Finance</b>	
(39,082)	Grants and Contributions	(33,693)
(6,293)	Capital Receipts	(1,727)
(2,425)	Revenue Contributions	(889)
(3,106)	Minimum Revenue Provision	(3,709)
(795)	Voluntary Debt Repayment	(1,051)
6,314	<b>Movement in Year</b>	17,462
	<b>Capital Financing Requirement</b>	
91,562	Opening balance at 1 April	97,876
-	PFI Adjustment	6,353
97,876	Closing balance at 31 March	121,691
	<b>Explanatory Movements in Year</b>	
7,830	Increase in underlying need to borrow (supported by Government financial assistance)	5,466
2,385	Increase in underlying need to borrow (unsupported by Government financial assistance)	16,756
(3,106)	Minimum Revenue Provision	(3,709)
(795)	Voluntary Set-aside	(1,051)
6,314	<b>Increase/(decrease) in Capital Financing Requirement</b>	17,462

### 22. Long-Term Investments

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

In 2008/09 the long term investment figure included a fixed term money market investment of £4m held with the Nationwide Building Society. There are currently no long-term investments.

## NOTES TO THE CORE STATEMENTS

### 23. Long-Term Debtors

These are sums outstanding which will be repaid over a period of years and include mortgage debts on loans for house purchase, loans to housing associations and loans to employees.

During 1999/2000 the Council repaid the notional amount outstanding for servicing the debt for assets transferred to it following the local government reorganisation in 1996. The principle applied was that the accounting treatment should reflect its expected economic impact on the City of York, and the Council expected that it would benefit from the portfolio of assets for an average of 25 years. Therefore a prepayment was established to recharge revenue in equal instalments over 25 years, commencing in 2000/01. This item, and its equivalent entries in short-term debtors (note 24) and deferred liabilities (note 29) have been removed from the balance sheet at 31.3.10 as this represents current accounting practice.

On 12 January 2005 the Council entered into a 30-year PFI contract with Sewell Education York (Ltd) for the provision and maintenance of three primary schools and one special school at three sites across the city. The PFI prepayment represents the contribution made towards securing the assets for the next 30 years, after which the legal ownership of the assets will revert to the Council. This amount will be written down over the life of the contract, in order to reduce the charge to the revenue account for services to be received over the life of the contract.

The movement on the long-term debtors is analysed as follows:

Balance at 31.3.09		Expenditure During Year	Income Received in Year	Balance at 31.3.10
£000's		£000's	£000's	£000's
236	Employee Loans	228	(148)	316
28	Council House Mortgages	-	(9)	19
13	Housing Act Advances	-	(1)	12
18,358	Prepayment - LGR 1996	-	(18,358)	-
1,145	Prepayment - PFI scheme	-	(88)	1,057
205	PFI - Residual Value Asset	74	-	279
1,366	PFI - Sculpting Prepayment	361	-	1,727
209	Other	5	(37)	177
<u>21,560</u>		<u>668</u>	<u>(18,641)</u>	<u>3,587</u>

**NOTES TO THE CORE STATEMENTS**

**24. Debtors**

This figure has been netted down by £5.518m (2008/09 £5.555m) 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 31.3.09 £000's		Balance at 31.3.10 £000's
4,512	<b>Taxpayers</b> Council Tax	4,432
3,535	<b>Central Government</b> Government Departments	-
9	Customs and Excise	6,029
2,313	NNDR	2,193
-	DEFRA Landfill Usages Allowances	1,832
1,709	<b>Other</b> Housing Rents	-
1,784	Housing Benefits	1,579
1,224	Prepayment - LGR 1996	1,883
13,847	Other Debtors	-
28,933		14,559
(2,366)	<b>Provision for Bad and Doubtful Debts</b> Collection Fund	32,507
(1,265)	Housing Rents	(2,342)
(1,139)	Housing Benefits	(1,211)
(785)	Other	(1,212)
(5,555)		(753)
23,378	<b>Total Debtors</b>	(5,518)
		26,989

## NOTES TO THE CORE STATEMENTS

### 25. Loans Outstanding

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

As at 31.3.09 £000's		Interest Rates Payable	As at 31.3.10 £000's
	<b>Total Outstanding</b>		
(87,065)	Public Works Loan Board (PWLB)	0.85% to 4.75%	(101,065)
1,122	PWLB (Carrying Value Adjustment)		1,091
-	CLF Municipal Bank		-
(10,000)	Royal Exchange Trust Co Ltd	7.16%	(10,000)
-	Local Bonds		(173)
-	Short Term Loans		-
(5,000)	Dexia Bank LOBO	3.88%	(5,000)
<u>(1,556)</u>	Interest Owed on Long Term Debt at 31st March		<u>(1,676)</u>
<u>(102,499)</u>	<b>Total</b>		<u>(116,823)</u>
	<b>Analysis of loans by maturity:</b>		
(1,556)	Interest Due within one year		(1,676)
(4,000)	Maturing within one year		(7,000)
(4,000)	Maturing in 1 - 2 years		-
(3,000)	Maturing in 2 - 5 years		(7,673)
(14,500)	Maturing in 5 - 10 years		(22,000)
(76,565)	Maturing in more than 10 years (average maturity 20 years)		(79,565)
<u>1,122</u>	Carrying Value Adjustment		<u>1,091</u>
<u>(102,499)</u>	<b>Total</b>		<u>(116,823)</u>

### 26. Creditors

The creditors figure can be analysed as follows:

Balance at 31.3.09 £000's		Balance at 31.3.10 £000's
	<b>Taxpayers</b>	
(1,284)	Council Tax	(1,498)
	<b>Central Government</b>	
(3,533)	Government Departments	(3,957)
(13)	Revenues and Customs	(3,308)
-	DEFRA Landfill Allowances Trading Scheme	-
	<b>Other</b>	
(323)	Housing Rents	(341)
<u>(30,175)</u>	Other Creditors	<u>(27,869)</u>
<u>(35,328)</u>	<b>Total Creditors</b>	<u>(36,973)</u>

## NOTES TO THE CORE STATEMENTS

### 27. Provisions

The following table summarises the Provisions held:

Balance at 31.3.09 £000's		Expenditure During Year £000's	Income During Year £000's	Balance at 31.3.10 £000's
(1,427)	Insurance Fund - General	489	(523)	(1,461)
(2,010)	Miscellaneous	1,373	(400)	(1,037)
<u>(3,437)</u>		<u>1,862</u>	<u>(923)</u>	<u>(2,498)</u>

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

Within miscellaneous is a small sum to provide for costs that may arise as a consequence of outstanding appeals against the banding for Council Tax purposes, based on estimates of potential costs and reviewed annually. The remaining provision is in respect of potential payments to employees dependent upon the outcome of current and possible future legal action.

### 28. Government Grants Deferred and Developers' Contributions Deferred

These are sums of money that have been received from government departments and external sources to contribute towards the cost of fixed assets. The money is transferred to revenue, via the Statement of Movement on the General Fund Balance, at the same rate that the asset is depreciated so that the overall General Fund revenue accounts receive a reduced charge in each year the asset is usable. This money is therefore not available to fund other expenditure requirements.

The transactions in the year are as follows:

Balance at 31.3.09 £000's		Receipts During Year £000's	Transfer to SMGFB in Year £000's	Balance at 31.3.10 £000's
(43,251)	Deferred Government Grants	(6,091)	1,293	(48,049)
(7,480)	Deferred Developers' Contributions	(427)	288	(7,619)
<u>(50,731)</u>		<u>(6,518)</u>	<u>1,581</u>	<u>(55,668)</u>

### 29. Deferred Liabilities

This represents the liability for amounts chargeable to the revenue accounts in future financial years. There are two items that relate to sums owing for assets acquired through finance leases, see also note 55.

It should be noted that in the Deferred Liabilities two prior year adjustments have been included.

(i) The liability for the payment of notional debt on the 1996 local government reorganisation transferred assets has been brought back onto the opening balance sheet from the capital adjustment account. This enables the removal of both the notional asset and notional liability at the same time in 2009/10 in accordance with current accounting practice.

(ii) The liability for the Private Finance Initiative has been included due to change in accounting treatment specified in the SORP 2009. Further information is detailed in note 48.

## NOTES TO THE CORE STATEMENTS

### Deferred Liabilities cont'd

The following table shows the transactions in the year.

Balance at 31.3.09 £000's		Income During Year £000's	Expenditure in Year £000's	Balance at 31.3.10 £000's
(19,581)	1996 Transferred Assets	-	19,581	-
(54)	Finance Leases	-	32	(22)
(1,162)	DSG Contract (see notes 49 & 55)	-	361	(801)
(6,249)	PFI Liability	-	158	(6,091)
<u>(27,046)</u>		<u>-</u>	<u>20,132</u>	<u>(6,914)</u>

The liability for the 1996 Transferred Assets, and its equivalent entries in long-term debtors (note 23) and short-term debtors (note 24) have been removed from the balance sheet at 31.3.10 as this represents current accounting practice.

### 30. 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. In 2009/10 capital grants unapplied was £5.476m (2008/09 £2.581m).

### 31. 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. The majority of the transactions relate principally to mortgages on sales of council houses.

### 32. Revaluation Reserve

This account records the accumulated net gains on fixed assets since 1 April 2007, when the reserve was first created. It was created to balance transactions within the valuation of Fixed Assets and is not a cash resource.

The reserve is adjusted for assets disposed of or which undergo a diminution in value due to, for example, market value impairment, and also for depreciation attributable to a revaluation surplus. The total balance on the reserve is the sum of individual balances for each asset, but it cannot contain a loss in respect of assets on an individual basis. Any subsequent reduction in the value of assets with a balance in the reserve is reversed out of this account to the level of the sum held, with any further reduction in value below historic cost charged to the Income and Expenditure Account.

Individual asset balances in the reserve that suffer economic benefit impairment will see their value in the reserve fall by up to the amount of the impairment held in the reserve, and this amount is transferred to the Capital Adjustment Account. Individual asset values in the reserve are also written out to the Capital Adjustment Account when the asset is disposed of.

## NOTES TO THE CORE STATEMENTS

### Revaluation Reserve cont'd

2008/09 Restated £000's		2009/10 £000's	£000's
(31,144)	<b>Balance at 1st April</b>		(25,760)
	<u>Movements in Unrealised Value of Fixed Assets</u>		
(33,676)	Gains on revaluation of fixed assets	(32,949)	
37,979	Impairment losses due to general change in prices	1,482	
902	Additional depreciation for revaluation above historical cost	396	
<u>5,205</u>			<u>(31,071)</u>
<u>(25,939)</u>			<u>(56,831)</u>
	<u>Transfer for Assets Sold, Disposed of or Decommissioned</u>		
	Balance in reserve removed for fixed asset disposals	800	
<u>179</u>			<u>800</u>
<u>179</u>			<u>800</u>
<u>(25,760)</u>	<b>Balance at 31st March</b>		<u>(56,031)</u>

### 33. Capital Adjustment Account

This account 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. It was created to balance transactions within the valuation of Fixed Assets and is not a cash resource.

2008/09 Restated £000's		2009/10 £000's	£000's
(649,857)	<b>Balance at 1st April</b>		(596,336)
	<u>Add: Income in the Year</u>		
(4,053)	Minimum Revenue Provision	(3,709)	
(795)	Voluntary Repayment of Debt	(1,051)	
(6,293)	Usable Capital Receipts	(1,727)	
(5,086)	Grants & Contributions	(5,162)	
(935)	Revenue Contributions - Housing	(707)	
(1,645)	Revenue Contributions - Other Departments	(182)	
(1,934)	Transfer to Revaluation Reserve	(1,196)	
<u>(20,741)</u>			<u>(13,734)</u>
<u>(670,598)</u>			<u>(610,070)</u>
	<u>Less: Expenditure in year</u>		
	Transfer to SMGFB		
	Revenue Expenditure funded from Capital under Statute	1,147	
1,731	Depreciation and Impairment	34,166	
66,048	Deferred Govt Grants and Dev Contribns released	(1,581)	
(1,198)	Disposal of Assets	1,490	
2,529	Transfer to Major Repairs Reserve	5,127	
<u>5,152</u>			<u>40,349</u>
<u>74,262</u>			<u>40,349</u>
<u>(596,336)</u>	<b>Balance at 31st March</b>		<u>(569,721)</u>

## NOTES TO THE CORE STATEMENTS

### 34. Financial Instruments Adjustment Account

This account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

Balance at 31.3.09 £000's		Increase in Year £000's	Amortisation in Year £000's	Balance at 31.3.10 £000's
(191)	Discounts	-	37	(154)
2,534	Premiums	-	(182)	2,352
-	Stepped Loans Instruments	-	-	-
-	Impairment of Investment	-	-	-
<u>2,343</u>		<u>-</u>	<u>(145)</u>	<u>2,198</u>

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long-Term		Short-Term	
	31.3.09 £000's (Restated)	31.3.10 £000's	31.3.09 £000's (Restated)	31.3.10 £000's
Financial Liabilities at amortised cost	96,943	108,147	5,556	8,676
Financial Liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	<u>96,943</u>	<u>108,147</u>	<u>5,556</u>	<u>8,676</u>
Loans and receivables	4,000	-	27,534	26,108
Available-for-sale	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
<b>Total Investments</b>	<u>4,000</u>	<u>-</u>	<u>27,534</u>	<u>26,108</u>

The figures shown as at 31 March 2010 consist of the nominal value of loans and investments plus accrued interest at that date. This complies with the requirements for financial instruments in accordance with SORP 2009.

