



# **Statement Of Accounts**

**2008/09**

## **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 2008/09.

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 for example in education attainment and waste management.

Against this difficult financial background the Council has been able to demonstrate major success in improving service quality and in tackling long standing problems.

These are some of the highlights:

- \* The number of people who feel York is a safe city to live has increased from 56% in 2007/08 to 64% in 2008/09, whilst the perceptions of anti social behaviour and crime have fallen over recent years.
- \* The proportion of waste recycled and composted continues to increase. Over the past five years excellent improvement in both recycling and landfill levels have been achieved and the Council is now one of the best performing unitary councils in the country, with a recycling rate of 45%.
- \* Skills and knowledge to develop people's employment prospects has improved with people qualified to level 2 or above has increased from 73.3% in 2007/08 to 74.7% in 2008/09.
- \* Excellent progress has been made in the number of affordable homes available in York, with 151 homes being delivered in 2008/09. This constitutes 30% of the total additional housing completed in York.
- \* The city's street and environmental cleanliness continues to improve with the number of residents satisfied with cleanliness remaining stable for the last 2 years at 67%.
- \* Health and lifestyles of people who live in York has improved, with the percentage of reception year children who are obese declining from 8.4% to 8.1%. The launch of the government's place survey highlighted that 87% of respondents were satisfied with York as a place to live and work.
- \* The demand for social care services for adults continues to grow in York and in 2008/009 the number of residents who were supported to live independently increased by 11%.

.....And this achieved despite our having to manage with one of the lowest Council Tax levels in England!

**and the future?**

Maintaining the city's high employment levels is a priority in the current economic climate. The 'Thriving City' initiative is being led by the Council and working with partners and businesses in the city to ensure that opportunities are maximised to help businesses through the hard times ahead. Initiatives such as "One City", the Kingsway Action project, Future Prospects and the Economic Development Strategy, are all working together to increase the number of people in employment.

Throughout 2008/09 the Council has been working to calculate its CO2 emissions and is committed to a corporate carbon management programme which will reduce CO2 emmissions across CYC housing and transport fleet by 25% by 2013. Responding to the climate change challenge the Council continues to work through the Local Strategic Partnership on the citywide Climate Change Strategy.

## INTRODUCTION BY THE LEADER

Recycling remains firmly on the agenda and the Council plan to further increase recycling over the next few years, offering recycling to 98% of households by March 2011.

The Council has refreshed its Corporate Strategy aligning with the city's Sustainable Communities Strategy, setting out the vision and priorities until 2012. The "More for York" transformation programme has been launched to meet the needs of the city and to improve the way the Council does business. An effective organisation will result in efficiency savings and a Council able to play its part in helping the city realise its ambitions.

We are resolute in the pursuit to continue to improve quality services and deliver best value for the residents of York.

Andrew Waller  
Leader of the Council

**Foreword by the Director of Resources**

**1. Introduction**

The purpose of the foreword is to provide an easily understandable guide to the most significant matters reported in City of York Council's Accounts. The pages which follow are the Council's final accounts for the year ending 31 March 2009 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 Resources in relation to the proper administration of the Council's financial affairs.

**Audit and 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 than 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.

### **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 £5.277m was approved in the 2008/09 budget process, although this was accompanied by savings of £6.293m

The Council's General Fund budget for its own net expenditure was set at £110.471m, after the assumed use of £3.300m from reserves and General Fund balances and £8.278m Area Based Grant (ABG). To this sum the parish precepts added a further £0.561m.

During the year Members approved additional net expenditure totalling £2.432m, 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 2007/08 (£1.513m). The revised budget before the use of balances and ABG was therefore £124.481m, with the use of reserves and balances amounting to £5.732m.

The out-turn position is net expenditure, including parish precepts, of £121.791m, an underspend of £3.251m. Included within the net underspend, however, are several service areas where items of expenditure that will have ongoing budgetary pressures into 2009/10. These have been identified and reported to Members and will be continually monitored during 2009/10.

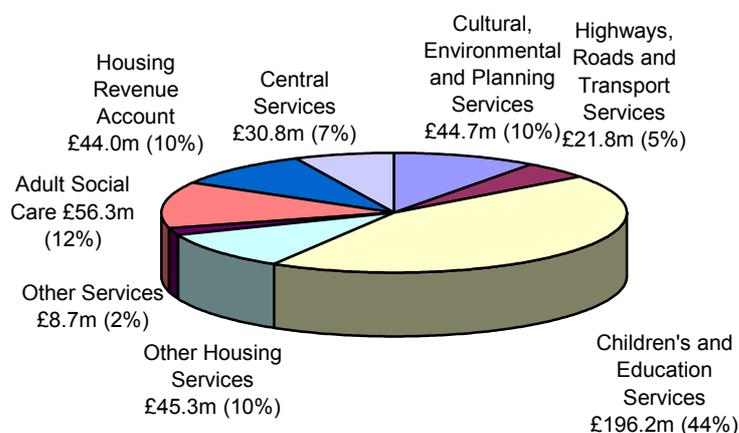
The overspending budgets were compensated for by reduced expenditure/additional income in other areas, a proportion of which was known about when the budget for 2009/10 was set and is reflected in that budget, and a proportion which is the result of one-off events that cannot be expected to recur in 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 £0.472m can be spent in 2009/10 to complete projects that could not be finalised in 2008/09.

The Council's gross expenditure on services, as shown on the Income and Expenditure Account, was £447.803m and the following two diagrams show this firstly on a service by service basis and then by category of expenditure:

## FOREWORD

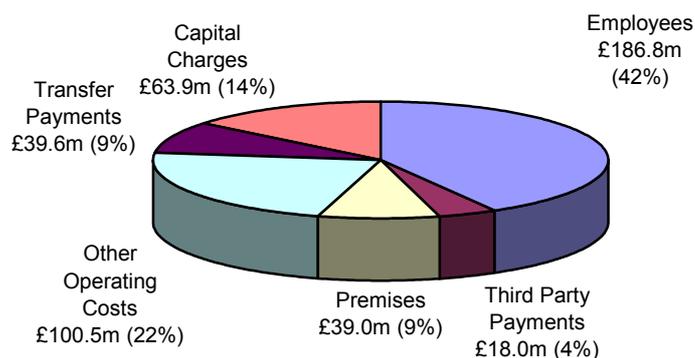
### Income and Expenditure Account and Statement of Movement on the General Fund Balance cont'd

#### Gross Expenditure on Services 2008/09



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

#### How the Money Was Spent 2008/09



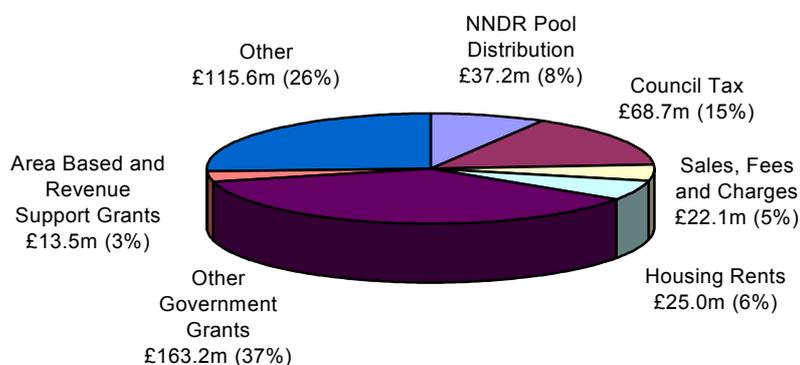
In the above analysis employees costs include the full cost of employing all staff including teachers; third party payments include levies from Internal Drainage Boards; and transfer payments relate principally to benefit payments and rent rebates.

## 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 £445.350m, £2.480m less than was needed to fund expenditure. The deficit is transferred to general fund balances, which now total £15.663m. However, of this total £5.650m 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 £10.013m.

The Council transferred £91.659m 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 £2.616m. 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 2008/09 this was a transfer from reserves of £1.066m, reducing the balances held to £5.650m. These balances can only be used by schools.

From April 2006 funding for schools is provided through the Dedicated Schools Grant (DSG) from the Department for Children, Schools and Families (DCSF). In 2008/09 the DSG totalled £86.056m.

As part of the 2009/10 budget Members agreed to fund non-recurring items of expenditure by using £3.697m from general fund balances. In addition, Members have also agreed to use £0.472m to finance work which was budgeted to be completed in 2008/09 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.

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

When the 2008/09 revenue estimates were approved, rents were increased by £3.00 per week or 5.25%, 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 2008/09 was estimated to be £5.349m compared to an actual at the year-end of £5.321m.