#### Financial Instrument Gains and Losses

The gains and losses recognised in the Income and Expenditure Accounts and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

31.3.09 £000's		31.3.10 £000's
<b>Financial Liabilities measured at amortised costs</b>		
(4,900)	Interest payable and similar charges	(5,259)
<u>(4,900)</u>		<u>(5,259)</u>
<b>Financial Assets - Loans and Receivables</b>		
268	Dividends Received	308
3,297	Interest on Balances	1,145
<u>3,565</u>		<u>1,453</u>
<u>(1,335)</u>	<b>Net Loss for the year</b>	<u>(3,806)</u>

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Adjustment Account cont'd

#### Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- interest rates used in the calculations are taken from the Public Works Loans Board
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be invoiced or billed amount.

The fair values calculated are as follows:

	31.3.09		31.3.10	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Financial Liabilities	102,499	111,175	116,823	120,433

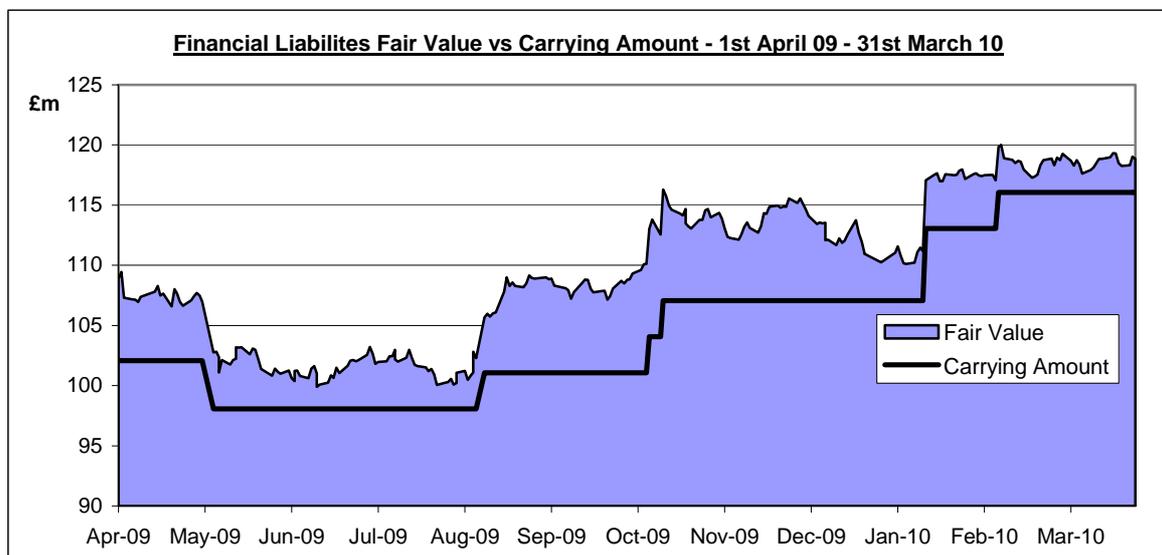
The fair value at 31 March includes £5m (2008/09 £5m) of money market debt in the form of a Lenders Option Borrowers Option (LOBO) loan. This loan is currently within its primary period (a period of 3 years in which the interest payable on the loan is at a fixed rate) and is therefore unable to be restructured, in this case the carrying value of the loan matches its fair value.

The fair value varies in relation to the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower as at March 2009 and lower in March 2010 than the rates available for similar loans at the respective Balance Sheet dates. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The fair value calculations represent the carrying amount of the loan adjusted for the premium or discount. The premium or discount is calculated using the Public Works Loan Board premature repayment rates which are derived from the yields on the gilts market. Gilt market yields vary significantly from day to day causing the premium or discount position on the Council's debt portfolio to vary on a daily basis.

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Adjustment Account cont'd

To highlight this the graph below shows the fair value of the Council's debt portfolio for the period 1 April to 31 March.



The Council did not enter into any forward dated investments that were unsettled as at 31 March 2010.

Value	Date Arranged	Date Commenced	Maturity Date	Interest Rate
Nil				

### Financial Instruments Risks

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Executive in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, interest rate risk and the investment of surplus cash. The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and it has set the treasury management indicators to control key financial instruments risks in accordance with CIPFA's Prudential Code.

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Adjustment Account cont'd

#### Credit Risk

Credit risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, due to deterioration in creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources. Deposits for periods of up to 1 year are made with banks and financial institutions with a minimum long term issuer default rating of AA and short term issuer default rating of F1+ based on Fitch credit ratings. Deposits for periods of greater than 1 year are not currently being made due to the current financial environment. The authority has a policy of not lending more than 27% of its surplus cash balances to one institution.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council. The following analysis sets out the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31.3.10	Historical Experience of Default	Historical Experience Adjusted for Market Conditions	Estimated Maximum Exposure to Default and Uncollectability
	£000's	%	%	£000's
Deposit with banks and financial institutions	26,108	-	-	-
Bonds	-	-	-	-
Customers	14,559	5.17%	5.17%	753
	40,667			753

No credit limits in relation to deposits with banks and financial institutions were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

The Customers figure excludes statutory debtors in accordance with the SORP. The historical experience of default is based on past trends.

#### Liquidity Risk

As the Council has ready access to borrowings from the Publics Works Loan Boards, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The risk to the Council is that it will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The strategy is to limit the exposure to replenishing loans in a short time period by carefully planning and managing the maturity profile of the Council's debt into the periods specified below.

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Adjustment Account cont'd

	Authority Upper Limit %	Authority Actual at 31.3.10 %	Authority Actual at 31.3.10 £000's
Under 12 months	10%	6%	(7,000)
12 months and within 24 months	10%	0%	-
24 months and within 5 years	25%	7%	(7,673)
5 years and within 10 years	25%	19%	(22,000)
10 years and above	90%	68%	(79,565)
			(116,238)

All trade and other payables are due to be repaid in less than one year.

### Market Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investment at variable rates - the interest income credited to the Income and Expenditure Account will rise
- investment at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses.

The Council has a number of strategies for managing interest rate risk. Policy sets an upper limit of 20% of its net investment/debt in variable rate deposits and loans. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget in line with the corporate reporting timetable. This allows any adverse changes to be accommodated. According to this assessment strategy if interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March would be as shown on the following table:

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Adjustment Account cont'd

31.3.09		31.3.10
£000's		£000's
-	Increase in interest payable on variable rate borrowings	-
49.0	Increase in interest receivable on variable rate investments	89.0
-	Increase in government grant receivable for financing costs	-
49.0	Impact on Income and Expenditure Account	89.0
8.5	Share of overall impact credited to the HRA	17.8
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on STRGL	-
1,020.7	Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E Account or STRGL)	1,166.5

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

### Foreign Exchange Risk

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

### 35. Capital Receipts Reserve

Under statute it is a requirement to reserve specified proportions of capital receipts from the sale of assets in order to either avoid or repay future debt, or, in the case of certain Housing sales from 1 April 2004, remit the receipt to the Secretary of State. The remaining proportion is available to finance new capital expenditure.

2008/09		2009/10
£000's		£000's
(4,226)	Balance at 1 April	-
(2,155)	Receipts in year from sale of assets	(2,220)
(6,381)		(2,220)
85	Less: Proportion of HRA receipts to be paid to Government Pool	334
3	Less: Allowable costs on sale of HRA Assets	5
(6,293)	Available Usable Receipts	(1,881)
6,293	Receipts applied during the year	1,727
-	Usable Capital Receipts Unapplied at 31 March	(154)

### 36. Major Repairs Reserve

Details of the movement in the Major Repairs Reserve is shown in more details in note 12 to the Housing Revenue Account.

## NOTES TO THE CORE STATEMENTS

### 37. Earmarked Reserves

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

Balance at 31.3.09 £000's	Account	Expenditure During Year £000's	Income During Year £000's	Balance at 31.3.10 £000's
<b>Reserves</b>				
(1,208)	Investment Reserves	-	-	(1,208)
(332)	Trading Operations Reserve	382	(50)	-
(2,276)	Venture Fund	211	(154)	(2,219)
(571)	Reserve to Support Capital	571	-	-
(4,271)	Developers Contributions Unapplied	729	(604)	(4,146)
(1,886)	Insurance Fund	1,105	(269)	(1,050)
(599)	Introducing New Technology	599	-	-
(1,072)	Invest to Save	727	(451)	(796)
<u>(5,458)</u>	Miscellaneous	<u>1,828</u>	<u>(3,185)</u>	<u>(6,815)</u>
<u>(17,673)</u>		<u>6,152</u>	<u>(4,713)</u>	<u>(16,234)</u>

The balance on the Venture Fund represents the resources available to support one-off costs to allow for service re-engineering which will lead to future revenue savings. The Invest to Save reserve has been established to enable the Council to meet its efficiency and strategic procurement programmes over the coming financial years. Repayments will be made back to the fund from efficiencies made. The payments on the revenue reserve to support capital represent advances made to fund the capital programme and the work done by property services to assist with asset management. The balance is to support future capital expenditure.

Within miscellaneous reserves is a reserve to hold dedicated schools grant unallocated which was created in 2006/07. This will be used in future years to support expenditure in schools. The remaining balance is to meet future expenditure costs for items such as other insurance risks, e.g. fire.

#### Insurance Fund

The Council has created an Insurance Fund rather than externally insure the majority of its public liability and some school insurance risks. If claims total more than a pre-determined sum, external insurers will meet any additional costs. The Council (with its Insurers) annually reviews the provision needed to meet future liabilities and holds surplus funds in insurance reserves. At 31 March 2010 the reserves stood at £1.050m (2008/09 £1.886m).

## NOTES TO THE CORE STATEMENTS

### 38. Cash-Flow Revenue Activities

These figures are derived from an analysis of the Council's expenditure on services, net of internal recharges and the use of balances, including the HRA, and can be reconciled as follows:

	£000's	£000's
(Surplus)/Deficit per the Income and Expenditure Account		34,177
Non-cash transactions		
Items in the Statement of Movement on the General Fund Balance		
Depreciation of fixed assets	(34,166)	
Amortisation of deferred grants relating to fixed assets	1,581	
Revenue Expenditure Funded from Capital under Statute	(1,147)	
Profit/loss on sale of fixed assets	725	
Provisions set aside	939	
Contributions (to)/from reserves	<u>(4,693)</u>	<u>(36,761)</u>
		(2,584)
Items on an accruals basis		
Increase/(decrease) in stocks and works in progress	(50)	
Increase/(decrease) in debtors	3,612	
(Increase)/decrease in creditors	<u>(1,646)</u>	<u>1,916</u>
		(668)
Items included in another classification in the Cash Flow Statement		
Capital Activities	(6,107)	
Investment Income/Finance Leasing Payments	<u>(4,351)</u>	<u>(10,458)</u>
		<u>(11,126)</u>

### 39. Purchase of Fixed Assets

This figure comes from Notes 19 and 20, as adjusted for accruals at the year-end and excluding internal salaries of £3.649m (2008/09 £3.218m).

### 40. Sale of Fixed Assets

These are receipts received in the year from the sale of council houses and other assets.

### 41. Capital Grants Received

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

	£000's
DCSF BSF One School Pathfinder	8,266
DCSF Devolved Formula Capital	3,451
DCSF Other Smaller funds - collective	9,617
Major Repairs Allowance	5,925
Miscellaneous Housing Grants	1,308
Other Miscellaneous	<u>5,287</u>
Total	<u>33,854</u>

## NOTES TO THE CORE STATEMENTS

### 42. Liquid Resources and Financing

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 Balance Sheet.

	Balance 31.3.09 £000's	Balance 31.3.10 £000's	Movement in Year £000's
<i>Management of Liquid Resources</i>			
Temporary Investments	30,900	25,875	(5,025)
Temporary Loans	-	-	-
	30,900	25,875	(5,025)
<i>Financing</i>			
Long-Term loans due within 12 months	4,000	7,000	(3,000)
Long-Term Loans	98,065	109,238	(11,173)
	102,065	116,238	(14,173)

### 43. Recognition of the Movement in Cash to the Movement in Net Debt

The following shows the movement in cash compared to the movement in net debt in the year:

	Balance 31.3.09 £000's	Balance 31.3.10 £000's	Movement in Year £000's
Cash-in-hand	59	59	-
Schools Cash at Bank	8,841	9,690	849
Cash Overdrawn	(256)	(1,171)	(915)
Total	8,644	8,578	(66)
Temporary Loans Investments	30,900	25,875	(5,025)
Long Term Borrowing	(102,065)	(116,238)	(14,173)
Total	(71,165)	(90,363)	(19,198)
Total Movement in Net Debt	(62,521)	(81,785)	(19,264)

## NOTES TO THE CORE STATEMENTS

### 44. Precepts Paid

There are two major preceptors, North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority and thirty one parish council preceptors. The payments are shown in the following table.