This variation together with those to other original budgets have resulted in a surplus on the HRA of £7.514m at the year-end, which is an increase of £0.276m from that originally budgeted for. The most significant variations have resulted from:

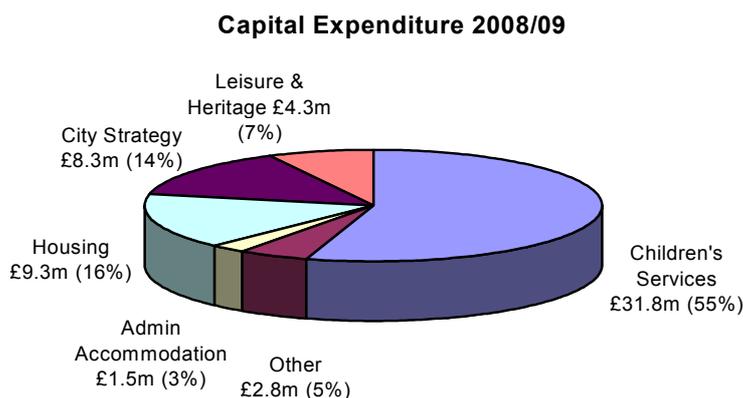
	£000's
(i) Increase in repairs and maintenance prices	(416)
(ii) Reduced costs from departmental and support services, mainly due to staffing	364
(iii) Reduced cost of providing single homeless accommodation	27
(iv) Decreased cost of providing temporary accommodation	17
(v) Increased provision for bad debts	(102)
(vi) Increased revenue funding of capital programme	(148)
(vii) Reduced HRA subsidy payment	28
(viii) Increase in rental income from Council houses and shops	100
(ix) Additional interest on working balances	248
(x) Reduced capital charges	51
(xi) Reduction in caretaking costs	11
(xii) Increased income from Supporting People	15
(xiii) Reduced cost of grounds maintenance	64
(xiv) Increase in miscellaneous receipts	10
(xv) Other minor variations	7
	276

### 5. Collection Fund

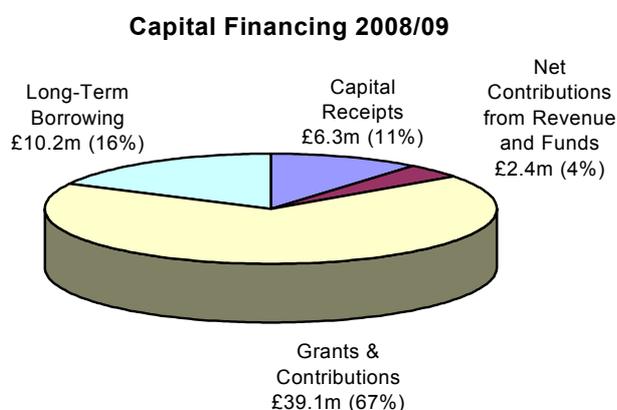
At 31 March 2009 the surplus on the Collection Fund is £0.371m although £0.072m of this is owed to the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority. While preparing for the 2009/10 budget it was estimated that the Council's share of an estimated surplus would be £0.236m and the 2009/10 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. 97.2% of the total sum collectable for 2008/09 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 97.5% of the 2008/09 bills.

**6. Capital Expenditure**

The original gross expenditure budget was £86.2m (2007/08 £43.8m), however, due to re-programming some of the work, the final budget was £60.2m (2007/08 £46.8m). Total expenditure on capital schemes in 2008/09 was £58.0m gross (2007/08 £42.0m). This included expenditure of £0.7m (2007/08 £3.4m) 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 £57.3m (2007/08 £38.6m). Of the underspend on capital schemes during 2008/09 £3.0m will increase spend on the projects during 2009/10. An analysis of where the money was spent in 2008/09 is shown diagrammatically below:



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



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

- The delivery of the Local Transport Plan (£6.4m)
- The modernisation and repairs to Council properties (£2.1m)
- Integrated Children's Centres (£1.7m)
- Joseph Rowntree Pathfinder School (£9.1m)
- York High School (£10.9m)
- Manor School (£2.9m)
- New Deal for Schools modernisation and devolved capital works on a variety of schools (£4.1m)
- The resurfacing and refurbishment of the Council's roads (£1.1m)
- York Pools strategy (£3.6m)

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### 7. Borrowing Facilities and Capital Borrowing

The ability to borrow in 2008/09 was 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 2008, 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	179,700	146,570
Operational Boundary	158,200	125,208
Long Term Debt	104,365	102,064

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 2008/09 the Council's long-term borrowing was as follows:

		2008/09 £000's
Restated 2007/08 £000's		
103,365	Opening Borrowing at 1 April	104,743
-	Reversal of Interest Owed & Adj Carry Value 2007/08	(378)
5,000	Borrowing to fund capital schemes	16,500
1,531	Interest Owed on Long Term Debt at 31st March	1,556
(1,153)	Adjusted Carry Value of Loans due Debt Restructure	(1,122)
<u>(4,000)</u>	Loans maturing in the year	<u>(18,800)</u>
<u>104,743</u>	Closing Borrowing at 31 March	<u>102,499</u>
179,700	Authorised Limit for year	146,570
158,200	Operational Boundary for year	125,208

PWLB debt of £5m was repaid in line with the original maturity date of the loan in May 2008. In addition the Council undertook a debt restructure in June 2008 prematurely repaying £13.8m of PWLB debt with an interest rate of 4.875%. The Council drew down £12m of PWLB debt throughout August and September 2008 at a rate of 4.390% to replace the prematurely repaid debt. In addition the Council borrowed £4.5m of PWLB debt in November 2008 at a rate of 3.91%. 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 -£0.378m) with the new figures shown in full in the respective lines. In total at 31 March 2009 the Council's debt was £102.499m. Consequently, the Council did not exceed either the authorised limit of £146.6m or the operational boundary of £125.2m. The average rate of interest on all long-term loans at 1 April 2008 was 4.605% and at 31 March 2009 was 4.567%.

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

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

- a new way of valuing Pension Fund assets to make them consistent with the disclosure requirements of IAS 19 Employee Benefits. Substantive revision has been made to the note regarding retirement benefits. Revised comparator data for the change in valuing Pension Fund assets have been provided by the Fund's actuaries.
- the Government has replaced the Local Area Agreement Grant with a new Area Based Grant. This is a non-ringfenced general grant, with no conditions on its use imposed. This means that it has to be treated as a general grant, rather than a service specific grant, and included on the Income and Expenditure statement with other general income sources such as income from the Collection Fund and NNDR distribution.
- revaluation of a fixed asset as at the point of disposal is no longer permitted. Previously the gain or loss on disposal of fixed assets would have been based on the sales value of the asset at the point of disposal. In 2008/09 the gain or loss is the amount by which the disposal proceeds are more or less than the carrying value of the asset.
- as permitted in FRS 1 Cash Flow Statements Revenue Activities, cash flows can be presented in the 2008/09 accounts using either the direct method (disclosure of major categories of gross cash receipts and gross cash payments) or the indirect method (whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus/deficit of the Income & expenditure for the year). The CIPFA Toolkit for producing the cash flow in 2008/09 has been purchased and the indirect method has been selected.
- the section on Post Balance Sheet Events has been amended in the SORP 2008 in line with FRS 21. The pre-audit Statement of Accounts (to be approved by 30 June 2009) is a formal document but they are not the Council's definitive accounts, as they have not been audited. Therefore it remains possible to consider Post Balance Sheet Events up until the "authorisation for issue date" of the audited accounts (up to 30 September 2009).

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

There are several significant entries on the Council's Balance Sheet. The first is in relation to the reduction of £36.0m in the value of fixed assets, which includes expenditure of £41.1m and revaluations of £32.9m offset by disposals of £2.5m and depreciation of £15.5m. However, there is also a large impairment adjustment of £92.0m to reflect the current economic position. The impairment cost also has an impact on both the revaluation reserve and the capital adjustment account, both of which have decreased in value as a consequence.

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 £18.3m, to reflect this. At the same time capital grants unapplied has reduced to reflect the grants received in prior years being used to support capital expenditure in 2008/09.

Debtors have increased by £3.1m, which is mainly due to an increase in the indebtedness between the Council and the government. Of this £1.8m is due to the out-turn being different to the estimate for the sums collected by the Council on behalf of the government for business rates, with a further £0.9m due to an increase in the number of claimants for rent rebates in the last three months of the financial year due to the economic downturn.

The value of temporary investments has decreased by £26.6m. The main reason for the reduction in temporary investments is the delivery of the capital programme in 2008/09, the largest programme ever completed by the Council at £58.016m. Much of the funding for schemes delivered in this financial year was received in advance of spend which contributed to high cash balances at the start of the financial year. As the major capital schemes have been delivered in year a significant proportion of the cash has been spent. Additionally the Council's debt now matches its borrowing requirement meaning loans have not been taken in advance of need thus reducing the cash balance.

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### Significant Points to Note in Respect of the Balance Sheet cont'd

The reduction in long-term loans outstanding is the result of pro active treasury management ensuring that the level of debt matches the borrowing requirement and ensuring borrowing has not been taken in advance of need due to unfavourable rates.

The deferred liability has been reduced due to a change in the accounting treatment of the liability for the payment of notional debt on the 1996 local government reorganisation transferred assets. The deferred liability is required to be included within the capital adjustment account on the balance sheet as the debt which it related to was paid off in 1999/2000. Therefore the deferred liability has been reduced, and the capital adjustment account increased, as a prior year adjustment in 2007/08 by £20.8m.

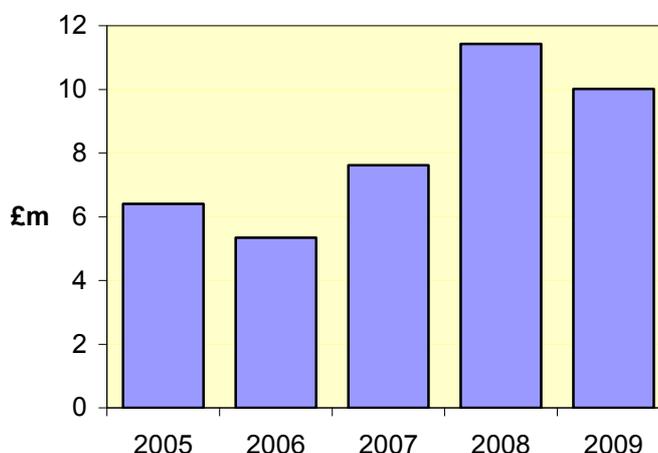
There is also an increase in the Council's share of the North Yorkshire Pension Fund's deficit from £135.571m to £150.942m. This increase has been calculated by the Fund's actuaries based on assumptions about events and circumstances in the future. It is matched by an increase in the level of the pensions reserve. The inclusion of both the liability and the reserve on the balance sheet are a statutory requirement.

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

At the beginning of the 2008/09 financial year the revenue reserves stood at £43.5m, excluding the pensions reserve. The equivalent revenue resources at 31 March 2009 stand at £41.2m, including £5.7m for schools' accumulated reserves. It was expected that the overall level of revenue reserves would reduce by £4.9m during 2008/09, but in actual fact they only reduced by £2.3m. The main reasons that balances reduced less than projected are: delays in planned expenditure on the general fund that will now be incurred in 2009/10, underspends/additional income that were identified and incorporated into the 2009/10 budget, a large one-off VAT refund, an increase in HRA balances although this will be needed in 2009/10 and increased contributions from developers to fund future capital expenditure. In compliance with the Education Reform Act 1988, individual school balances (ISB) will be carried forward into 2008/09. It is currently planned to use £4.2m of revenue reserves in 2009/10.

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.

**Level of General Fund Revenue Reserves  
at 31 March**



### Review of the Council's Financial Position cont'd

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 Resources 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 2008/09 this gives a recommended level of £5.361m.

The actual level of reserves that can be taken into account for comparison to these levels amount to £10.344m at 31 March 2009, including the general fund reserve. 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 2009/10 will result in a reserve level of £6.563m at 31 March 2010. This will allow little 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 financial planning framework. 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 the these are identified in the following key financial challenges:

#### 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 is predicated on the implementation of a transformation and efficiency programme that will enable financial pressures to be contained without the need for crude service cuts. The efficiency programme is targeted at achieving net real budget savings of at least £15m over the next three years.

## FOREWORD

### **Future Developments** cont'd

#### Euro

- The Council has not committed itself to incurring expenditure in preparation of the Euro, but continues to monitor developments. However, consideration is given to whether new software would be capable of dealing with multiple currencies when awarding contracts.

I hope these Statement of Accounts help you to better understand the Council's financial position. Please let me know how you think we are progressing with our financial reporting, as we are aiming to continuously improve in this area.



## STATEMENT OF ACCOUNTS



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

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

I have audited the accounting statements and related notes of City of York Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account Balance, 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 prepared by the Audit Commission

### **Respective responsibilities of the Director of Resources and auditor**

The Director of Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial 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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council and its income and expenditure for the year.

I review whether the Annual 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 financial 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.

I read other information published with the accounting statements, and consider whether it is consistent with the audited 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 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 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 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 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 accounting statements and related notes.

### **Opinion**

In my opinion the Council financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 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 specified by the Audit Commission for principal local authorities. 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.

## DISTRICT AUDITOR'S REPORT

### 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 February 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 ending 31 March 2009.

### 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 2009



## STATEMENT OF ACCOUNTING POLICIES

### 1. General

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end, 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - 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 28. 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 25.

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 maintained following the repeal of the legislation.

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. This gives a discount rate of 2.5% (based on 6.1% less 3.6% inflation assumption). For 2007/08 the discount rate was 2.3% (based on 5.4% less 3.1% inflation assumption)
- 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
  - unlisted 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 2008/09, 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 2008/09 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 2008/09 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. Interests in Companies and Other Entities**

The Council has no material interest in companies or other entities that have the nature of subsidiaries, associates and joint ventures that require it to prepare group accounts

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

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. 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 4 primary schools with Sewell Education (York) Ltd. 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, with legal ownership of the land and buildings reverting to the Council in 2036. The nature of the contract means that sufficient risk has been transferred from the Council to Sewell so that the fixed asset does not appear on the Council's Balance Sheet.

### **Prepayments**

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. 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.

## STATEMENT OF ACCOUNTING POLICIES

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

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

### Reversionary Interests

The Council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the Council 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 (unenhanced) and a reversionary interest asset has been created in the Council's Balance Sheet.

As an asset is stated initially at net present value, over the life of the scheme, the discount will need to be unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the Council.

### Residual Interest

Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value, including nil (residual interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

### 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.

## 20. 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 the year, including any 'profit' from selling any unused allowance, is shown as income on the Cultural, Environmental and Planning Services line on the Income and Expenditure Account
- 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

### 21. Related Companies

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, but these do not require the Council to prepare Group Accounts. The interests in companies are recorded as investments, i.e. at cost, less any provision for losses.

#### **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 also note 67 to the Core Statements.

#### **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 also note 68 to the Core Statements.

#### **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.

### 22. 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 2007/08 resulting from the changes set out in the following section. In all cases the notes have also been amended to reflect the revised figures.

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

The Code of Practice for 2008/09 requires a restatement of the 2007/08 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 new Code of Practice has amended the Accounting Policy for FRS17 (Pension Benefits) by changing the value at which assets are held. Comparators for the 2007/08 Accounts were provided by the Pension Fund's actuaries, and these included a revised liability balance for 31 March 2006 to enable the Statement of Total Recognised Gains and Losses to be correctly amended.

Social service costs have been separated into those that relate to children and those relating to adults. The childrens' costs are now included within Childrens' and Education Services.

In addition to the new SORP requirements, further work has been undertaken on the asset register for 2007/08 in accordance with the Audit Commissions recommendations in their Annual Governance Report. Following the review of the asset register it is necessary to restate the opening figures for the 2007/08 accounts. In addition to the adjustments in the asset register a prior period adjustment has been made to write off the abortive costs in relation to the Administrative Accommodation project. On 23 March 2009, the Council publicly announced that the project would be delivered by external developers and would be by the refurbishment of existing buildings rather than a construction of a new building. As a result costs of £0.571m are no longer relevant to the project and are to be funded from reserves.

## STATEMENT OF ACCOUNTING POLICIES

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

All four of the core statements are affected by the changes to the asset register and the write off of abortive costs. The Income & Expenditure Account is adjusted by a decrease of £368k for government grants deferred and by an increase and decrease for the abortive costs of £571k. These amendments are reversed out in the Statement of the Movement in the General Fund Balance, which results in nil effect on Council Tax. The Balance Sheet is adjusted for tangible fixed assets a decrease of £156k, which includes the decrease for abortive costs of £581k and a net adjustment of £0.361m for depreciation/impairment. The Balance Sheet is adjusted for government grants deferred account, a decrease of £0.368m, the revaluation reserve, an increase of £487k and the capital adjustment account, a decrease of £275k including the £571k relating to the abortive costs. The effect of the asset register adjustments have a net nil effect on the general fund balance as all depreciation/impairment and government grant deferred charges made to the service revenue accounts would have been met by a contribution from the capital financing account. The write off of the administration accommodation abortive costs is a reduction to the Council's reserve of £571k.

Finally, the deferred liability has been reduced due to a change in the accounting treatment of the liability for the payment of notional debt on the 1996 local government reorganisation transferred assets. The deferred liability is not required to be shown on the balance sheet as a separate item as the debt which it related to was paid off in 1999/2000. Therefore the deferred liability has been reduced as a prior year adjustment in 2007/08 from £22.4m by £20.8m to £1.6m. The Balance Sheet has been adjusted to reduced the deferred liability, the opposite entry going to the Capital Adjustment account. The Statement of the Movement in the General Fund Balance has been reduced by £1.2m and this charge has moved to the Income & Expenditure account under the net Costs of Services description Corporate Democratic Core. This adjustment has occurred as the treatment of the Deferred Asset has also changed. The Deferred Asset has been recategorised on the Balance sheet and is included in long term debtors. Therefore the prepayment in long term debtors will continue to be written down over the next 15 years in accordance with consistent accounting practice to the Income & Expenditure Account.

## STATEMENT OF RESPONSIBILITIES

### **The Council's Responsibilities**

The Council is required to:

- (a) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Resources.
- (b) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. This is achieved through the internal audit section of the Council.
- (c) approve the Statement of Accounts.

### **The Director of Resources' Responsibilities**

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

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

- (a) selected suitable accounting policies and then applied them consistently;
- (b) made judgments and estimates that were reasonable and prudent;
- (c) complied with the SORP;
- (d) applied the accounting concept of a 'going concern' by assuming that the Council's services will continue to operate for the foreseeable future.

The Director of Resources has also:

- (a) kept proper accounting records that were up to date;
- (b) taken reasonable steps for the prevention and detection of fraud and other irregularities, through the use of the department's internal audit section.

### **Certification of the Accounts**

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Signed I.M. Floyd B. Sc. (Hons), CPFA.                      Dated 29/09/09  
Director of Resources

### **Approval of the Accounts**

The Statement of Accounts was approved by Audit and Governance Committee on 21 September 2009.

On behalf of the Audit and Governance Committee

Signed Cllr B. Watson    Dated 29/9/09  
Chair of Audit and Governance Committee

## 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 ensuring that there is a sound system of internal control which facilitates 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 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 2009 and up to the date of approval of the Statement of Accounts for 2008/09.

**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 that reflects political and community objectives and acts as the basis for corporate prioritisation. The Council's Corporate Strategy expresses the council's priorities for the next three years. The Council has also developed a standard directorate and service planning process which is intended to improve the integration of planning, resource allocation and performance management.