2008/09		2009/10
£000's		£000's
	<b>Precepts</b>	
12,764	North Yorkshire Police Authority	13,092
3,866	North Yorkshire Fire and Rescue Authority	4,002
<u>561</u>	Parish Precepts	<u>585</u>
<u>17,191</u>		<u>17,679</u>

### 45. Other Revenue Government Grants

Revenue Support Grant and Area Based Grant are both included in note 11, general government grants. In addition to these grants, the Council also receives a variety of revenue grants which are service specific and so are included within the income figures of the appropriate service on the Income and Expenditure Account. The significant grants received in the year include the following:

	£000's
Housing Benefits Subsidy	45,508
Housing Benefits Administration	1,254
Schools Standard Support Grant	4,657
Education Standards Fund	8,869
Sure Start (Early Years and Children's Centres)	4,584
Supporting People	7,173
Dedicated Schools Grant	88,321
Sixth Form Funding	<u>6,709</u>
Total	<u>167,075</u>

### 46. Landfill Allowance Trading Scheme

Under the legislative provisions of the Waste and Emissions Trading Act 2003 each waste disposal authority, of which City of York Council is one, is obliged to reduce the amount of biodegradable municipal waste disposed to landfill. The trading scheme allows waste disposal authorities with excess allowances, i.e. allowances higher than their need to use landfill sites, to either sell these allowances or carry them forward to meet future years landfill needs. It also allows authorities with a higher need to use landfill sites than their allowance would permit to purchase additional allowances from those with excesses, or suffer a financial penalty of £150 per tonne.

2009/10 was closed as a target year for the scheme and no allowances could be brought forward into the year, nor can unused allowances be carried forward into 2010/11.

In 2009/10 the Council received an allowance of 44,280 tonnes (51,950 tonnes) of biodegradable municipal waste to put into landfill. The usage was 41,230 tonnes (42,544 tonnes), which was 3,050 tonnes (9,406 tonnes) below this target. The excess cannot be carried forward against future landfill usage. The costs of landfill waste disposal and the allowance are included in the Cultural, Environmental and Planning Services line of the Income and Expenditure Account.

## NOTES TO THE CORE STATEMENTS

### 47. Private Finance Initiatives (PFI)

On 12 January 2005 the Council entered into a 30-year contract under PFI for the provision and maintenance of three primary schools and one special school. The first school became operational in November 2005 and all facilities are now fully operational. The contract will finish on 31 March 2036. The DCSF have awarded the Council PFI credits based on a notional debt of £15.4m in respect of the new schools. This is worth £36.079m of which £1.186m (2008/09 £1.186m) was received in the year.

The expected receipt of the remaining PFI credits and an estimate of the remaining payments to be made to the contractor over the life of the contract are shown below, although the actual amount paid to the contractor will be affected by their performance.

5-Year Range	Estimated Receipt of PFI Credits £000's	Estimated Payment £000's
2010/11 to 2014/15	(5,931)	10,809
2015/16 to 2019/20	(5,931)	10,573
2020/21 to 2024/25	(5,931)	10,612
2025/26 to 2029/30	(5,931)	10,905
2030/31 to 2034/35	(5,931)	11,441
2035/36	(1,136)	2,373
	(30,791)	56,713

### 48. PFI Assets

From 2009/10, the way the council has to account for PFI has changed. Where the asset reverts to the council at the end of the contract, it has to be recognised on the Balance Sheet. The two schools at Hob Moor fit this criteria and are therefore now covered under the new regulations and are subsequently referred to PFI Assets. As the remaining two schools are Voluntary Aided, these remain off the council's Balance Sheet.

PFI Assets are consolidated into the council's overall asset balances rather than presented as a separate category on the face of the Balance Sheet. The note below extracts these figures and shows the movement in the assets value since the inception of the scheme in 2004/05.

2004/05	2005/06	2006/07	2007/08	2008/09		2009/10
£000's	£000's	£000's	£000's	£000's		£000's
-	2,817	6,433	9,147	8,801	Operational PFI Assets - Other Buildings	9,798
4,571	4,571	4,571	4,571	4,571	Operational PFI Assets - Other Land	4,571
4,571	7,388	11,004	13,718	13,372	<b>Opening Net Book Value</b>	14,369
2,817	3,616	3,036	-	-	Additions	48
-	-	-	-	1,275	Revaluations	358
-	-	(322)	(347)	(278)	Depreciation	(262)
7,388	11,004	13,718	13,371	14,369	<b>Closing Net Book Value</b>	14,513
7,388	3,616	2,714	(347)	998	<b>Annual Movement in Net Book Value</b>	144

## NOTES TO THE CORE STATEMENTS

### PFI Assets cont'd

The value of liabilities resulting from PFI Assets are shown on the face of the Balance Sheet as part of the Deferred Liabilities line (see note 29). The table below extracts this figures and shows the movement in the liability since 2004/05. The increases in the value of the liability correspond to the increase in the value of the asset, adjusted in 2006/07 for the creation of the PFI Prepayment.

2004/05	2005/06	2006/07	2007/08	2008/09		2009/10
£000's	£000's	£000's	£000's	£000's		£000's
-	(2,817)	(9,470)	(6,862)	(6,862)	Opening Liability Value	(6,862)
(2,817)	(6,653)	2,608	-	-	Adjustments to Liability	0
<u>(2,817)</u>	<u>(9,470)</u>	<u>(6,862)</u>	<u>(6,862)</u>	<u>(6,862)</u>	<b>Liability Value</b>	<u>(6,862)</u>
-	-	207	442	612	Accumulated Write Down Value	771
<u>(2,817)</u>	<u>(9,470)</u>	<u>(6,655)</u>	<u>(6,420)</u>	<u>(6,250)</u>	<b>Closing Liability Value</b>	<u>(6,091)</u>
(2,817)	(6,653)	2,815	235	170	<b>Annual Movement in Net Book Value</b>	159

The table below shows the details of payments due to be made under PFI contracts where an asset has been realised on the Balance Sheet, and classifies costs over the lifetime of the contract. The price base used assumes an annual inflation rate of 2.5%.

	Service Charges	Interest Payments	Liability Repayment	Lifecycle Costs R&M	Total Payments
	£000's	£000's	£000's	£000's	£000's
Within 1 Yr	(380)	(469)	(254)	(111)	(1,214)
Between 2 Yrs and 5 Yrs	(1,623)	(1,688)	(857)	(522)	(4,690)
Between 6 Yrs and 10 Yrs	(2,261)	(1,802)	(1,031)	(662)	(5,756)
Between 11 Yrs and 15 Yrs	(2,563)	(1,379)	(817)	(1,018)	(5,777)
Between 16 Yrs and 20 Yrs	(2,900)	(1,127)	(856)	(1,053)	(5,936)
Between 21 Yrs and 25 Yrs	(3,265)	(1,253)	(1,470)	(240)	(6,228)
Year 26	<u>(700)</u>	<u>(222)</u>	<u>(367)</u>	<u>(3)</u>	<u>(1,292)</u>
	<u>(13,692)</u>	<u>(7,940)</u>	<u>(5,652)</u>	<u>(3,609)</u>	<u>(30,893)</u>

#### 49. Long-Term Contracts

The council is committed to making payments for the provision of care and support contracts estimated at £7.4m (2008/09 £6.3m) per annum. The actual level of payments will depend on the service required. The contracts expire between June 2010 and April 2013.

Supporting People is the government's initiative to change the way support services were funded from April 2003. As the administering authority for Supporting People the Council is committed to payments to service providers estimated at £4.1m (2008/09 £5.4m) per annum.

In April 2007 the council entered into a waste processing contract with Yorwaste to deal with landfill, recyclate, green and bulky waste. The length of contract covers 15 years for landfill and composting, five years for recyclate with an option to extend these. In 2009/10 the estimated contract value is £3.7m (2008/09 £3.5m) (including £2.0m [2008/09 £1.9m] landfill tax) per annum, but the future value of the contract will be affected by the increasing amount of material recycled and composted, therefore reducing the amount of waste sent to landfill.

The Council entered into a contract with the Defence Support Group (DSG) (formerly ABRO) for fleet services in January 2007. In 2009/10 this contract formerly ceased due to a change in DSG business direction. This was agreed by the Council and the provision is now in house.

**Long-Term Contracts** cont'd

The council entered into a Service Level Agreement with St Gobain (Jewson Ltd) for the provision of building maintenance supplies for a 5 year period from September 2007. The contract value was expected to be approximately £1m per annum. The spend in 2009/10 was £1.482m (2008/09 £1.560m).

The council has also entered into two contracts relating to street lighting, one for maintenance and one for electricity. The first runs to 31 March 2013 with a contract sum of £495k per annum. The second is a 12 month contract running to 31 October 2010 and has a total value of £775k.

The council has entered into a contract with Pinacl Solutions for the provision of managed Voice, Data and Broadband network services. The contract commenced on 1 September 2009 for a period of eight years with the option to extend for a further two years at the council's discretion. The total value of the contract over the eight year period is £13.7m.

In January 2010 the council entered into a 3 year agreement to purchase Microsoft Office 2007 and other associated software licences from Trustmarque Solutions. The total value of the contract over three years is £895k. The contract allows the council to upgrade to the latest version of Microsoft Office in 2012 free of any additional charge and will ensure that a fully supported office application is provide until at least 2018.

**50. Agency Services and Pooled Budgets**

The Council has an agency agreement with North Yorkshire and York Primary Care Trust (PCT) related to provision for people with learning disabilities. The council administers the service on behalf of the PCT and are fully reimbursed for the expenditure incurred. The income received in 2009/10 was £4.56m (2008/09 £4.49m).

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

There were no pooled budgets in 2009/10, but these will continue to be considered by the council in future years.

**51. Members' Allowances**

The Local Authorities (Members' Allowances) (England) Regulations 2003 include a requirement for local authorities to publicise the scheme for members' allowances and to disclose annually amounts paid to each member under such schemes. The information on amounts paid during 2009/10 will be released to the press during the summer and will identify that the council spent £541k (2008/09 £562k) on members' allowances. 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 are set by the Council after recommendations are received from the Executive, having regard to the review undertaken by the Council's independent remuneration panel.

Although the Council only has 47 Members, during 2009/10 a by-election was held following the resignation of one Member, thus the number of Members receiving an allowance over the financial year is 48.

## NOTES TO THE CORE STATEMENTS

### Members' Allowances cont'd

The following table shows the total number of Members who received a payment during the financial year whose combined basic and responsibility allowances fell in different bands.

2008/09 Number of Members	Allowance Band £000's	2009/10 Number of Members
-	0 - 5	2
20	5 - 10	25
19	10 - 15	13
2	15 - 20	2
5	20 - 25	5
1	25 - 30	-
-	30 - 35	1
47		48

### 52. Employees' Emoluments

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 introduce a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees. In addition it is also a requirement to disclose the number of employees, including teachers, whose total remuneration is above £50k in £5k increasing bands. The numbers in different bands are shown below. It should be noted that the numbers in the table do not agree to the number quoted in 2008/09. This is due to job evaluation payments related to 2008/09 being paid in 2009/10.

2008/09				Salary Range £000's	2009/10			
Number of employees Officers Current	Officers Left During Year	Teachers Current	Total		Number of employees Officers Current	Officers Left During Year	Teachers Current	Total
26	7	20	53	50 - 55	31	8	23	62
3	2	25	30	55 - 60	4	3	34	41
3	7	8	18	60 - 65	4	3	7	14
14	1	8	23	65 - 70	14	5	8	27
4	-	3	7	70 - 75	4	1	6	11
-	-	3	3	75 - 80	-	-	2	2
-	-	1	1	80 - 85	-	-	2	2
-	1	1	2	85 - 90	-	-	1	1
-	-	-	-	90 - 95	1	-	1	2
1	-	-	1	95 - 100	1	-	-	1
4	-	-	4	100 - 105	2	-	1	3
-	-	-	-	105 - 110	-	-	-	-
-	-	-	-	110 - 115	-	-	-	-
-	-	-	-	115 - 120	-	-	-	-
-	-	-	-	120 - 125	-	-	-	-
-	-	-	-	125 - 130	-	-	-	-
-	-	-	-	130 - 135	1	-	-	1
-	-	-	-	135 - 140	-	-	-	-
-	1	-	1	140 - 145	-	-	-	-
55	19	69	143		62	20	85	167

## NOTES TO THE CORE STATEMENTS

### Employees' Emoluments cont'd

	Notes	Salary (incl. fees & Allow- ances) £000's	Expense Allow- ances £000's	Compens- ation for loss of office <b>Note 7</b> £000's	Total Remuner- ation excluding Pension contrib- utions 2009/10 £000's	Pension contrib- utions £000's	Total Remuner- ation including Pension contrib- utions 2009/10 £000's
Chief Executive from 5/10/09	1	64	-	-	64	11	75
Chief Executive from 1/4/09 to 16/08/09	1	54	-	-	54	10	64
Director of Housing & Social Services	2	131	1	51	183	69	252
Director of City Strategy	3	110	-	-	110	19	129
Director of Learning, Culture & Children's Services		97	-	-	97	17	114
Director of Neighbourhood Services from 17/8/09	4	58	-	-	58	10	68
Director of Neighbourhood Services to 17/07/09	4	-	-	-	-	-	-
Director of People & Improvement	5	73	-	58	131	13	144
Director of Resources		104	-	-	104	19	123
Head of Civic, Democratic & Legal Services to 31/10/09	6	43	-	-	43	8	51
		734	1	109	844	176	1,020

#### Notes:

1: The Chief Executive resigned on 16/8/09, his annualised salary was £143k. He was replaced on 5/10/2009, at an annualised salary of £130k.

2: The Director of Housing & Social Services was made redundant on 31/3/2010, his annualised salary was £108k. He received £22k pay in lieu of notice and £51k pension contribution for the next 5 years.