Political and Managerial Structures and Processes

The 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 the Council. The Council's 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 the Council's Management Team monitor and review Council activity to ensure corporate compliance with governance, legal and financial requirements. The 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.

The Council has scrutiny arrangements which have been fundamentally reviewed and enhanced including a review of their functions, which includes the review of policies, budget and service delivery to ensure that they remain appropriate. 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

#### Management and Decision Making Processes

During 2008/09 the Corporate Strategy was supplemented by the 'Single Improvement Plan' to address the requirements of multiple external and internal reviews of the Council's internal processes, including the Comprehensive Performance Assessment. It was intended to cover corporate continuous improvement of internal processes and governance frameworks, which in turn support effective service delivery. Twelve individual areas for improvement were identified, and progress against milestones monitored. The achievements to year end 2008/09 were reported to Executive on 17 March 2009. This plan, or future versions of it, is now an integral part of the refreshed Corporate Strategy 2009/12 as part of the eighth 'Effective Organisation' theme approved in March 2009.

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
- Register of Breaches and Waivers of Financial Regulations
- The Council's Business Model (2009 version).

#### Financial Management

The Director of Resources (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 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 3 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 Risk Management below.

## ANNUAL GOVERNANCE STATEMENT

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

#### 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 Chief Internal Auditor
- Finance officers and other relevant service managers.

The Council's Monitoring Officer has a statutory responsibility for ensuring that the Council acts within the bounds of its legal powers.

A report is presented to elected Members on an annual basis detailing compliance with the Council's Financial Regulations (Breaches and Waivers Report). In addition, compliance 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. This group comprises the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor, as well as other key corporate officers and is responsible for drafting the Annual Governance Statement (AGS) 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 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 Internal Audit & 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.

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

#### Performance Management

The Council recognises the importance of effective performance management arrangements and has been working to secure further improvements in 2008/09. 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 2008/09 each directorate reported finance and performance monitoring progress to Members on a regular basis and this process will be built upon in 2009/10 with revised Scrutiny arrangements. Corporate joint finance and performance reporting to CMT and Executive takes place at a corporate level.

#### 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 Authority 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
- 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 to 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 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.

#### **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 Resources (the Section 151 Officer) and the Head of Legal, Civic and Democratic Services (the Monitoring Officer), the Assistant Director of Resources (Customer Service & Governance) and the Chief Internal Auditor.

**Review of Effectiveness** cont'd

The review included consideration of:

the adequacy and effectiveness of key controls, both within individual Directorates and across the Council

- any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director
- 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 results of the review of Corporate Governance undertaken between January and March 2009
- 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 2007/08 Annual Governance Statement.

**5. Significant Governance Issues**

In considering the significant internal control issues contained within the 2007/08 AGS, it is noted that the following enhancements have been achieved, mostly through the actions resulting from Council's Single Improvement Plan:

- improved sickness monitoring and performance
- new scrutiny arrangements
- development and approval of the Engagement Strategy
- improvement and risk and processes around Business Continuity
- development of the Health and Safety Framework
- delivery of Equality Impact Assessments
- strategic partnership performance arrangements.

In addition to the above, a number of issues referred to in the 2007/08 AGS have been partially actioned in 2008/09 and will be further progressed during 2009/10 and beyond (through the named plans in brackets):

- closedown procedures (Resources Directorate Plan)
- project and programme management (Council's Improvement Plan)
- partnership governance (Improvement Plan)
- implementing and embedding the corporate Health & Safety Framework (Improvement Plan)
- progress against the Equalities Standard/Framework (Improvement 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:

- financial monitoring arrangements (Resources Directorate Plan)
- Human Resources workforce development planning (Improvement Plan)
- Officer Code of Conduct awareness including a revision of current procedures, and the delivery of a training programme (Improvement Plan).

## 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 W. J. McCarthy  
Chief Executive

Dated 29/06/2009

Signed Cllr A. Waller  
Leader of the Council

Dated 29/06/09



## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 Restated £000's		Note	2008/09 £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>		
(18,463)	Depreciation, amortisation and impairment of fixed assets (excluding depreciation and amortisation charged to HRA services)	(12)	(61,658)
(3,820)	Excess of depreciation on HRA fixed assets over the Major Repairs Allowance element of Housing Subsidy income	(12)	(3,443)
1,409	Government Grants Deferred amortisation matching depreciation and impairments	(30)	1,198
(1,905)	Revenue Expenditure Funded from Capital under Statute	(13)	(1,731)
36	Net gain/(loss) on sale of fixed assets	(14)	(375)
121	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		226
(18,423)	Net charges made for retirement benefits in accordance with FRS17	(10)	(20,420)
<u>(41,045)</u>	<b>Total</b>		<u>(86,203)</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>		
2,759	Statutory provision for repayment of debt	(15)	3,106
3,840	Capital expenditure financed from the General Fund Balance		2,580
(2,060)	Transfer from Capital Receipts Reserve	(8)	(85)
13,094	Employer's contributions payable to the North Yorkshire Pension Fund and retirement benefits payable direct to pensioners	(10)	14,183
<u>17,633</u>	<b>Total</b>		<u>19,784</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>		
556	Statutorily required transfer of the (surplus)/deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance		968
2,067	Any voluntary extra provision for repayment of debt		795
2,582	Transfers made at the discretion of the Council to/(from) reserves that have been earmarked for specific purposes		
<u>5,205</u>	Contribution to/(from) reserves	(16)	(556)
<u>5,205</u>	<b>Total</b>		<u>1,207</u>
<u>(18,207)</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>(65,212)</u>
	<b>GENERAL FUND BALANCE</b>		
13,466	(Surplus)/Deficit for the Year on the Income and Expenditure Account		67,692
(18,207)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year		(65,212)
<u>(4,741)</u>	<b>(Increase)/Reduction in Balance in Year</b>		<u>2,480</u>
<u>(13,402)</u>	Balance Brought Forward		<u>(18,143)</u>
<u>(18,143)</u>	<b>Balance Carried Forward</b>		<u>(15,663)</u>
(6,716)	Amount of General Fund Balance held by governors under schemes to finance schools	(17)	(5,650)
<u>(11,427)</u>	Amount of General Fund Balance generally available for new expenditure		<u>(10,013)</u>
<u>(18,143)</u>			<u>(15,663)</u>

<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>
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2007/08 Restated £000's		Note	2008/09 £000's
	<b>Movement in Recognised Gains and Losses</b>	(18)	
13,466	(Surplus)/deficit on the Income and Expenditure Account for the year		67,692
547	Attributable movement on the Collection Fund Account for the year		36
(34,280)	Surplus/loss arising on the revaluation of fixed assets		5,110
-	Surplus/loss arising on the revaluation of available-for-sale financial assets		-
34,665	Actuarial (gains)/losses relating to pensions	(10)	9,134
2,690	Transitional Adjustment for FRS25, 26 and 29		-
17,088	<b>Total recognised (gains)/losses for the year</b>		81,972
(627,249)	<b>Total Equity at 1 April</b>		(610,161)
17,088	In year activity		81,972
(610,161)	<b>Total Equity at 31 March</b>		(528,189)

(589,349)	<b>Original Equity at 31 March</b>
(20,805)	Transfer in of former Deferred Liability
(7)	Restated Balances and Prior Period Adjustments (see note 1 to the Core Statements)
(610,161)	<b>Revised Equity at 31 March</b>

## BALANCE SHEET

31 March 2008 Restated £000's	Note	31 March 2009 £000's	£000's
<b>LONG-TERM ASSETS</b>			
3,123	(19)		3,266
818,336	(20)		782,306
1,215	(22)		5,215
<u>24,791</u>	(23)		<u>24,079</u>
<u>847,465</u>			<u>814,866</u>
<b>LONG - TERM ASSETS</b>			
<b>CURRENT ASSETS</b>			
54,180	(24)	27,534	
611		536	
59		20	
22,978	(25)	26,042	
59		59	
<u>9,060</u>		<u>8,841</u>	
86,947		63,032	
<b>CURRENT LIABILITIES</b>			
6,531	(26)	5,556	
-	(26)	-	
36,016	(27)	37,990	
563		256	
<u>43,837</u>			<u>19,230</u>
<b>NET CURRENT ASSETS</b>			
<u>891,302</u>			<u>834,096</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>LONG TERM LIABILITIES</b>			
98,213	(26)	96,943	
2,631	(28)	3,439	
25,428	(29)	43,251	
7,030	(29)	7,480	
1,640	(30)	1,216	
10,541	(31)	2,581	
87	(32)	55	
<u>135,571</u>		<u>150,942</u>	
<u>281,141</u>	(10)		<u>305,907</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>			
<u>610,161</u>			<u>528,189</u>
<b>FINANCED BY:</b>			
31,144			24,953
-			-
669,438	(33)		615,310
(2,569)	(34)		(2,343)
(135,571)	(10)		(150,942)
4,226	(35)		-
240	(36)		62
18,143			15,663
6,546			7,514
335			299
<u>18,229</u>	(37)		<u>17,673</u>
<u>610,161</u>			<u>528,189</u>
<b>TOTAL EQUITY</b>			

Signed I.M. Floyd B.Sc. (Hons), CPFA  
Director of Resources

Dated 29/9/09

## CASH FLOW STATEMENT

2007/08 £000's		Note	2008/09 £000's	£000's
(14,882)	<b>Revenue Activities Net Cash Flow</b>	(38)		(1,594)
	<b>Dividends from Joint Ventures and Associates</b>			
	Cash Inflow:			
(495)	Dividends received		(223)	(223)
	<b>Returns on Investments and Servicing of Finance</b>			
	Cash Outflow:			
4,677	Interest paid		4,366	
23	Interest element of finance lease rental payments		109	
4,700			4,475	
	Cash Inflow:			
(4,447)	Interest received		(3,793)	
253	<b>Return on Investments and Servicing of Finance Net Cash Flow</b>			682
	<b>Capital Activities</b>			
	Cash Outflow:			
31,965	Purchase of fixed assets	(39)	38,533	
-	Purchase of long-term investments	(40)	4,000	
6,830	Other capital cash payments	(41)	15,791	
38,795			58,324	
	Cash Inflow:			
(9,099)	Sale of fixed assets	(42)	(2,155)	
(29,368)	Capital grants received	(43)	(34,533)	
(1,655)	Other capital cash receipts		(1,163)	
-	Sale of long-term investments		-	
(1,327)	<b>Capital Activities Net Cash Flow</b>			20,473
(16,451)	<b>Net Cash (Inflow)/Outflow before Financing</b>			19,338
	<b>Management of Liquid Resources</b>	(44)		
-	Net (increase)/decrease in short term deposits			-
-	Net (increase)/decrease in other liquid resources			-
16,000	Short-Term Investments			(22,150)
16,000				(22,150)
	<b>Financing</b>	(44)		
	Cash Outflow:			
4,000	Repayments of amounts borrowed		18,800	
721	Capital element of finance lease rental payments		424	
4,721			19,224	
	Cash Inflow:			
(5,000)	New loans raised		(16,500)	
(279)				2,724
730	<b>Increase/(Decrease) in cash</b>	(45)		88
16,451				(19,338)

## NOTES TO THE CORE STATEMENTS

### 1. Restated Comparative Figures for 2007/08

Accounting Policy number 23 explains the reasons for the restated opening figures for 2007/08. The impact of the changes as they affect the figures for 2007/08 are set out in the following tables. Only figures that have changed are included in the tables.

The restated figures in the "FRS 17 and other Entries" column include two items: FRS17 amendments which are required by accounting regulation and have been amended as a result of the requirement in the 2008 Statement of Recommended Practice, and on the Income and Expenditure Account only the former social services costs are separated into childrens' services and adult social care.

The restated figures in the "Capital Changes" column relate to the request made in the Annual Governance Report by the Audit Commission with regards to the Fixed Asset Register, the write off of abortive capital costs in the administrative accommodation project and also the change in accounting treatment of the liability for the payment of notional debt on the 1996 local government reorganisation transferred assets.

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

Original 2007/08		FRS17 & Other Entries £000's	Restated 2007/08  Capital Changes £000's	Net Expenditure £000's
Net Expenditure £000's	<b>Income and Expenditure Account</b>			
11,716	Children's and Education Services	10,506	(368)	21,854
43,212	Adult Social Care	(10,506)	-	32,706
<u>3,826</u>	Corporate and Democratic Core	-	<u>1,224</u>	<u>5,050</u>
58,754	<b>Impact on Net Cost of Services</b>	-	856	59,610
2,498	Pensions interest cost and expected return on pensions assets	14	-	2,512
<u>61,252</u>	<b>Impact on Net Operating Expenditure</b>	<u>14</u>	<u>856</u>	<u>62,122</u>
<u>61,252</u>	<b>Impact on Surplus/Deficit in the Year</b>	<u>14</u>	<u>856</u>	<u>62,122</u>
Original 2007/08		FRS17 Entries £000's	Restated 2007/08  Capital Changes £000's	Net Expenditure £000's
Net Expenditure £000's	<b>Statement of the Movement on General Fund Balance</b>			
61,252	<b>Impact on Surplus/Deficit in the Year b/fwd</b>	14	856	62,122
(17,524)	Depreciation/impairment funded	-	(939)	(18,463)
673	Government Grants deferred	-	736	1,409
(18,409)	Net charges made for retirement benefits in accordance with FRS17	(14)	-	(18,423)
5,064	Capital expenditure financed from General Fund Balance	-	(1,224)	3,840
<u>2,011</u>	Contribution to/(from) reserves	-	<u>571</u>	<u>2,582</u>
<u>33,067</u>	<b>Net Change in General Fund Balance</b>	<u>-</u>	<u>-</u>	<u>33,067</u>

## NOTES TO THE CORE STATEMENTS

### Restated Comparative Figures for 2007/08 cont'd

Original 2007/08 £000's	<b>Statement of Total Recognised Gains and Losses</b>	FRS17 Entries £000's	Restated 2007/08 Capital Changes £000's	£000's
12,596	(Surplus)/deficit on the Income and Expenditure Account for the year	14	856	13,466
(34,436)	Surplus/loss arising on the revaluation of fixed assets		156	(34,280)
34,689	Actuarial (gains)/losses relating to pensions	(24)	-	34,665
3,237	Other entries not changed	-	-	3,237
<u>16,086</u>	<b>Total recognised (gains)/losses in year</b>	<u>(10)</u>	<u>1,012</u>	<u>17,088</u>
(605,435)	<b>Total Equity at 1 April</b>	215	(22,029)	(627,249)
16,086	In year activity	(10)	1,012	17,088
<u>(589,349)</u>	<b>Total Equity at 31 March</b>	<u>205</u>	<u>(21,017)</u>	<u>(610,161)</u>

Original 31 March 2008 £000's	<b>Balance Sheet</b>	FRS17 Entries £000's	Restated 31 March 2008 Capital Changes £000's	31 March 2008 £000's
<b>Long-Term Assets</b>				
818,492	Tangible Fixed Assets	-	(156)	818,336
26,015	Long-Term Debtors	-	(1,224)	24,791
<b>Current Assets</b>				
21,754	Debtors	-	1,224	22,978
<b>Long-Term Liabilities</b>				
25,796	Government Grants Deferred Account	-	(368)	25,428
22,445	Deferred Liabilities	-	(20,805)	1,640
135,366	Liability related to Defined Benefit Pension Scheme	205	-	135,571
<u>682,654</u>	<b>Sub-Total - change in Total Assets</b>	<u>(205)</u>	<u>21,017</u>	<u>703,466</u>
<b>Funded By:</b>				
30,657	Revaluation Reserve	-	487	31,144
648,908	Capital Adjustment Account	-	20,530	669,438
(135,366)	Pensions Reserve	(205)	-	(135,571)
<u>544,199</u>	<b>Sub-Total change in Equity</b>	<u>(205)</u>	<u>21,017</u>	<u>565,011</u>

### 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.

## NOTES TO THE CORE STATEMENTS

### Significance of the Income and Expenditure Account and the Statement of Movement on the General Fund Balance 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 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 2008/09 the sum received is £86.056m (2007/08 £83.311m) 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 2009/10, it was not therefore allocated to any budget in 2008/09. Details of the use of the DSG receivable for 2008/09 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	(11,340)	(74,716)	-	(86,056)
Adjustment to finalised grant allocation	-	-	-	-
DSG receivable for the year	(11,340)	(74,716)	-	(86,056)
Actual expenditure for the year	11,694	74,825	-	86,519
Over/(under) spend for the year	354	109	-	463
Over/(under) spend from prior year	(224)	-	-	(224)
<b>Underspend carried forward to 2009/10</b>	<b>130</b>	<b>109</b>	<b>-</b>	<b>239</b>

### 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 £18k (2007/08 £189k). The government granted powers to the Council to finance costs of £680k (2007/08 £526k) 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.

## NOTES TO THE CORE STATEMENTS

### Exceptional Items cont'd

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 £1,249k plus interest of £1,022k. This was offset by fees payable to PWC of £454k. There are also transactions for payments made amounting to £493k (2007/08 £1,283k) to facilitate the finalisation of the Job Evaluation exercise and £601k to increase the provision held for potential payments to employees. With regards to the development of the administrative accommodation building, on 23 March 2009 the Council announced publicly that the project would be delivered by one of two developers and would be by the refurbishment of existing buildings rather than a construction of a new building. As a result costs of £520k in 2008/09, which are not longer relevant to the project, have been charged to the income & expenditure account as an exceptional item. The final transaction for 2008/09 was the receipt of £59k from BCCI administrators. The Council has now almost received the full sum that was on deposit when the bank got into difficulties. The liquidators continue to try to recoup the remainder of the Council's investment. In 2007/08 there was also the transaction relating to costs the Council incurred in acquiring a site for waste disposal would be reimbursed over four years, commencing in 2004/05 and finishing in 2007/08. As the income was outside the normal service income it was shown as exceptional for each of the four years. This income was transferred to be used for capital financing and was included in the transfers in the Statement of Movement on the General Fund Balance (SMGFB).

### 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. There are two types of trading activities, those reported below the Net Cost of Services or the Neighbourhood Services trading operations, primarily those formerly provided under the repealed Local Government, Planning and Land Act 1980 and the Local Government Act 1988, and those included in individual service expenditure lines on the revenue account.