3: The Director of City Strategy was appointed the Acting Chief Executive from 17/08/09 to 04/10/09, his annualised salary was £107k and he received a responsibility payment of £3k.

4: There was an interim Director of Neighbourhood Services employed via an agency from 01/04/09 to 17/07/09 which was paid £58k and expense allowances of £3k. The current Director of Neighbourhood Services was appointed on 17/08/2010, the annualised salary is £97k.

5: The Director of People & Improvement's annualised salary was £103k. She went on maternity leave on 12/4/09 and returned on 1/11/09. She was made redundant on 31/3/2010 and received £26k pay in lieu of notice.

6: The Head of Civic, Democratic & Legal Services resigned on 31/10/2009, his annualised salary was £73k. His interim replacement was via an agency from 26/10/2009 to 14/04/2010. She worked 3 days a week and the agency was paid £60k. The current Head of Civic, Democratic & Legal Services arrived on 19/4/2010.

7: Compensation for loss of office includes redundancy payments and compromise agreement payments.

## NOTES TO THE CORE STATEMENTS

### Employees' Emoluments cont'd

	Notes	Salary (incl. fees & Allow- ances) £000's	Expense Allow- ances £000's	Compens- ation for loss of office £000's	Total Remuner- ation excluding Pension contrib- utions 2008/09 £000's	Pension contrib- utions £000's	Total Remuner- ation including Pension contrib- utions 2008/09 £000's
Chief Executive		145	-	-	145	26	171
Director of Housing and Social Services		100	-	-	100	18	118
Director of City Strategy		103	-	-	103	18	121
Director of Learning, Culture & Children's Services		92	1	-	93	17	110
Director of Neighbourhood Services to 01/02/09	1	92	1	-	93	15	108
Director of Neighbourhood Services Interim from 15/01/09	1	-	-	-	-	-	-
Director of People & Improvement		100	-	-	100	18	118
Director of Resources to 25/6/208	2	23	-	-	23	4	27
Director of Resources from 25/8/08	2	60	-	-	60	11	71
Head of Civic, Democratic & Legal Services		74	-	-	74	13	87
		789	2	-	791	140	931

#### Notes:

1: The Director of Neighbourhood Services resigned on 01/02/09, his annualised salary was £99,822. His interim replacement was via an agency from 15/01/09, which was paid £45,062.50 and expense allowances of £2,188.84 to 31/3/2009.

2: The Director of Resources resigned on 15/6/2008, his annualised salary was £102,766. He was replaced on 25/8/2008, at an annualised salary of £102,766.

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

From 1 April 2005 the council is only responsible for the residual capital financing costs of the Magistrates Service that remain following the transfer of the responsibility of the service to central government. These costs total £11k (2008/09 £12k). In addition the Court Services total includes residual capital financing costs that remain with the Council following the transfer of the responsibility for the cost of the Probation Service to the North Yorkshire Probation Committee of £5k (2008/09 £5k).

The Community Equipment Loan Service orders, stores and supplies equipment to customers in the North Yorkshire and York Primary Care Trust area. The gross cost of the service was £719k (2008/09 £689k). Contributions from North Yorkshire County Council and North Yorkshire and York Primary Care Trust totalled £221k (2008/09 £244k).

**Contributions to Joint Committees and Joint Bodies cont'd**

The council operates a Childrens Trust under the name YorOK, which brings together services working with children within one organisational structure to include services provided by Education, Social Services and Health. Expenditure of £781k (2008/09 £697k) was incurred, of which £683k (2008/09 £498k) was funded by grants and partnership contributions with the Council funding the remaining £98k (2008/09 £199k).

An investment fund set up with North Yorkshire and York Primary Care Trust, York Hospitals Trust and the Council to manage delayed transfers of care by providing better quality care to older people and reducing the overall number of delayed transfers from hospital has been dissolved, although the service remains in place with the same objectives. The balance on the fund at 31 March 2009 (£110k) has been used during 2009/10.

**54. Partnership Arrangements**

The Without Walls Local Strategic Partnership has been established to support the council's duty to enhance the economic, social and environmental well-being of the city. It is responsible for the preparation and monitoring of the Sustainable Community Strategy (SCS) for York and also leads on York's Local Area Agreement with Government. The work of the Without Walls Board and the Executive Delivery Board is supported by the Strategic Partnership team within the council. Without Walls has seven strategic partnerships, together with the Children's Board, YorOK, supporting the strategic aims set out in the SCS. The council has provided funding of £524k (2008/09 £600k) through the use of LPSA2 revenue grant to assist in the achievement of LAA targets. A further £197k is available in 2010/11.

The Local Safeguarding Children Board Committee develops, monitors and reviews local child protection policies and had costs of £167k (2008/09 £163k) and received contributions totalling £67k (2008/09 £68k) from various bodies, including North Yorkshire and York Primary Care Trust, 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 was £606k (2008/09 £562k).

Under the same act the York Youth Offending Team was established to ensure that appropriate youth justice services are provided within the City of York. It comprises officers from the council, the Police, the Probation Service and the Health Authority. The cost to the council was £441k (2008/09 £430k).

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. Expenditure totalled £343k (2008/09 £334k) funded by the council.

The Lifelong Learning Partnership is a high-level strategy body of organisations that deliver lifelong learning across the city. It is aimed at breaking down barriers to lifelong learning across the city. It is an independent body with representation from private, public and community sectors. The core funding of £60k (2008/09 £60k) comes from the Learning and Skills Council.

## NOTES TO THE CORE STATEMENTS

### Partnership Arrangements cont'd

A York Central Steering Board has been set up to oversee the development of York Central at a strategic level - the partners are City of York Council, Yorkshire Forward, Network Rail and National Museum of Science and Industry (parent of National Railway Museum) and Associated British Foods (parent body of British Sugar). The next phase of the partnership is to review the development of the site following the unsuccessful process to appoint a developer.

The Yorkshire and Humber Trading Standards Group (YAHTSG) is a partnership between CYC Trading Standards and Trading Standards in other local authorities covering the geographical area of East Yorkshire, North Yorkshire, South Yorkshire, West Yorkshire, North East Lincolnshire, North Lincolnshire, Hull and York. The YAHTSG aims to define, share and enable best practice whilst providing trading standards tailored to the needs of local communities by providing a regional voice to influence key decisions and national agenda issues, optimise use of resources within the region to maximise service delivery, supporting the aims of the Local Authorities Co-ordinators of Regulatory Services (LACORS) in providing national consistency and shared best practice, to ensure the economic well-being of local communities through the provision of quality Trading Standards Services and to encourage and support professional development of Trading Standards staff in the region. YAHTSG is funded by grant funding from the Department for Business Innovation and Skills, grants for specific projects and contributions from the member local authorities.

The Mental Health Partnership has been instigated to improve access and delivery of services to adults of working age with a mental health problem through integrated provision, commissioning and budget management through a lead manager. The partner agencies are North Yorkshire County Council, North Yorkshire and York Primary Care Trust (PCT) and City of York Council. The PCT are the lead agency.

The Learning Disability Development Fund (LDDF) is a partnership between City of York Council, North Yorkshire County Council and the North Yorkshire and York Primary Care Trust. It is used for the Government's Valuing People priorities amongst which are modernising day services, taking a person centred approach, strengthening advocacy and increasing the number of people with Learning Disabilities in paid work. In 2009/10 LDDF was 100% grant funded to the value of £128k (2008/09 £127k).

From 1 April 2008 a Visit York Board has been set up to oversee the management of the tourism agenda following the decision to combine the activities of the Council and the York Tourism Bureau into a single entity - Visit York Ltd. This has been established as a company limited by guarantee, bringing together City of York Council with the former York Tourism Bureau and York Hospitality Association. The Council nominates three directors to a Board of 13. Visit York has a services level agreement with the council and received a financial contribution from the council of £398k (2008/09 £386k).

A Science City Board has been set up to oversee the management of the Science City agenda following the setting up of Science City York Ltd Science City York is a company limited by guarantee owned jointly by the Council and the University of York. In 2009/10 the service has been provided jointly by the Council for the first six months with the company taking full control from 1 October 2009. The members of the Science City Board are City of York Council and the University of York, with additional board members from Yorkshire Forward and the local business community. Science City York received a financial contribution from the Council of £180k (2008/09 £235k).

On 1 April 2009, internal audit, counter-fraud and information governance services were transferred to Veritau Limited. The company is jointly owned by City of Council and North Yorkshire County Council. The Council has nominated two directors to the board of the company. A further two external directors will be jointly nominated by the two shareholders. City of York Council incurred minimal costs (£10k in 2008/09 towards the set up of the new company).

## NOTES TO THE CORE STATEMENTS

### Partnership Arrangements cont'd

The North Yorkshire Concessionary Fares Partnership is a partnership between the Council and all district councils in North Yorkshire to deal with bus pass administration. The Council paid a contribution of £32k (2008/09 £29k) for its share of administration costs.

### 55. Finance Leases

The Council holds capital assets acquired under finance leases which are all in extension periods and have been fully depreciated in the accounts. No new finance leases have been entered into, however the Prudential Code requires that some operating leases entered into by the Council should be shown in the accounts as if they were finance leases. These leases provide certain vehicles, plant and equipment used by the Council. The rentals payable under these arrangements were £35k (2008/09 £91k) charged to the Income and Expenditure Account as £3k (2008/09 £4k) finance costs (debited to interest payable) and £32k (2008/09 £87k) relating to the write-down of the obligations to the lessor (reversed in the Statement of Movement on the General Fund Balance).

The Council entered into a vehicle maintenance and procurement contract with the Defence Support Group (DSG - formerly ABRO) in January 2007. A number of vehicles were procured during 2008/09 on terms that require them to be determined as finance lease transactions under SSAP21. Despite the contract with DSG no longer being in place the assets used have novated across to the Council. The rentals payable under these arrangements were £443k (2008/09 £443k) charged to the Income and Expenditure Account as £82k (2008/09 £105k) finance costs (debited to interest payable) and £361k (2008/09 £338k) relating to the write-down of the obligations to the lessor (reversed in the Statement of Movement on the General Fund Balance).

The following value of vehicles, plant and equipment are held under redesignated finance leases by the Council, accounted for as part of tangible fixed assets.

2008/09 £000's		2009/10 £000's
1,639	Value at 1 April	1,215
-	Additions	-
-	Revaluations	-
(424)	Depreciation	(393)
-	Disposals	-
1,215	Value at 31 March	822

Outstanding obligations to make payments under these leases (excluding the interest cost) at 31 March are included in the figure for deferred liabilities. The outstanding commitments fall into the following years:

Commitment at 31.3.09 £000's	Year	Commitment at 31.3.10 £000's
393	Payable within one year	408
822	Payable between 2nd and 5th year	414
-	Payable from the sixth subsequent year onwards	-
1,215		822

## NOTES TO THE CORE STATEMENTS

### 56. Operating Leases

The Council has granted a number of long-term property leases to organisations and private individuals. These arrangements are accounted for as operating leases. The rental income of £2.880m (2008/09 £2.761m) is included in the revenue accounts of the appropriate services, namely central services and cultural, environmental and planning services. In addition the Council uses certain vehicles, plant and equipment financed through operating leases and the rentals payable under these arrangements were £1.018m (2008/09 £0.795m).

The Council is committed to making lease payments totalling £629k at 31 March 2010 (£520k at 31 March 2009) as shown below:

Commitment at 31.3.09 £000's		Commitment at 31.3.10 £000's
74	Leases expiring within one year	27
446	Leases expiring between 2 and 5 years	602
-	Leases expiring after 5 years	-
520		629

With regard to the Council's activity as lessor (landlord), the gross value of assets held for use under operating leases was £67.265m (2008/09 £66.771m) at 31 March.

### 57. Audit Costs

The fees in the following table were incurred relating to external audit and inspection.

2008/09 £000's		2009/10 £000's
272	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	248
22	Fees payable to the Audit Commission in respect of statutory inspection	17
39	Fees payable to the Audit Commission for the certification of grant claims and returns	30
-	Fees payable in respect of other services provided by the appointed auditor	4
333		299

### 58. 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.

### 59. Business Improvement District Schemes (BIDS)

Business Improvement District Schemes are projects to benefit a particular area, funded through levies on non-domestic ratepayers in the area. There are no BIDS in place in the Council's area.

## NOTES TO THE CORE STATEMENTS

### 60. Contingent Liabilities and Assets

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.

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). 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).

The Council has made provision to meet potential payments to employees dependent upon the outcome of current and possible future legal action. The individual circumstances of any claim could vary the financial risk to the Council, and the final cost may be higher than currently provided for.

As a result of the recent House of Lords' decision in the cases of Michael Fleming (t/a Bodycraft) v HMRC and Conde Nast Publications Ltd v HMRC, claims may now be made for output tax overpaid or over declared in accounting periods ending before 4 December 1996 and output tax in respect of which the entitlement to deduct arose in accounting periods ending before 1 May 1997. The Council has lodged claims with HMRC to the value of £0.4m. It is not certain that the claim will be upheld, so the asset cannot be recognised in the Accounts.

The council is currently undertaking a procurement exercise with North Yorkshire County Council to change the way the councils deal with disposing municipal waste. The current regime of landfilling waste is not sustainable given increases in landfill tax and potential penalties arising from the Landfill Allowance Trading Scheme. The councils are due to shortly announce the result of the procurement and will look to progress the implementation of the solution over the next four years. City of York Council has identified within the medium term financial strategy to set aside additional budgets in order to make the proposed solution affordable.

As at 31st March 2010, the final settlement between Northgate Kendric Ash (the More for York efficiency partners) and the Council had not been determined.

### 61. Trust Funds

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

Balance at 31.3.09 £000's		Expenditure During Year £000's	Income During Year £000's	Balance at 31.3.10 £000's
(23)	James Cox Automoton Clock	-	-	(23)
(23)	Edmund Wilson Trust	1	-	(22)
(49)	Ismay Trust	49	-	-
(44)	Houghton/Gardiner Trust Fund	-	(2)	(46)
(59)	Strensall & Towthorpe Village Trust	-	(2)	(61)
(140)	Other Funds	459	(469)	(150)
<u>(338)</u>		<u>509</u>	<u>(473)</u>	<u>(302)</u>

## NOTES TO THE CORE STATEMENTS

### Trust Funds cont'd

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

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

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

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

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** so that the sale proceeds, £45k received in January 2002, would be put into trust to maintain and develop the collection.

### 62. 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.

Restated Balance at 31.3.09 £000's		Balance at 31.3.10 £000's
252,876	General Fund	222,566
<u>257,146</u>	Housing Revenue Account	<u>251,782</u>
<u>510,022</u>		<u>474,348</u>

### 63. Related Parties

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

The payments to the pension fund and precept payments might qualify as related party transactions, but these are disclosed in notes 10 and 44 respectively. Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Government Departments are set out in notes 41 and 45.

## NOTES TO THE CORE STATEMENTS

### Related Parties cont'd

Members of the Council have direct control over the Council's financial and operating policies. One Member is an equity partner in a firm of York solicitors, with whom the Council has financial transactions. During 2009/10 services to the value of less than £1k (2008/09 £2k) were commissioned from this company and the Member has also declared that the company has a refuse contract with the Council, as well entered into a contract with the Council for the hire of a stall at the City of York Council Staff Benefits Fair on 7th October 2009. Three Members are part of the York Credit Union to whom the Council granted a £100k loan.

The Assistant Director for Partnerships & Early Intervention is a director on the board of a charity called York Cares with whom the Council did approximately £20k of business in 2009/10. There is no evidence to suggest any further chief officers have pecuniary interests in organisations that the Council has done business with in 2009/10.

Income was received for joint arrangements for people with learning difficulties. The arrangements were between Social Services and North Yorkshire and York PCT Services, £4.684m (2008/09 £4.493m). Companies and Joint Ventures - the Council has substantial interests in Veritau and YorWaste and relevant transactions are disclosed in the Group Accounts.

There were no amounts owed or owing at the end of the year.

### 64. Post Balance Sheet Events

Under FRS21 (Events after the Balance Sheet) the Council is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts.

The Chancellor announced in his Budget on 22 June 2010 that from April 2011 increases to public sector pensions will be linked to Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) currently used. Confirmation that this change will apply to the annual increases in the Local Government Pension Schemes has yet to be announced. This would have the effect of reducing the defined pension scheme liability, a beneficial change, although it is not possible to estimate by how much without obtaining another valuation from the actuaries. It is considered that commissioning the actuaries to estimate a revised liability figure at this time would not add anything in terms of the statements providing a true and fair view. In addition, the North Yorkshire Pension Fund will undergo a full actuarial revaluation in 2010. The Council's opinion is that this is a non adjusting post accounting date event, so no adjustment has been made to the pension liability figures in the statement.

The Council is currently undertaking a procurement exercise with North Yorkshire County Council to change the way the councils deal with disposing municipal waste. The current regime of landfilling waste is not sustainable given increases in landfill tax and potential penalties arising from the Landfill Allowance Trading Scheme. The councils announced in June that Amey Cespa were the preferred bidder to provide an Energy from Waste facility at Allerton Park near Harrogate to process both councils waste. City of York Council has identified within the medium term financial strategy additional budgets of £700k per annum for the next four years in order to make the proposed solution affordable. Members will be given the opportunity in November/December as to whether to progress with the contract when updated costs will be provided.

The Statement of Accounts is to be approved by Audit and Governance Committee on 29 September 2010. The Director of Customer and Business Support Services will then authorise the publication of the draft accounts on the Council's web-site.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

2008/09 £000's		Note	2009/10 £000's
	<b>Income</b>		
(25,044)	Gross Dwellings Rents	(3)	(25,708)
(581)	Non-dwelling rents		(605)
(782)	Charges for Services and Facilities		(813)
(961)	Contributions Towards Expenditure		(775)
-	Other Government Grants		-
(3)	Transfer from General Fund	(4)	(3)
(27,371)	<b>Total Income</b>		(27,904)
	<b>Expenditure</b>		
	Housing Repairs		
5,558	Responsive	(5)	4,963
1,003	Programmed		1,167
	Supervision and Management		
4,557	General		4,626
2,644	Special Services		2,549
163	Rents, Rates, Taxes and Other Charges		223
-	Subsidy Limitation Transfer to General Fund	(6)	-
198	Provision for Bad or Doubtful Debts	(7)	40
5,321	Negative Housing Revenue Account subsidy payable	(8)	5,808
24,120	Depreciation and Impairment of fixed assets	(9)	7,745
6	Debt Management Costs		8
43,570	<b>Total Expenditure</b>		27,129
	<b>Net Cost of Services included in the Council Income and Expenditure Account</b>		(775)
16,199			
299	HRA share of Corporate and Democratic Core	(10)	269
	HRA share of other amounts included in the Council		
	Net Cost of Services but not allocated to specific services	(11)	10
(5)			(496)
16,493	<b>Net Cost of HRA Services</b>		
	<b>Other Operating Costs</b>		
(50)	Gain or loss on sale of HRA Fixed Assets	(16)	(49)
370	Amortised premiums/discounts		348
766	Interest payable and similar charges		769
	Interest receivable		
(4)	Mortgage interest		(2)
(550)	Interest on notional cash balances		(263)
	Pensions interest cost and expected return on pensions assets	(11)	325
203			325
17,228	<b>(Surplus)/Deficit for the year transferred to the Statutory HRA</b>		632

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2008/09 £000's		Note	2009/10 £000's
	<b>Amounts included in the HRA Income and Expenditure Account but required to be excluded when determining the Statutory HRA (surplus)/deficit for the year</b>		
(299)	HRA share of Corporate and Democratic Core	(10)	(269)
(15,525)	Losses on impairment of fixed assets	(9)	(181)
50	Gain or loss on sale of HRA fixed assets	(16)	49
(637)	Net charges made for retirement benefits in accordance with FRS17	(11)	(601)
<u>(16,411)</u>	<b>Total</b>		<u>(1,002)</u>
	<b>Amounts not included in the HRA Income and Expenditure Account but required to be included when determining the Statutory HRA (surplus)/deficit for the year</b>		
439	Employer's contributions payable to the North Yorkshire Pension Fund and retirement benefits payable direct to pensioners	(11)	426
-	HRA share of statutory provision for repayment of debt		-
373	Voluntary repayment of debt		401
935	Capital expenditure financed from revenue		707
(89)	Contribution to/(from) earmarked reserves		(93)
(3,443)	Contribution to/(from) MRR	(12)	(2,437)
-	Sums directed by the Secretary of State		-
<u>(1,785)</u>	<b>Total</b>		<u>(996)</u>
<u>(18,196)</u>	<b>(Surplus)/Deficit for the year</b>		<u>(1,998)</u>
	<b>STATUTORY HOUSING REVENUE ACCOUNT</b>		
17,228	(Surplus)/Deficit for the Year on the Income and Expenditure Account		632
(18,196)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Statutory Housing Revenue Account for the year		(1,998)
<u>(968)</u>	<b>(Increase)/decrease in the Housing Revenue Account Balance</b>		<u>(1,366)</u>
(6,546)	Housing Revenue Account surplus brought forward		(7,514)
<u>(7,514)</u>	Housing Revenue Account surplus carried forward		<u>(8,880)</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Significance of the Statutory Housing Revenue Account

Although there is a small surplus of £186k (2008/09 deficit of £16.462m) on the Housing Revenue Account Income and Expenditure Account this becomes a surplus of £1.366m (2008/09 £968k) for the year on the Statutory Housing Revenue Account. This is explained as follows.

The HRA Income and Expenditure Account discloses the income received and expenditure incurred in providing council dwellings to tenants for the year and is equivalent to the Profit and Loss Account of a business. Income and expenditure and the resulting surplus or deficit for the year are measured using essentially the same accounting conventions that most large UK businesses are required to use in preparing their audited annual financial statements. Accountants refer to such accounting conventions as UK GAAP. This is codified in the SORP which local authorities are required by statute to observe when preparing their annual statement of accounts.

However, the items that the Council is required to credit and debit to its Statutory HRA when determining the statutory surplus or deficit are laid down in statute and non-statutory 'proper practices' rather than being UK GAAP based. While the amounts included in the HRA Income and Expenditure Account and in the Statutory HRA are largely the same, there are a number of differences. For example, amounts in respect of the financing of capital expenditure are permitted to be charged to the Statutory HRA but such charges are not in accordance with UK GAAP and the SORP does not allow such amounts to be charged to the HRA Income and Expenditure Account.

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

### 2. Legislative Background

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

The Local Government and Housing Account 1989 sets out the framework for ring-fencing the HRA, preventing the subsidisation of rents from the general income of the Council. In addition, HRA Resource Accounting regulations stipulate the format of the HRA and require the Council to have business plans in place, to encourage a more efficient use of housing assets, increase the transparency of the HRA and assist the Council to plan their housing strategy.

HRA subsidy includes the Major Repairs Allowance which acts as a proxy for depreciation of council dwellings which is intended to reflect the actual cost of maintaining the present condition of the housing stock and aid medium and long term financial planning.

### 3. Gross Rents

Gross rent income is the total amount due for the year after allowance for voids of £243k (2008/09 £269k) which represents 0.94% (2008/09 1.03%) of the gross rent income including charges for services. Average rents in March 2009 were £60.14 (2008 £57.14) a week. In April an increase of 2.86% (2008 5.25%) was applied increasing the average rent at that time by £1.72 (2008/09 £3.00).

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Gross Rents cont'd

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. The cost of rebates granted is met by the Council's General Fund not by the HRA.

2008/09 £000's		2009/10 £000's
(10,911)	Rents due from Tenants	(10,344)
<u>(14,133)</u>	Rents remitted by Rent Rebates through the Housing Benefit System	<u>(15,364)</u>
<u>(25,044)</u>	Total Rent Income	<u>(25,708)</u>

The Council was responsible for managing 7,955 (2008/09 8,008) dwellings at 31 March. In addition to this total are 214 (2008/09 200) 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 1919	1919/ 1944	1945/ 1964	After 1964	Total
Low Rise Flats	1	547	660	737	1,945
Medium Rise Flats	4	3	839	765	1,611
Houses and Bungalows	<u>16</u>	<u>2,137</u>	<u>1,534</u>	<u>712</u>	<u>4,399</u>
	<u>21</u>	<u>2,687</u>	<u>3,033</u>	<u>2,214</u>	<u>7,955</u>

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

2008/09		Houses/ Bungalows	2009/10 Flats	Total
Total	<b>Operational Stock</b>			
8,035	Balance at 1 April	4,443	3,565	8,008
(1)	Sales	(4)	(1)	(5)
(23)	Awaiting Demolitions	(40)	-	(40)
-	Dwellings declared surplus	-	-	-
-	Dwellings reprovided with Housing Association	-	-	-
(3)	Re-categorisation To General Fund	-	(8)	(8)
-	To HRA non-housing stock	-	-	-
<u>8,008</u>	Balance at 31 March	<u>4,399</u>	<u>3,556</u>	<u>7,955</u>

#### 4. Transfer from General Fund

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, although a transfer can be made for shared amenities. This transfer represents the benefit the community receives as a whole for the enhancements made to the new build schemes at Walmgate.

#### 5. Responsive Repairs

The responsive and void repair service is provided by Neighbourhood Services through a partnering agreement.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 6. Subsidy Limitation Transfer to General Fund

Under the Rent Rebate Subsidy Limitation York no longer loses subsidy because our actual rent levels are within the guideline rent. The Council has to fund the cost of benefit overpayments.