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

	2007/08			2008/09		
Turnover (Income) £000's	Expend- iture £000's	(Surplus)/ Deficit £000's		Turnover (Income) £000's	Expend- iture £000's	(Surplus)/ Deficit £000's
<b>Significant Trading Services included in Net Cost of Services</b>						
(2,898)	1,171	(1,727)	Commercial Property	2,820	637	3,457
(579)	325	(254)	Markets	(538)	340	(198)
(6,138)	2,184	(3,954)	Car Parks	(5,430)	1,889	(3,541)
(1,210)	435	(775)	Crematorium	(1,317)	455	(862)
			Building Control			-
(670)	480	(190)	(chargeable element)	(593)	526	(67)
(1,516)	1,514	(2)	Engineering Consultancy	(1,113)	987	(126)
(2,353)	2,495	142	Facilities Management	(2,102)	2,247	145
(686)	671	(15)	York Training Centre	(476)	478	2
<u>(16,050)</u>	<u>9,275</u>	<u>(6,775)</u>	<b>Total</b>	<u>(8,749)</u>	<u>7,559</u>	<u>(1,190)</u>

Commercial property income is principally rental income, and the (surplus)/deficit includes depreciation charges of £nil (2007/08 £492k). In 2008/09 depreciation on commercial property was zero because 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, there are no depreciation charges.

## NOTES TO THE CORE STATEMENTS

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

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 £171k (2007/08 £176k) for depreciation. The main sources of income at the crematorium are cremation fees and memorialisation. The surplus is net of depreciation charges of £16k (2007/08 £14k). Building Control is, by statute, split into two elements. The full statement on the trading activity is shown in note 55, but only the chargeable element needs to be shown under the BVACOP requirements. 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. The deficit of £2k (surplus of £15k) represents 0.1% (2.2%) of turnover.

The following table shows those operations included below the net cost of services.

Turnover (Income) £000's	2007/08 Expend- iture £000's	(Surplus)/ Deficit £000's		Turnover (Income) £000's	2008/09 Expend- iture £000's	(Surplus)/ Deficit £000's
			<b>(Surplus)/Deficit from Trading Operations</b>			
(7,342)	7,803	461	Building Maintenance	(8,455)	8,569	114
(6,726)	6,440	(286)	Civil Engineering	(6,991)	6,305	(686)
(3,892)	4,098	206	Neighbourhood Pride Servs	(3,719)	4,052	333
(3,564)	3,811	247	Cleaning of Public Buildings	(3,449)	3,653	204
(1,964)	1,390	(574)	Commercial Waste	(2,086)	1,499	(587)
(75)	146	71	Transport Operating	(1,789)	1,569	(220)
<u>(23,563)</u>	<u>23,688</u>	<u>125</u>	<b>Total</b>	<u>(26,489)</u>	<u>25,647</u>	<u>(842)</u>

All the figures in the above table are inclusive of the pensions transactions set out in note 10. 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. 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 still maintain a trading account as this was required under former CCT legislation. The trading account income is mainly fees charged to internal clients. Cleaning income is mainly from schools and council buildings. Successful negotiations with the clients has returned the account to its budgeted positioning 2008/09. Commercial Waste income is generated through charges to commercial customers and schools for waste and recycling collection.

In addition to the net surplus of £842k (2007/08 deficit £125k) on trading activity there are other transactions that take place before determining the transfer of a surplus or loss to the trading reserve. These are set out in the following table:

2007/08 £000's		2008/09 £000's
	<b>TRADING OPERATIONS RESERVE</b>	
(439)	Balance at beginning of year	(439)
125	(Surplus)/Deficit in year	(842)
(132)	Transfer to/(from) General Fund	742
7	Transfer to/(from) Earmarked Reserves	207
<u>(439)</u>	Balance at end of year	<u>(332)</u>

## NOTES TO THE CORE STATEMENTS

### 7. Interest Payable

Included in the revenue accounts is the interest payable of £4.391m (2007/08 £4.748m) 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.

### 9. Interest and Investment Income

Included in the revenue accounts is a return on investments of £3.291m (2007/08 £4.135m) with a further £4k (2007/08 £7k) 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.

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £212.780m to £212.575m, a decrease of £205k, resulting in an increase of the pension deficit of £205k (2007/08 £215k). Current and prior year surpluses have been unaffected by this change.

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 2008/09 the Council paid £6.764m (2007/08 £6.678m) to CTP in respect of teachers' retirement benefits, which represents 14.1% (2007/08 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.

2007/08 Restated £000's		2008/09 £000's	£000's
	<b>Income and Expenditure Account Entries</b>		
	<b>Net Cost of Services</b>		
11,793	Current service cost	13,180	
3,110	Past service cost	79	
1,008	Curtailment Cost	289	
15,911			13,548
	<b>Net Operating Expenditure</b>		
16,936	Interest cost	21,530	
(14,424)	Expected return on assets in the scheme	(14,658)	
2,512			6,872
18,423	<b>Net Charge to the Income and Expenditure Account</b>		20,420
	<b>Statement of Movement on the General Fund Balance Entries</b>		
(18,423)	Reversal of net charges made for retirement benefits in accordance with FRS17		(20,420)
13,094	Actual amount charged against Council Tax for Pensions in the year		14,183

## 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 of £9.134m (2007/08 £36.665m as restated) 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 £82.4m.

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 31.3.08			As at 31.3.09	
Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's		Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's
301,497	8,530	Balance at 1 April	338,000	10,146
11,793	-	Current service cost	13,180	-
16,493	443	Interest cost	20,930	600
4,103	-	Contributions by scheme participants	4,775	-
8,778	1,081	Actuarial (gains)/losses	(81,459)	(1,389)
(8,037)	(653)	Benefits/transfers paid	(7,736)	(624)
3,110	-	Past service costs	17	62
263	745	Curtailments	204	85
<u>338,000</u>	<u>10,146</u>	Balance at 31 March	<u>287,911</u>	<u>8,880</u>

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

As at 31.3.08 Restated Local			As at 31.3.09	
Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's		Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's
(214,450)	-	Balance at 1 April	(212,575)	-
(14,424)	-	Expected rate of return	(14,658)	-
24,806	-	Actuarial (gains)/losses	91,982	-
(12,441)	(653)	Employer contributions	(13,559)	(624)
(4,103)	-	Contributions by scheme participants	(4,775)	-
8,037	653	Benefits/transfers paid	7,736	624
<u>(212,575)</u>	<u>-</u>	Balance at 31 March	<u>(145,849)</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 £77.324m (£13.188m).

### Scheme History

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

	2004/05 *	2005/06 *	2006/07 Restated	2007/08 Restated	2008/09
	£000's	£000's	£000's	£000's	£000's
<u>Present Value of Liabilities</u>					
Local Government Pension Scheme	241,149	292,762	301,497	338,000	287,911
Unfunded Teachers Pensions	5,838	7,955	8,530	10,146	8,880
<u>Fair Value of Assets</u>					
Local Government Pension Scheme	(143,204)	(191,883)	(214,450)	(212,575)	(145,849)
<u>(Surplus)/Deficit in the Scheme</u>					
Local Government Pension Scheme	97,945	100,879	87,047	125,425	142,062
Unfunded Teachers Pensions	5,838	7,955	8,530	10,146	8,880
<b>Total Scheme (Surplus)/Deficit</b>	<b>103,783</b>	<b>108,834</b>	<b>95,577</b>	<b>135,571</b>	<b>150,942</b>

\* The Council has elected not to restate fair value of scheme assets for 2004/05 and 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 £150.942m (2007/08 £135.571m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduced overall balance of £524.981m (2007/08 £589.356m).

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 2010 is £15m.

### 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 31.3.08		As at 31.3.09
	<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
21.1 yrs	Of a male current pensioner aged 65	21.2 yrs
24.0 yrs	Of a female current pensioner aged 65	24.0 yrs
	<b>Commutation of pension for lump sum at retirement</b>	
50%	Take maximum cash	50%
50%	Take 3/80ths cash	50%
1,223	Market value of total fund assets (£ millions) (bid value, at 31 March)	827

The following shows the inflation factors used:

As at 31.3.08		As at 31.3.09
% pa		% pa
3.60	Rate of Inflation	3.30
5.35	Rate of increase in salaries	5.05
3.60	Rate of increase in pensions	3.30
6.10	Rate for discounting scheme liabilities	7.10

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 31.3.08			As at 31.3.09	
£000's	%		£000's	%
154,968	72.9	Equities	109,096	74.8
9,353	4.4	Government Bonds	12,397	8.5
36,988	17.4	Other Bonds	16,335	11.2
-	-	Property	-	-
2,976	1.4	Cash/liquidity	6,417	4.4
8,290	3.9	Other	1,604	1.1
<u>212,575</u>	<u>100.0</u>		<u>145,849</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
31.3.08		31.3.09
% pa		% pa
7.50	Equities	7.50
4.60	Government Bonds	4.00
6.10	Other Bonds	6.00
N/A	Property	N/A
5.25	Cash/liquidity	0.50
7.50	Other	7.50

### 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				
	2004/05	2005/06	2006/07	2007/08 Restated	2008/09
	%	%	%	%	%
Differences between expected and actual return on assets	3.1	14.9	0.5	(13.0)	(63.1)
Experience gains and losses on liabilities	2.5	(2.5)	-	2.2	-
	Unfunded Teachers Pensions				
	2004/05	2005/06	2006/07	2007/08 Restated	2008/09
	%	%	%	%	%
Differences between expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	1.4	(5.5)	-	(0.2)	-

### 11. General Government Grants

The figure for general government grants comprises two elements, the revenue support grant and area based grant. The former has always been included as a general government grant and totals £5.177m in 2008/09. Area Based Grant (ABG) is a replacement for the Local Area Agreement Grant, which was included in the service lines income in the 2007/08 accounts. In accordance with the Code of Practice the ABG is now included in general government grants. The sum received in 2008/09 is £8.278m.