### 7. Provision for Bad/Doubtful Debts

A provision is made for bad and doubtful debts in accordance with the HRA (Arrears of Rent and Charges) Directions 1990. During 2009/10 rent arrears as a proportion of gross rent income have decreased from 548% of the amount due to 5.14%. The rent arrears figures are as follows:

2008/09 £000's		2009/10 £000's
589	Arrears at 31 March - Current tenants	501
884	- Former tenants	917
154	Amounts Written Off during the Year	89
159	Increased/(Reduced) Provision during the Year	36
1,264	Provision for Bad and Doubtful Debts	1,211

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

2008/09 %		2009/10 %
	Dwelling rent arrears as a % of gross rent debit	
2.19	- Current tenants	1.82
3.29	- Former tenants	3.32
5.48		5.14

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

2008/09 £000's		2009/10 £000's
98	Arrears at 31 March	82
13	Amounts Written Off during the Year	14
39	Increased/(Reduced) Provision during the Year	4
59	Provision for Bad and Doubtful Debts	49

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 8. Housing Revenue Account Subsidy

The HRA subsidy is based on a notional account with the deficit on the account being the entitlement to subsidy and a surplus meaning that the Council is in a 'negative subsidy' status and must pay the surplus to the Secretary of State. The notional account is:

2008/09 £000's		2009/10 £000's
	<u>Expenditure</u>	
12,392	Management and Maintenance	12,352
1,432	Capital Financing Charges	1,431
-	Other Items	-
<u>5,152</u>	MRA	<u>5,127</u>
<u>18,976</u>		<u>18,910</u>
	<u>Income</u>	
(24,291)	Rent Income	(24,713)
<u>(6)</u>	Interest	<u>(5)</u>
<u>(24,297)</u>		<u>(24,718)</u>
<u>(5,321)</u>	Negative HRA subsidy payable	<u>(5,808)</u>

### 9. Depreciation and Impairment of Fixed Assets

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:

2008/09 £000's		2009/10 £000's
8,414	Dwellings	7,349
180	Other Land and Buildings	214
<u>1</u>	Infrastructure	<u>1</u>
<u>8,595</u>		<u>7,564</u>

The cost of impairment charged to the income and expenditure account is reversed out through the Statement of Movement on the Housing Revenue Account Balance in accordance with statute.

### 10. HRA Share of Corporate and Democratic Core (CDC)

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 11. FRS17 Transactions for the HRA

The FRS17 transactions included in the HRA are shown in the following table:

2008/09 £000's		2009/10 £000's	£000's
	<b>Income and Expenditure Account Entries</b>		
	<b>Net Cost of HRA Services</b>		
427	Current service cost	266	
-	Past service cost	-	
<u>7</u>	Curtailment Cost	<u>10</u>	
434			276
	<b>Net Operating Expenditure</b>		
678	Interest cost	609	
<u>(475)</u>	Expected return on assets in the scheme	<u>(284)</u>	
203			325
<u>637</u>	<b>Net Charge to the Income and Expenditure Account</b>		<u>601</u>
	<b>Statement of Movement on the Housing Revenue Account Balance Entries</b>		
	Reversal of net charges made for retirement benefits		
(637)	Contribution to/(from) Pensions Reserve		(601)
	Actual amount charged to the Housing Revenue Account for		
439	Pensions in the year		426

### 12. Contribution to/(from) Major Repairs Reserve (MRR)

Councils are required by an amendment to the Accounts and Audit Regulations 1996, to establish and maintain an MRR. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. Under item 8 of part VI of the Local Government and Housing Act 1989 any difference between the depreciation credit on the reserve and the Major Repairs Allowance has to be transferred back to the HRA. Councils are able to charge capital expenditure directly to the reserve. The following table shows the transfer to the HRA in the year.

2008/09 £000's		2009/10 £000's
(181)	Depreciation on other HRA assets	(215)
<u>(3,262)</u>	Depreciation on dwellings higher than MRA	<u>(2,222)</u>
<u>(3,443)</u>	Total Transfer from MRR	<u>(2,437)</u>

As well as the depreciation credit which must be transferred back to the HRA Councils can also charge capital expenditure directly to the MRR. The following table shows the movement in the year:

2008/09 £000's		2009/10 £000's
(240)	Balance at 1 April	(62)
(8,414)	Depreciation on HRA dwellings	(7,349)
(181)	Depreciation on other HRA assets	(215)
3,443	Transfer to HRA during the financial year	2,437
<u>5,330</u>	Capital expenditure on houses within the HRA charged to the reserve	<u>4,386</u>
<u>(62)</u>	Balance at 31 March	<u>(803)</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 13. Movement of Fixed Assets

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

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant etc. £000's	Infra-structure £000's	Comm-unity Assets £000's	TOTAL Operational Assets £000's
<b>Cost or Valuation</b>						
<b>At 1 April 2009</b>	443,872	9,832	-	19	-	453,723
Additions/Enhancements	6,093	-	-	-	-	6,093
Donations	-	-	-	-	-	-
Disposals	(596)	-	-	-	-	(596)
Reclassifications	-	-	-	-	-	-
Revaluations	8,475	(297)	-	-	-	8,178
<b>At 31 March 2010</b>	<u>457,844</u>	<u>9,535</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>467,398</u>
<b>Depreciation and Impairments</b>						
<b>At 1 April 2009</b>	(76,418)	(1,107)	-	(2)	-	(77,527)
Charge for 2009/10	(7,349)	(244)	-	(1)	-	(7,594)
<b>At 31 March 2010</b>	<u>(83,767)</u>	<u>(1,351)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(85,121)</u>
 Balance Sheet amount at 1 April 2009	 367,454	 8,725	 -	 17	 -	 376,196
 Balance Sheet amount at 31 March 2010	 <u>374,077</u>	 <u>8,184</u>	 <u>-</u>	 <u>16</u>	 <u>-</u>	 <u>382,277</u>
<b>Nature of Asset Holding</b>						
Owned	374,077	8,184	-	16	-	382,277
Finance Lease	-	-	-	-	-	-
PFI	-	-	-	-	-	-
	<u>374,077</u>	<u>8,184</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>382,277</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Movement on Fixed Assets cont'd

	Investment Properties £000's	Assets under Construct'n £000's	Surplus Assets £000's	TOTAL Non-Oper Assets £000's	TOTAL All Assets £000's
<b>Cost or Valuation</b>					
At 1 April 2009	3,798	-	875	4,673	458,396
Additions/Enhancements	-	-	-	-	6,093
Donations	-	-	-	-	-
Disposals	-	-	-	-	(596)
Reclassifications	-	-	-	-	-
Revaluations	(368)	-	(3)	(371)	7,807
At 31 March 2010	3,430	-	872	4,302	471,700
<b>Depreciation and Impairments</b>					
At 1 April 2009	(31)	-	-	(31)	(77,558)
Charge for 2009/10	(39)	-	(111)	(150)	(7,744)
At 31 March 2010	(70)	-	(111)	(181)	(85,302)
Balance Sheet amount at 1 April 2009	3,767	-	875	4,642	380,838
Balance Sheet amount at 31 March 2010	3,360	-	761	4,121	386,398
<b>Nature of Asset Holding</b>					
Owned	3,360	-	761	4,121	386,398
Finance Lease	-	-	-	-	-
PFI	-	-	-	-	-
	3,360	-	761	4,121	386,398

#### 14. Vacant Possession Value of Council Dwellings

In accordance with the Department for Communities and Local Government guidance, council house valuations are reduced from an open market value by a regional adjustment factor in recognition of their status as social housing. From 1 April 2005 the adjustment factor was increased from 45% to 53%, meaning that council houses are now included at 47% of the open market valuation. As a consequence the Council recognises council dwellings at a value of £374.077m (2008/09 £367.454m) on the balance sheet. At vacant possession the same dwellings would have a value of £795.909m (2008/09 £867.365m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £421.832m (2008/09 £499.911m).

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 15. Summary of Capital Expenditure and Financing

The capital expenditure to be financed in 2009/10 is £6.093m (2008/09 £7.469m). The analysis of the expenditure and the sources of financing used are set out in the following table:

2008/09		Dwellings £000's	2009/10		Total £000's
Total £000's		£000's	Infra- structure £000's	Equipment £000's	£000's
7,469	<b>Total capital expenditure</b>	5,843	-	250	6,093
	<b>Financing</b>				
(1,000)	Borrowing	(1,000)	-	-	(1,000)
(204)	Capital Receipts	-	-	-	-
(5,330)	Grants	(4,179)	-	(207)	(4,386)
(935)	Revenue Contributions	(664)	-	(43)	(707)
(7,469)		(5,843)	-	(250)	(6,093)

### 16. Capital Receipts

In accordance with Part 1 of the Local Government Act 2003 housing capital receipts are now subject to capital pooling requirements. Generally this means that only 25% of dwelling receipts can be used with the remainder paid into the Government Pool. However, 100% of the value of land sales may be retained if it is to be used for affordable housing. The receipts received can be analysed as follows:

2008/09		2009/10		Total £000's
Total £000's		Council Dwellings £000's	Land £000's	£000's
(240)	Sales proceeds	(398)	(148)	(546)
3	less: administrative costs	5	-	5
(237)	Net proceeds	(393)	(148)	(541)
(14)	Right to buy discount repaid	(39)	-	(39)
(39)	Mortgage principal repaid	(15)	-	(15)
(290)		(447)	(148)	(595)
	of which:			
(205)	Usable			(261)
(85)	Payable to Housing Pooled Capital Receipts			(334)
(290)				(595)

The administrative costs are a permissible charge to the Council's Capital Adjustment Account.

**COLLECTION FUND**

<b>INCOME AND EXPENDITURE ACCOUNT</b>			2009/10	
2008/09		Note	£000's	£000's
£000's				
	<b>Income</b>			
(76,504)	Council Tax Income	(2)		(78,920)
	Transfer from General Fund:			
(8,526)	Council Tax Benefit			(9,671)
<u>(79,961)</u>	Income from business ratepayers	(3)		<u>(82,492)</u>
<u>(164,991)</u>	<b>Total Income</b>			<u>(171,083)</u>
	<b>Expenditure</b>			
	Precepts and Demands			
12,764	North Yorkshire Police Authority		13,092	
3,866	North Yorkshire Fire and Rescue Authority		4,002	
<u>68,467</u>	City of York Council		<u>70,405</u>	
<u>85,097</u>				<u>87,499</u>
	Business Rates			
79,674	Payment to National Pool		82,194	
<u>287</u>	Costs of Collection		<u>298</u>	
<u>79,961</u>				<u>82,492</u>
(270)	Council Tax Provision for uncollectable accounts and outstanding appeals			(41)
	Contribution from previous years'			
	Collection Fund surpluses			
38	North Yorkshire Police Authority			44
11	North Yorkshire Fire and Rescue Authority			13
<u>200</u>	City of York Council			<u>236</u>
<u>165,037</u>	<b>Total Expenditure</b>			<u>170,243</u>
<u>46</u>	<b>(Surplus)/Deficit for the year</b>			<u>(840)</u>
	<b>COLLECTION FUND BALANCE</b>			
46	(Surplus)/Deficit for the Year on the Income and Expenditure Account			(840)
(417)	Collection Fund surplus brought forward			(371)
<u>(371)</u>	Collection Fund surplus carried forward	(4)		<u>(1,211)</u>

## NOTES TO THE COLLECTION FUND

### 1. Legislative Background

The Local Government Finance Act 1988 required the establishment of a Collection Fund from 1 April 1990. It is a fund specifically for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR or uniform business rates).

The year-end (surplus)/deficit on the Collection Fund has to be distributed between billing (City of York Council) and major precepting authorities (North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority).

### 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 for the year, the year-end Band D equivalent figures and the 2009/10 charges are:

Property Band	Property Value		Proportion of Band D	Estimated Tax Base for Year	Year-End Tax Base	Average Charge In Year
A reduced	up to	£40,000	5/9	6.95	6.72	£739.52
A	up to	£40,000	6/9	5,686.89	5,728.43	£887.42
B	£40,000 to	£52,000	7/9	15,582.26	15,766.81	£1,035.32
C	£52,000 to	£68,000	8/9	19,250.50	19,421.24	£1,183.23
D	£68,000 to	£88,000	9/9	10,914.89	10,976.79	£1,331.13
E	£88,000 to	£120,000	11/9	7,659.85	7,769.11	£1,626.94
F	£120,000 to	£160,000	13/9	4,098.76	4,167.13	£1,922.74
G	£160,000 to	£320,000	15/9	2,209.07	2,275.67	£2,218.55
H	over	£320,000	18/9	115.24	115.98	£2,662.26
TOTAL				65,524.41	66,227.88	

In addition, the government makes a contribution for properties classed as "Crown" properties in lieu of paying Council Tax. These contributed £433k (2008/09 £269k) to the Council Tax income.

Outstanding arrears that are irrecoverable are written off against the provision for bad and doubtful debts made in prior years, although wherever possible action continues to be taken to recover as much of these sums as possible. During the year arrears of £605k (2008/09 £620k) were written off against the provision for bad/doubtful debts. An annual assessment of the level of arrears and their age and recoverability, the amount to be provided as provision for future write-offs and the value of outstanding appeals against the council tax band that has been awarded for new properties is undertaken. Following this exercise the level of provision set-aside against bad debts on the current level of arrears was increased by £574k (2008/09 £460k) and the level of the provision for banding appeals was reduced by £10k (2008/09 reduced by £109k). The net effect of these is a reduction in the value of provisions of £41k (2008/09 an increase of £51k).

## NOTES TO THE COLLECTION FUND

### Council Tax cont'd

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

2008/09 £000's		2009/10 £000's
(269)	Crown Contribution	(433)
<u>(84,761)</u>	Charge ( 66,227.88 x £1,331.13 )	<u>(88,158)</u>
<u>(85,030)</u>		<u>(88,591)</u>

where the charge total comprises:

(76,504)	Income due from Chargepayers, including Crown properties	(78,920)
(8,526)	Council Tax Benefit	(9,671)

### 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 2010 was 202,718,617 (2008/09 204,252,406) and the rate for 2009/10 was 48.5p (2008/09 46.2p), with a reduction to 48.1p (2008/09 45.8p) for small businesses. The Council has no control over these values.