## 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.

2007/08 £000's		2008/09 £000's
	Expenditure Charged to Service Accounts	
526	Expenditure for which the Secretary of State has granted permission	680
1,482	Improvement Grants	1,488
4,822	Other Expenditure	13,623
6,830		15,791
	Direct Grant Income Credited to Service Accounts	
(1,209)	Improvement Grants	(1,357)
(3,716)	Other Grants	(12,427)
-	Other Contributions	(276)
(4,925)		(14,060)
1,905	Total Charged to Income and Expenditure Account and Funded from the Capital Adjustment Account	1,731

### 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.

### 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 2008/09 is £3.221m (2007/08 £3.005m).

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 2008/09 to £3.106m (2007/08 £2.759m).

## NOTES TO THE CORE STATEMENTS

### Statutory Provision for the Repayment of Debt cont'd

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 £795k (2007/08 £941k). The following table shows the transactions in the year:

2007/08		2008/09	
£000's		£000's	£000's
-	Housing Revenue Account (2%)	-	
<u>3,005</u>	Other Services (General Fund) (4%)	<u>3,221</u>	
3,005			<u>3,221</u>
<u>(246)</u>	Less: Commutation adjustment		<u>(115)</u>
2,759	Minimum Revenue provision for the year		3,106
<u>941</u>	Voluntary Debt Repayment		<u>795</u>
<u>3,700</u>	Total provision for the Repayment of Debt		<u>3,901</u>

### 16. Reserves

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

2007/08		Net	2008/09
£000's		Movement	£000's
£000's		£000's	£000's
(1,208)	Investment Reserves	-	(1,208)
(439)	Trading Operations Reserve	107	(332)
(2,158)	Venture Fund	(117)	(2,275)
(1,906)	Reserve to Support Capital	1,334	(572)
(4,511)	Developers' Contributions Unapplied	240	(4,271)
(2,071)	Insurance Fund	185	(1,886)
(1,388)	Introducing New Technology	789	(599)
-	Invest to Save	(1,072)	(1,072)
<u>(4,548)</u>	Miscellaneous	<u>(910)</u>	<u>(5,458)</u>
<u>(18,229)</u>		<u>556</u>	<u>(17,673)</u>

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

### 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 6 (2007/08 4) schools with deficit rather than surplus balances at a total deficit of £299k (2007/08 £208k).

### 18. Movement on Reserves

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.

## NOTES TO THE CORE STATEMENTS

### Movement on Reserves cont'd

Balance at 31.3.08 £000's	Account	(Gains) /Losses For the Year £000's	Transfers Between Reserves £000's	Balance at 31.3.09 £000's
<b>Reserves</b>				
(31,144)	Revaluation Reserve	5,110	1,081	(24,953)
-	Available-for-sale Financial Instruments Reserve	-	-	-
(669,438)	Capital Adjustment Account Financial Instruments Adjustment Account	-	54,128 (226)	(615,310) 2,343
135,571	Pensions Reserve	9,134	6,237	150,942
(4,226)	Capital Receipts Reserve	-	4,226	-
(240)	Major Repairs Reserve	-	178	(62)
(18,143)	General Fund Balance	67,692	(65,212)	(15,663)
(6,546)	Housing Revenue Account Reserve	-	(968)	(7,514)
(335)	Collection Fund Reserve	36	-	(299)
(18,229)	Earmarked Reserves	-	556	(17,673)
<u>(610,161)</u>		<u>81,972</u>	<u>-</u>	<u>(528,189)</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.

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.

## NOTES TO THE CORE STATEMENTS

### 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:

2007/08 £000's		2008/09 £000's
	Purchased Software Licences	
5,432	Original Cost	6,303
<u>(2,257)</u>	Less: accumulated amortisation/impairment	<u>(3,180)</u>
3,175	Balance at 1 April	3,123
871	Expenditure in Year	1,086
-	Disposals - Gross book value	-
-	Accumulated Amortisation	-
(923)	Written off to revenue in year	(943)
<u>3,123</u>	Closing balance at 31 March	<u>3,266</u>
6,303	Value at 31 March	7,389
<u>(3,180)</u>	Less: accumulated amortisation/impairment	<u>(4,123)</u>
<u>3,123</u>	Net Book Value of Assets at 31 March	<u>3,266</u>

### 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
Certified Valuation at 31.3.08	417,719	290,412	7,597	74,983	176	790,887
Accumulated depreciation/ impairment	<u>(15,785)</u>	<u>(6,060)</u>	<u>(1,390)</u>	<u>(2,050)</u>	-	<u>(25,285)</u>
Net Book Value of Assets at 31.3.08	401,934	284,352	6,207	72,933	176	765,602
Prior Year Adjustments	-	148	13	5	-	166
Revised Opening Balances	<u>401,934</u>	<u>284,500</u>	<u>6,220</u>	<u>72,938</u>	<u>176</u>	<u>765,768</u>
<u>Movement in 2008/09</u>						
Category Adjustment	-	(41,299)	(343)	564	(65)	(41,143)
Additions/Enhancements	7,469	2,432	926	4,824	186	15,837
Disposals - Gross book value	(240)	(700)	-	-	-	(940)
Revaluations	18,924	9,477	-	-	-	28,401
Depreciation	(8,414)	(3,724)	(1,388)	(2,205)	-	(15,731)
Impairment	<u>(52,219)</u>	<u>(9,918)</u>	-	-	<u>(186)</u>	<u>(62,323)</u>
Net Book Value of Assets at 31.3.09	<u>367,454</u>	<u>240,768</u>	<u>5,415</u>	<u>76,121</u>	<u>111</u>	<u>689,869</u>

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
Certified Valuation at 31.3.08	46,813	6,305	-	53,118	844,005
Accumulated depreciation/ impairment	<u>(228)</u>	-	-	<u>(228)</u>	<u>(25,513)</u>
Net Book Value of Assets at 31.3.08	46,585	6,305	-	52,890	818,492
Prior Year Adjustments	<u>(322)</u>	-	-	<u>(322)</u>	<u>(156)</u>
Revised Opening Balances	<u>46,263</u>	<u>6,305</u>	-	<u>52,568</u>	<u>818,336</u>
<u>Movement in 2008/09</u>					
Category Adjustment	22,450	(88)	18,781	41,143	-
Additions/Enhancements	1,896	23,405	-	25,301	41,138
Disposals	(120)	-	(1,468)	(1,588)	(2,528)
Revaluations	3,945	-	524	4,469	32,870
Depreciation	241	-	-	241	(15,490)
Impairment	<u>(8,711)</u>	<u>(16,677)</u>	<u>(4,309)</u>	<u>(29,697)</u>	<u>(92,020)</u>
Net Book Value of Assets at 31.3.09	<u>65,964</u>	<u>12,945</u>	<u>13,528</u>	<u>92,437</u>	<u>782,306</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, £23.405m (2007/08 £6.168m), 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	4,921
Devolved Capital Work on a Variety of Schools	1,816
Modernisation of Council Properties	8,966
Sports and Leisure Facilities	614
Other smaller schemes	1,416
Expenditure that increases value of assets	17,733
York High School	10,874
Barbican Redevelopment	3,590
Other Smaller Schemes within Assets under Construction	8,941
Expenditure - Assets under Construction	23,405
Total Expenditure on Tangible Fixed Assets	41,138

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	240
Burton Green 107	450
Amy Johnson Way Land for ECO Business Centre	250
Hungate Road Day Centre	1,468
Hazel Court Site 7	120
Other smaller sites	-
	2,528

### 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 2009 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. Due to the recent significant reduction in property prices a desktop exercise has been carried out across the whole Council's asset base. Impairment has 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, with the valuations of council housing being undertaken by Stephenson's of 10 Colliergate, York, who are estate agents, chartered surveyors, auctioneers and valuers.

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 2009 are the following:

<p>Council Dwellings:</p> <ul style="list-style-type: none"> <li>3,565 Flats</li> <li>4,443 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>13 Toilet blocks</li> <li>69 Schools</li> <li>16 Respite Care and Residential Homes</li> <li>4 Day Centres</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:

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000's	£000's	£000's	£000's	£000's
Childrens' Services	32,635	20,181	-	-	-
Neighbourhood Services	4,757	3,388	5,555	3,055	3,055
Housing Services	8,612	9,121	10,205	9,807	10,888
Leisure and Culture Services	6,349	1,100	-	-	-
Economic Development	113	-	-	-	-
City Strategy	12,307	14,957	19,891	12,131	3,605
Resources	300	-	-	-	-
Chief Executive's Department	3,043	700	1,250	-	-
Social Services	407	351	235	245	255
<b>Total Capital Programme</b>	<b>68,523</b>	<b>49,798</b>	<b>37,136</b>	<b>25,238</b>	<b>17,803</b>

Childrens' Services future capital expenditure post 2010/11 are still to be released.

At 31 March 2009 gross capital expenditure commitments were over £27.4m, the most significant of which were Joseph Rowntree Building Schools for the Future (£18.4m), York High Pool (£2.6m), tenants' choice (£3.6m) and heating upgrades in council housing (£1.4m).