The total amount collected, less certain reliefs and deductions, is paid to a central pool (NNDR Pool) managed by Central Government, which in turn pays each local authority their apportionment of the pool. This income is credited directly to the Income and Expenditure Account. Under these arrangements the amount due is as follows:

2008/09 £000's		2009/10 £000's	£000's
(94,365)	Rates payable for year ( 202,718,617 x 48.5 p)		(98,319)
4,222	Less: Transitional Relief and part occupancy	5,583	
5,921	Charitable Relief	6,282	
2,824	Adjustments re previous years rates	2,133	
1,437	Other adjustments including making provision for bad debts, interest payments made and small business relief	<u>1,829</u>	
<u>14,404</u>			15,827
<u>(79,961)</u>			<u>(82,492)</u>

### 4. Distribution of Year-End (Surplus)/Deficit

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

2008/09 £000's		2009/10 £000's
(299)	City of York Council	(975)
(55)	North Yorkshire Police Authority	(181)
(17)	North Yorkshire Fire and Rescue Authority	(55)
<u>(371)</u>		<u>(1,211)</u>

## GROUP ACCOUNTS

1. The SORP recognises the wide diversity of service delivery vehicles used nationally by Local Authorities. The Council produces this consolidated set of Group Accounts to show the totality of its operations in a transparent manner.
2. The Council has undertaken significant research to identify and document its relationships with all partners, companies, joint ventures and voluntary organisations to see if it is necessary to produce Group Accounts. Consideration of issues such as the type of interest, ownership of share capital, membership of appropriate committees, the degree of operational and financial control, access to benefits and exposure to risks have been key elements in this analysis.

### 3. Summary of Findings

In the majority of cases the arrangements for accounting for relationships with these organisations are fully covered within the Council's Income and Expenditure Account. Similarly any assets and liabilities generated are accounted for within the Council's Balance Sheet.

therefore, for most arrangements between entities and the Council, there is no 'group' relationship. However, after consideration of all relevant criteria, the Council has determined that for 2009/10, it has a group relationship with three bodies:

- Veritau
- Yorwaste
- Yorkshire Purchasing Organisation

### 4. Veritau

Since September 2007, North Yorkshire County Council and the City of York Council have been working in partnership to develop a shared service covering all the functions of internal audit, counter fraud and information governance. In January 2009 the Members of both Councils approved that the formation of a private limited company (Veritau) to make the arrangement more formal.

The company is wholly owned by both councils, with each council holding 50% of the shares. From 1 April 2009, Veritau has responsibility for carrying out all internal audit, information governance and counter fraud services for the two councils. The financial results of Veritau will be included in the Group Statement of Final Accounts from 2009/10 onwards based on the provisions of FRS 2 - Accounting for Subsidiary Undertakings.

### 5. Yorwaste Limited

The Council owns 22.27% of the issued share capital of Yorwaste Limited; a company established in 1993 whose principal activity is the provision of waste disposal facilities by the operation and management of landfill sites/recycling centres. The remaining shareholder in Yorwaste Limited is North Yorkshire Council holding 77.73%.

The trading results for Yorwaste Limited for the year ended 31st March 2010 shows profit before and after taxation of £2.290m and £1.542m (2008/09 £0.248m and £0.278m) respectively and net assets of £10.922m (2008/09 £10.762m). (Note in 2008/09 they received a net tax rebate.)

Yorwaste Limited is an entity that City of York Council holds a participating interest and exercises significant influence, therefore it requires recognition as an associate in the Group Accounts based on the provisions of FRS 9 - Associates and Joint Ventures. In past years, Yorwaste Limited has not been included in Group Accounts of the Council as it is not material, however in the interest of transparency, this associate company has been included in the Group Accounts alongside Veritau.

## GROUP ACCOUNTS

### 6. Yorkshire Purchasing Organisation (YPO)

Established as a joint committee of Local Authorities in 1974, YPO is a purchasing and supply service for office supplies, stationery and general equipment. City of York Council is one of the constituent thirteen member authorities. The company supplies the member authorities, but also schools, the voluntary sector and the general public. YPO operates on a self-financing basis with no subsidies payable by any member authority. Any surpluses are used for dividend payment primarily but with some scope for reinvestment.

YPO's year-end is 31 December and its pre-audited financial results were an invoiced turnover of £102.0m (2008/09 £98.87m) resulting in an operating surplus of £3.9m (2007/08 £5.145m). An interim dividend has been announced amounting to £6.1m (2008/09 £2m), but as yet has not been paid. The Council's share of this will be calculated on the basis of stock sales to each local authority, in 2008/09 it was £45k. YPO has net assets of £6.2m (2007/08 £18.0m) with a general fund working balance of £18.8m (2008/09 £12.8m). The accounts for the period ending December 2009 are yet to be audited.

Due to the involvement of all member authorities in the Management Committee and its increasing use of customers outside of the local authority market, the Council does not exert a significant level of influence over YPO's activities. Analysis of the relationship for Group Account purposes concludes that it is equivalent to a simple investment. As the Council made no original investment in 1974 and has no share capital, no consolidation adjustments are necessary.

### 7. Financial Statements and Results

The Group Accounts for the Council are based upon the consolidation of the Council, Veritau and Yorwaste Limited. It should be noted that although adjustments have been made to facilitate comparability between the sets of Accounts, there is a fundamental difference between the objectives of the organisations with the Council being a non-profit making body. The figures included for both Veritau as a subsidiary and Yorwaste Ltd as an associate are based on their un-audited Accounts. A summary of the main financial results is as follows:

#### Group Income and Expenditure Account

The consolidation results in the Group Income & Expenditure Account have decreased by £0.176m from that reported for the Council at £65.390m This relates to the incorporation of Veritau Limited's trading surplus of £0.356km (less the minority interest of £141k applicable to North Yorkshire County Council) and the proportion of 22.27% Yorwaste Limited's trading surplus of £0.035m.

#### Group Balance Sheet

The Council's total assets have increased by £0.398m and liabilities have decreased by £.025m. The increase in total net assets of £0.424m mainly represents Veritau Limited's profit and loss account, the 22.27% investment in Yorwaste and the liabilities decrease due to the increase in Veritau's Defined Benefit pension Scheme.

As a parent company to Veritau Limited and an associate of Yorwaste Ltd and in defining the nature of the Group relationships, the Council recognises a commitment to meet its share of any accumulated deficits or losses of the two companies mentioned above.

### 8. Accounting Policies

The financial statements of Veritau limited and Yorwaste Limited have been prepared under the historical cost convention in accordance with applicable UK accounting standards. These consolidated financial statements are prepared on the basis of a single set of consistent accounting policies, the only main difference is in relation to fixed assets.

## GROUP ACCOUNTS

### Accounting Policies cont'd

Both company's fixed assets are valued at historic cost less depreciation. The useful economic life of each asset is calculated individually with depreciation calculated on a straight line basis taking into account both commercial and technical obsolescence. Fixed assets are not revalued at any point during their useful life. However, in Veritau Limited currently few fixed assets exists and in Yorwaste Limited, City of York Council only hold 22.27% and therefore in both cases this is not material.

## GROUP ACCOUNTS

GROUP INCOME AND EXPENDITURE ACCOUNT					
2008/09	Note	2009/10			
Restated Net		CYC	Subsidiary Companies	Consolid. Adjustment	Total
£000's		£000's	£000's	£000's	£000's
	<b>Service Costs</b>				
12,903	Central Services to the Public	9,085	-	-	9,085
	Cultural, Environmental and Planning				
32,688	Services	38,135	-	(88)	38,047
53,128	Children's and Education Services	32,166	-	(195)	31,971
11,922	Highways, Roads and Transport Services	11,369	-	(76)	11,293
16,199	Local Authority Housing (HRA)	(775)	-	-	(775)
2,942	Other Housing Services	3,303	-	(48)	3,255
41,757	Adult Social Care	44,418	-	(48)	44,370
297	Court Services	304	-	-	304
5,105	Corporate and Democratic Core	4,190	(356)	454	4,288
457	Non-Distributed Costs	847	-	-	847
(147)	Reporting Authority's share of the operating result of associates		-	(596)	(596)
400	Exceptional Items	(799)	-	-	(799)
177,651	<b>Net Cost of Services</b>	142,243	(356)	(597)	141,290
375	Net (gain)/loss on disposal of fixed assets	(725)	-	-	(725)
561	Parish Council precepts	585	-	-	585
(842)	Net (surplus)/deficit on trading operations	-	-	-	-
-	Taxation of group entities	-	75	-	75
5,999	Interest Payable	5,259	-	-	5,259
	Reporting Authority's share of interest payable of associates	-	-	85	85
85	Contribution of Housing Capital Receipts to Government Pool	334	-	-	334
(3,297)	Interest and Investment Income	(1,145)	-	-	(1,145)
-	Minority interest share of profits of subsidiaries	-	141	-	141
(268)	Dividends from Companies	(308)	-	-	(308)
	Pensions interest cost and expected return on pensions assets	11,620	-	-	11,620
(7)	Reporting authority's share of associates Taxation of group entities	-	-	167	167
223	Reporting authority's share of associates Interim Dividend	-	-	308	308
187,444	<b>Net Operating Expenditure</b>	157,863	(140)	(37)	157,686
	<b>Income From Taxation and General Government Grants</b>				
	<b>Income From Taxation and General Government Grants</b>				
(68,631)	Demand on Collection Fund	(71,317)	-	-	(71,317)
	Collection Fund transfer for the surplus at 31st March				
(13,735)	Government Grants	(8,154)	-	-	(8,154)
-	Area Based Grant	(8,643)	-	-	(8,643)
-	Housing & Planning Act Grant	(246)	-	-	(246)
(37,189)	Distribution from the Non- Domestic Rate Pool	(35,326)	-	-	(35,326)
67,889	<b>(Surplus)/Deficit for the Year</b>	34,177	(140)	(37)	34,000

## GROUP ACCOUNTS

### RECONCILIATION OF CYC DEFICIT TO GROUP DEFICIT

2008/09		2009/10
Restated		
£000's		£000's
67,728	(Surplus)/deficit on the authorities Income and Expenditure Account for the year	34,177
-	Add Surplus arising from Subsidiary (Veritau)	(140)
<u>161</u>	Add Surplus arising from Associate (Yorwaste)	<u>(37)</u>
<u>67,889</u>	<b>Group Account (surplus)/deficit for the year</b>	<u>34,000</u>

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09		2009/10
Restated		
£000's		£000's
<b>Movement in Recognised Gains and Losses</b>		
67,889	(Surplus)/deficit on the Income and Expenditure Account for the year	34,000
2,711	(Surplus)/loss arising on the revaluation of fixed assets	(31,467)
-	(Surplus)/loss arising on the revaluation of available-for-sale financial assets	-
9,134	Actuarial (gains)/losses relating to pensions	32,859
<u>-</u>	Less minority interest	<u>(140)</u>
<u>79,734</u>	<b>Total recognised (gains)/losses for the year</b>	<u>35,252</u>
(591,994)	<b>Total Equity at 1 April</b>	(512,260)
<u>79,734</u>	In year activity	<u>35,252</u>
<u>(512,260)</u>	<b>Total Equity at 31 March</b>	<u>(477,008)</u>



## GROUP ACCOUNTS

GROUP CASH FLOW				
2008/09		Note	2009/10 Subsidiary / Associate	Total
£000's			CYC £000's	£000's
(2,235)	<b>Revenue Activities Net Cash Flow</b>	(14)	(11,126)	(12,283)
	<b>Dividends from Joint Ventures and Associates</b>			
	Cash Inflow:			
(223)	Dividends received		(353)	(353)
	<b>Returns on Investments and Servicing of Finance</b>			
	Cash Outflow:			
4,409	Interest paid		5,221	20
109	Interest element of finance lease rental payments		84	-
4,518			5,305	20
	Cash Inflow:			
(3,833)	Interest received		(1,547)	(14)
-	Dividends received from Investments		-	-
685	<b>Return on Investments and Servicing of Finance Net Cash Flow</b>		3,758	6
173	<b>Taxation</b>		-	16
	<b>Capital Activities</b>			
	Cash Outflow:			
39,505	Purchase of fixed assets		39,913	614
4,000	Purchase of long-term investments		-	-
16,104	Other capital cash payments		23,232	43
59,609			63,145	657
	Cash Inflow:			
(2,180)	Sale of fixed assets		(2,239)	(28)
(34,533)	Capital grants received		(33,854)	-
(1,163)	Other capital cash receipts		(460)	-
21,733	<b>Capital Activities Net Cash Flow</b>		26,592	629
223	<b>Equity Dividends paid</b>		-	308
56	<b>Acquisitions and Disposals</b>		-	-
20,412	<b>Net Cash (Inflow)/Outflow before Financing</b>		18,871	(198)
	<b>Management of Liquid Resources</b>			
-	Net (increase)/decrease in short term deposits		-	-
-	Net (increase)/decrease in other liquid resources		-	-
(22,147)	Short-Term Investments		(5,025)	446
(22,147)			(5,025)	446
	<b>Financing</b>			
	Cash Outflow:			
18,830	Repayments of amounts borrowed		4,000	89
424	Capital element of finance lease rental payments		393	-
19,254			4,393	89
	Cash Inflow:			
(17,391)	New loans raised		(18,173)	-
-	Share Capital		-	-
1,863			(13,780)	89
(128)	<b>Increase/(Decrease) in cash</b>		(66)	(337)
(20,412)			(18,871)	198

## NOTES TO THE GROUP ACCOUNTS

1. Consolidation of Subsidiary (Veritau limited) and Associate (Yorwaste Limited) - Veritau Limited has been consolidated into the Group Accounts as a subsidiary under FRS2 - Accounting for Subsidiary Undertakings. The consolidated accounts require the transactions and balances of the subsidiary to be incorporated 100% into the group accounts, with the amounts attributable to minority interests being recognised separately in the profit and loss and balance Sheet.  
Yorwaste Limited is an entity where City of York Council holds a participating interest and exercise significant influence. Recognition of an associate in the group accounts is under FRS 9 - Associates and Joint Ventures. The associate itself is not consolidated into the group accounts, therefore there are none of the consolidate adjustments required for subsidiaries. This means that transactions and balances do not need to be eliminated but will automatically compensated or in the 22/27% calculation of the net assets of the associate.
2. Veritau Limited achieved a surplus of £281k, which relates to the total profit generated by the Company after tax. The majority interest of 50% £141k represents City of York Council's share in the company and has been removed as a consolidation adjustment.
3. The total assets and liabilities of Veritau Limited have been incorporated into the Group position with the amounts attributable to majority interest being recognised separately in accordance with the recommendations of FRS 2.
4. The 50% share in Veritau Limited is represented on the Balance Sheet by the total issued share capital of £2 (a total of 2 ordinary shares issued at £1 each) and the Profit and Loss Account surplus of £193k.
5. Yorwaste Limited achieved a surplus of £1,543k, which relates to the total profit generated by the Company after tax. The proportion of 22.27% represents City of York Council's share in the company which can be seen on the face of the consolidate Income & Expenditure Account, split between operating results, interest paid, taxation and dividend paid.
6. The total issued share capital of Yorwaste Limited is £4,526k (a total of 4,526,000 ordinary shares issued at £1 each). The Council's holding at 22.27% of the issued share capital is £1,008k. The total accumulated profit and Loss of Yorwaste Limited at 31 March 2008 was £6,237k, the Council's proportion at 2.27% equates to £1,389k. Appropriate adjustments have been made to bring the capital and reserves for the City of York Council's proportion of 22.27% into the Council's long term investment figure.
7. The dividend paid by Yorwaste Limited for the year ending 31 March 2010 was £1,383k (31 March 2009 £223k) with £308k (2008/09 £223k) payable to City of York Council. The Group income and expenditure Account has removed the Council's £308k (2008/09 £223k) share of the dividend in accordance with associate consolidation adjustments.
8. The 22.27% interest in Yorwaste Limited is represented on the Balance Sheet in 2009/10 by the profit and loss account surplus of £35k (2008/09 £161k loss) and also in Long Term Investments.
9. Related Party Transactions - Veritau Limited - receipts and payments between Veritau Limited and City of York Council are cancelled out on consolidation. Income received by City of York Council, payments by Veritau Limited, totalled £14,906 and payments made totalled £672,183. Veritau Limited accounts show they received £672,183 as they accrued £286, which did not appear in City of York Council. This was deemed not to be material and therefore has not been consolidated. Debtors and prepayments for City of York Council include £9,614, which were creditors and accruals for Veritau limited.
10. Related Party Transactions - Yorwaste Limited - the transactions and balances of Yorwaste Limited do not need to be eliminated, as the accounting treatment for an associate does not require consolidate adjustments as for a subsidiary. As at 31/3/10, Yorwaste Limited report that City of York Council owed £567k in relation to landfill tax (2008/09 £678k) and there were no other outstanding transactions at year-end.

## NOTES TO THE GROUP ACCOUNTS

11. Disclosure of Senior Employee Remuneration - in addition to note 52 in City of York Council's Statement of Accounts, Veritau Limited reported that the one Director of the company's remuneration was £52k. In Yorwaste Limited, seven Directors remuneration totalled £306k (2008/09 £253k), with the highest paid Director at £128k (2008/09 £108k). Figures are quoted excluding pension contributions.
12. The Reconciliation of City of York Council's Deficit to Group Deficit Statement is to show how the group entities have contributed to the overall (surplus)/deficit on the Group Income & Expenditure Account.
13. The Group Statement of Total recognised Gains and Losses is prepared on the same basis as the Council's statement. It summaries all the gains and losses that have been recognised on the Group Balance Sheet.
14. The Cash Flow Statement shows the movement in cash during the year. There are no consolidated adjustments on the face of the Cash Flow statement as the intra group transactions for Veritau as the subsidiary have been reversed out. There were no other consolidated adjustments required.

The net figure of revenue income less expenditure can be reconciled with the net cash in-flow from revenue activities as shown in the following table.

	CYC £000's	Veritau £000's	Yorwaste £000's	Total £000's
Net of Revenue Income less Expenditure	34,177	281	(596)	33,862
Net Cash Outflow from Servicing Activities	-	(4)	-	(4)
Tax	-	74	-	74
Decrease (Increase) in Stock	(50)	-	-	(50)
(Increase)/Decrease in Debtors	3,612	-	18	3,630
(Decrease)/Increase in Creditors	(1,646)	(46)	(72)	(1,764)
(Decrease)/Increase in Provisions	-	271	-	271
Depreciation & Amortisation Charges	(32,585)	4	(911)	(33,492)
Revenue Expenditure Funded from Capital unde	(1,147)	-	-	(1,147)
Profit/loss on Disposal of fixed assets	725	-	(15)	710
Expenditure on Restoration/Aftercare	-	-	186	186
Provisions set aside	939	-	(95)	844
Contributions (to)/from reserves	(4,693)	-	-	(4,693)
FRS 17 Adjustment	-	(252)	-	(252)
Capital Activities	(6,107)	-	-	(6,107)
Investment Income/Finance Leasing Payments	(4,351)	-	-	(4,351)
<b>Net cash inflow from revenue activities</b>	<b>(11,126)</b>	<b>328</b>	<b>(1,485)</b>	<b>(12,283)</b>

## GLOSSARY

### **Accounting Concepts**

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

### **Accounting Period**

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

### **Accounting Policies**

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

### **Accruals**

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

### **Actuarial Gains and Losses**

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

### **Agency**

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

### **Amortisation**

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

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

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

### **Area Based Grant (ABG)**

This is a non-ringfenced general grant with no conditions on its use imposed by the government which is paid to the Income and Expenditure Account in support of the Charging Authority's revenue expenditure.

### **Asset**

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

### **Assets Under Construction**

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

## GLOSSARY

### **Authorised Limit**

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

### **Balance Sheet**

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

### **Capital Charge**

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

### **Capital Expenditure**

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services beyond the year of account or expenditure that adds to, and does not merely maintain, an existing fixed asset.

### **Capital Expenditure charged to Revenue Account (CERA)**

A method of financing capital expenditure in the accounting period rather than over a number of years.

### **Capital Financing**

The method by which money is raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing (CERA), usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **Capital Adjustment Account**

The balance on this account principally represents amounts set aside from revenue accounts, capital receipts used to finance capital expenditure and the excess of depreciation over the Minimum Revenue Provision.

### **Capital Programme**

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

### **Capital Receipts**

Money received from the sale of fixed assets, or other money received towards capital expenditure. A specified proportion of this may be used to finance new capital expenditure.

### **Cash Flow Statement**

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

### **Charging 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).

## GLOSSARY

### **Collection Fund**

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

### **Commutation Option**

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

### **Community Assets**

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

### **Community Charge**

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

### **Consistency**

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

### **Contingent Asset**

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

### **Contingent Liability**

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

### **Corporate and Democratic Core**

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

### **Council Tax**

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

### **Creditors**

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

## GLOSSARY

### **Current Assets**

Assets that can be expected to be consumed or realised (cease to have material value) during the next accounting period.

### **Current Liabilities**

Amounts that will become due or could be called upon during the next accounting period.

### **Current Service Cost**

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

### **Curtailment**

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

### **Debtors**

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

### **Deferred Consideration**

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

### **Deferred Credits**

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

### **Deferred Debtors**

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

### **Deferred Liabilities**

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

### **Defined Benefit Pension Scheme**

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

**Defined Contribution Pension Scheme**

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

**Depreciation**

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

**Emoluments**

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

**Exceptional Items**

Material items which derive from events or transactions which fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

**Expected Rate of Return on Pension Assets**

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

**Extraordinary Items**

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

**Fees and Charges**

Income arising from the provision of services.

**Financial Instruments and the Financial Instruments Adjustment Account (FIAA)**

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

**Financial Reporting Standards (FRSs)**

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

## GLOSSARY

### **Financial Year**

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

### **Fixed Assets**

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

### **General Fund**

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

### **Going Concern**

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

### **Government Grants**

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

### **Housing Revenue Account (HRA)**

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

### **Impairment**

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

### **Income and Expenditure Account**

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

### **Infrastructure Assets**

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

### **Intangible Fixed Asset**

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

### **Interest Cost**

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

## GLOSSARY

### **Investment**

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.

### **Investment Properties**

An interest in land and/or buildings where construction work and development has been completed and which is held for its investment potential, any rental income being negotiated at arms length.

### **Landfill Allowance Trading Scheme**

Each waste disposal authority in England has been issued with allowances to use landfill sites for waste disposal. These allowances have been issued on the basis of 15 annual compliance periods. If the full allowance is not needed in any year it can be traded. If more than the allowance is needed then either an additional allowance has to be purchased from another organisation or a fine will be levied.

### **Leasing**

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

### **Lenders Option Borrowers Option (LOBO)**

A LOBO loan is a loan that permits the lender to nominate a revised interest rate payable on the debt at periodic dates and also gives the borrower the option as to whether to pay the revised rate or repay the debt in its entirety.

### **Liability**

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

### **Liquid Resources**

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

### **Long-Term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

### **Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities.

### **Monitoring Officer**

Under the provisions of the Local Government and Housing Act 1989 Councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of Council decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Executive). In York the Monitoring Officer is Quentin Baker, Head of Legal, Civic and Democratic Services.

### **National Non-Domestic Rates (NNDR)**

An NNDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities.

### **Net Book Value**

Amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Non-Operational Assets**

These are fixed assets owned by the Council, but not directly occupied, used or consumed in the delivery of Council services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, awaiting sale or redevelopment.

### **Operational Assets**

These are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **Operational Boundary**

This is a measure of the most money the Council would normally borrow at any time during a financial year. It may be exceeded temporarily, but a regular pattern of borrowing above this level should be avoided.

### **PA92**

These are tables of figures used by actuaries for standard mortality reflecting mortality experience in the period 1991-94, with assumptions for future rates of change. The 'mc' to 'medium cohort' which was introduced to reflect the increased life expectancy of a specific age group of retirees.

### **Past Service Cost**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Post Balance Sheet Events**

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible finance officer.

### **Precept**

The amount that a Precepting 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).

### **Prior Year Adjustments (or Prior Period Adjustments)**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

### **Provisions**

Amounts set aside in the accounts for future liabilities that are likely to be incurred, but which cannot accurately be quantified.

### **Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

### **Prudential Indicators**

The Local Government Act 2003 specifies a number of prudential indicators covering both capital and treasury management activities which Councils must set as part of their budget process. They are designed to show the affordability of the capital programme and that the Council's borrowing is prudent and sustainable.

### **Public Works Loan Board (PWLB)**

A government agency that lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable, sustainable and within the prudential indicators set at full council.

### **Realisable Value**

The value of the asset at existing use, if sold between a willing buyer and a willing seller.

### **Related Party**

Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

### **Reserves**

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

### **Residual Value**

The net realisable value of an asset at the end of its useful life. Residual values are based on current prices at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

## GLOSSARY

### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### **Revaluation Reserve**

This account contains surpluses and losses arising from the periodic valuation of fixed assets.

### **Revenue Account**

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

### **Revenue Expenditure Funded from Capital Under Statute**

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

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

A general central government grant paid to the Income and Expenditure Account in support of the Charging Authority's revenue expenditure.

### **Scheme Liabilities**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **Section 151 Officer (S151)**

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves. In York the Section 151 Officer is Ian Floyd, Director of Customer and Business Support Services.

### **Settlement**

An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements can include: a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### **Statement of Recognised Practice (SORP)**

This is the guidance issued by CIPFA to enable Council's to ensure that the Accounts published comply with UK GAAP as it applies to local authority financial matters.

### **Statement of Standard Accounting Practice (SSAPs)**

Statements prepared by the Accounting Standards Committee. Many of these have been replaced by Financial Reporting Standards (FRSs), but any departure from them must be disclosed in the published accounts.

### **Stocks**

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

### **Support Services**

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

### **Tangible Fixed Assets**

These are assets with a physical substance that yield benefits to the Council and the services it provides for a period of more than one year.

### **Temporary Borrowing/Investment**

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

### **Trading Services**

These are activities of the Council where the workers are directly employed to carry out specified tasks. Such organisations were formerly known as Direct Service Organisations (DSO). In York the work is undertaken under the name of Neighbourhood Services.

### **Trust Funds**

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

### **UK GAAP**

This is the "generally accepted accounting practice with respect to accounts of UK companies that are intended to give a true and fair view for the purposes of the relevant provisions of the Companies Acts". It includes, but is not limited to, Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) issued by the Accounting Standards Board and its predecessors.

### **Unapportionable Central Overheads**

These are overheads from which no user benefits, and therefore they cannot be allocated to a service area.

### **Useful Life**

The period over which the Council will derive benefits from the use of an asset.

### **Vested Rights**

In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

## 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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