## 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.

2007/08 £000's		2008/09 £000's
	<b>Expenditure in year</b>	
25,999	Operational Assets	15,837
8,326	Non-operational Assets	25,301
871	Intangible Assets	1,086
6,830	Deferred Charges	15,791
	<b>Sources of Finance</b>	
(19,376)	Grants and Contributions	(39,082)
(6,787)	Capital Receipts	(6,293)
(5,063)	Revenue Contributions	(2,425)
(2,759)	Minimum Revenue Provision	(3,106)
<u>(2,067)</u>	Voluntary Debt Repayment	<u>(795)</u>
<u>5,974</u>	<b>Movement in Year</b>	<u>6,314</u>
	<b>Capital Financing Requirement</b>	
<u>85,588</u>	Opening balance at 1 April	<u>91,562</u>
<u>91,562</u>	Closing balance at 31 March	<u>97,876</u>
	<b>Explanatory Movements in Year</b>	
5,668	Increase in underlying need to borrow (supported by Government financial assistance)	7,830
4,855	Increase in underlying need to borrow (unsupported by Government financial assistance)	2,385
(2,759)	Minimum Revenue Provision	(3,106)
<u>(1,790)</u>	Voluntary Set-aside	<u>(795)</u>
<u>5,974</u>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>6,314</u>

### 22. Long-Term Investments

These are investments held for the medium/long-term. They comprise mainly share investments in two companies: Yorwaste (£1.008m) and York Science Park (£0.200m). 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.

The long term investment figure includes a fixed term money market investment of £4m held with the Nationwide Building Society. This investment will mature on 14 May 2010.

## 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 was previously shown as a Deferred Asset.

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 31.3.08		Expenditure During Year	Income Received in Year	Balance at 31.3.09
£000's		£000's	£000's	£000's
248	Employee Loans	106	(118)	236
62	Council House Mortgages	-	(34)	28
13	Housing Act Advances	-	-	13
19,581	Prepayment - LGR 1996	-	(1,223)	18,358
3,616	Prepayment - PFI scheme	-	(198)	3,418
296	PFI - Residual Value Asset	155	-	451
958	PFI - Sculpting Prepayment	408	-	1,366
17	Other	197	(5)	209
<u>24,791</u>		<u>866</u>	<u>(1,578)</u>	<u>24,079</u>

### 24. Temporary Investments

These are investments made by the Council of surplus funds which are repayable within a period not exceeding twelve months.

**NOTES TO THE CORE STATEMENTS**

**25. Debtors**

This figure has been netted down by £7.576m (2007/08 £8.017m) 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 31.3.08 £000's		Balance at 31.3.09 £000's
	<b>Taxpayers</b>	
5,806	Council Tax	5,607
3,492	NNDR	3,557
	<b>Central Government</b>	
1,951	Government Departments	3,535
-	Customs and Excise	9
616	NNDR Pool	2,462
945	DEFRA Landfill Usages Allowances	-
	<b>Other</b>	
1,734	Housing Rents	1,709
1,697	Housing Benefits	1,784
-	Prepayment - LGR 1996	1,224
14,754	Other Debtors	13,731
<u>30,995</u>		<u>33,618</u>
.....		.....
	<b>Provision for Bad and Doubtful Debts</b>	
(4,768)	Collection Fund	(4,387)
(1,259)	Housing Rents	(1,265)
(1,265)	Housing Benefits	(1,139)
(725)	Other	(785)
<u>(8,017)</u>		<u>(7,576)</u>
.....		.....
<u>22,978</u>	<b>Total Debtors</b>	<u>26,042</u>
<u>22,978</u>		<u>26,042</u>

## NOTES TO THE CORE STATEMENTS

### 26. Loans Outstanding

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

As at 31.3.08 £000's		Interest Rates Payable	As at 31.3.09 £000's
<b>Total Outstanding</b>			
(89,365)	Public Works Loan Board (PWLB)	3.70% to 4.75%	(87,065)
1,152	PWLB (Carrying Value Adjustment)		1,122
-	CLF Municipal Bank		-
(10,000)	Royal Exchange Trust Co Ltd	7.155%	(10,000)
-	Local Bonds		-
-	Short Term Loans		-
(5,000)	Dexia Bank LOBO	3.88%	(5,000)
(1,531)	Interest Owed on Long Term Debt at 31st March		(1,556)
<u>(104,744)</u>	<b>Total</b>		<u>(102,499)</u>
<b>Analysis of loans by maturity:</b>			
(1,531)	Interest Due within one year		(1,556)
(5,000)	Maturing within one year		(4,000)
(4,000)	Maturing in 1 - 2 years		(4,000)
(7,000)	Maturing in 2 - 5 years		(3,000)
(3,500)	Maturing in 5 - 10 years		(14,500)
(84,865)	Maturing in more than 10 years (average maturity 20 years)		(76,565)
1,152	Carrying Value Adjustment		1,122
<u>(104,744)</u>	<b>Total</b>		<u>(102,499)</u>

### 27. Creditors

The creditors figure can be analysed as follows:

Balance at 31.3.08 £000's		Balance at 31.3.09 £000's
<b>Taxpayers</b>		
(1,552)	Council Tax	(1,687)
(2,482)	NNDR	(2,259)
<b>Central Government</b>		
(1,921)	Government Departments	(3,533)
(3,304)	Revenues and Customs	(13)
(796)	DEFRA Landfill Allowances Trading Scheme	-
<b>Other</b>		
(321)	Housing Rents	(323)
(25,640)	Other Creditors	(30,175)
<u>(36,016)</u>	<b>Total Creditors</b>	<u>(37,990)</u>

## NOTES TO THE CORE STATEMENTS

### 28. Provisions

The following table summarises the Provisions held:

Balance at 31.3.08 £000's		Expenditure During Year £000's	Income During Year £000's	Balance at 31.3.09 £000's
(1,167)	Insurance Fund - General	251	(511)	(1,427)
(1,464)	Miscellaneous	889	(1,437)	(2,012)
<u>(2,631)</u>		<u>1,140</u>	<u>(1,948)</u>	<u>(3,439)</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. The miscellaneous provisions include small sums to provide for costs that may arise as a consequence of the closure of the special schools in York and for outstanding appeals against the banding for Council Tax purposes, both are based on estimates of potential costs and are reviewed annually. The remaining provision is in respect of potential payments to employees dependent upon the outcome of current and possible future legal action.

### 29. 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 31.3.08 £000's		Receipts During Year £000's	Transfer to SMGFB in Year £000's	Balance at 31.3.09 £000's
(25,428)	Deferred Government Grants	(18,770)	947	(43,251)
(7,030)	Deferred Developers' Contributions	(701)	251	(7,480)
<u>(32,458)</u>		<u>(19,471)</u>	<u>1,198</u>	<u>(50,731)</u>

### 30. Deferred Liabilities

This represents the liability for amounts chargeable to the revenue accounts in future financial years. There is one element which is the sums owing for assets acquired through finance leases, see also note 60. The following table shows the transactions in the year. It should be noted that previously in the Accounts, the Deferred Liabilities also included the liability for the payment of notional debt on the 1996 local government reorganisation transferred assets. Change in accounting treatment has resulted in the deferred liability being transferred to the Capital Adjustment account on the face of the balance sheet as the debt which it related to was paid off in 1999/2000. Therefore the deferred liability has been reduced as a prior year adjustment in 2007/08 from £22.4m by £20.8m to £1.6m.

Balance at 31.3.08 £000's		Income During Year £000's	Expenditure in Year £000's	Balance at 31.3.09 £000's
(141)	Finance Leases	-	87	(54)
(1,499)	DSG Contract (see notes 51 & 60)	-	337	(1,162)
<u>(1,640)</u>		<u>-</u>	<u>424</u>	<u>(1,216)</u>

## NOTES TO THE CORE STATEMENTS

### 31. 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.

### 32. 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.

### 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.

2007/08		2008/09	
Restated		£000's	£000's
£000's			
(680,745)	<b>Balance at 1st April</b>		(669,438)
	Add: <u>Income in the Year</u>		
(2,759)	Minimum Revenue Provision	(3,106)	
(2,067)	Voluntary Repayment of Debt	(795)	
(6,787)	Usable Capital Receipts	(6,293)	
(16,315)	Grants & Contributions	(24,803)	
(1,355)	Revenue Contributions - Housing	(935)	
(2,484)	Revenue Contributions - Other Departments	(1,645)	
57	Transfer to Revaluation Reserve	(1,081)	
(31,710)			(38,658)
(712,455)			(708,096)
	Less: <u>Expenditure in year</u>		
	Transfer to SMGFB		
	Revenue Expenditure funded from Capital		
1,905	under Statute	1,731	
22,769	Depreciation and Impairment	65,101	
(1,409)	Deferred Govt Grants and Dev Contribns released	(1,198)	
19	Allowable costs of disposal on HRA sales		
5,193	Disposal of Assets	2,529	
9,026	Transfer to Deferred Capital Grants	18,770	
792	Transfer to Deferred Developers Contributions	701	
4,722	Transfer to Major Repairs Reserve	5,152	
43,017			92,786
(669,438)	<b>Balance at 31st March</b>		(615,310)

## NOTES TO THE CORE STATEMENTS

### 34. Financial Instruments Adjustment Account

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

	Long-Term		Short-Term	
	31.3.08	31.3.09	31.3.08	31.3.09
	£000's	£000's	£000's	£000's
Financial Liabilities at amortised cost	99,365	98,065	5,000	4,000
Financial Liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	<b>99,365</b>	<b>98,065</b>	<b>5,000</b>	<b>4,000</b>
Loans and receivables	3,000	4,000	53,135	27,091
Available-for-sale	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
<b>Total Investments</b>	<b>3,000</b>	<b>4,000</b>	<b>53,135</b>	<b>27,091</b>

#### 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:

	31.3.08		31.3.09	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000's	£000's	£000's	£000's
Financial Liabilities	104,365	107,379	102,065	111,175

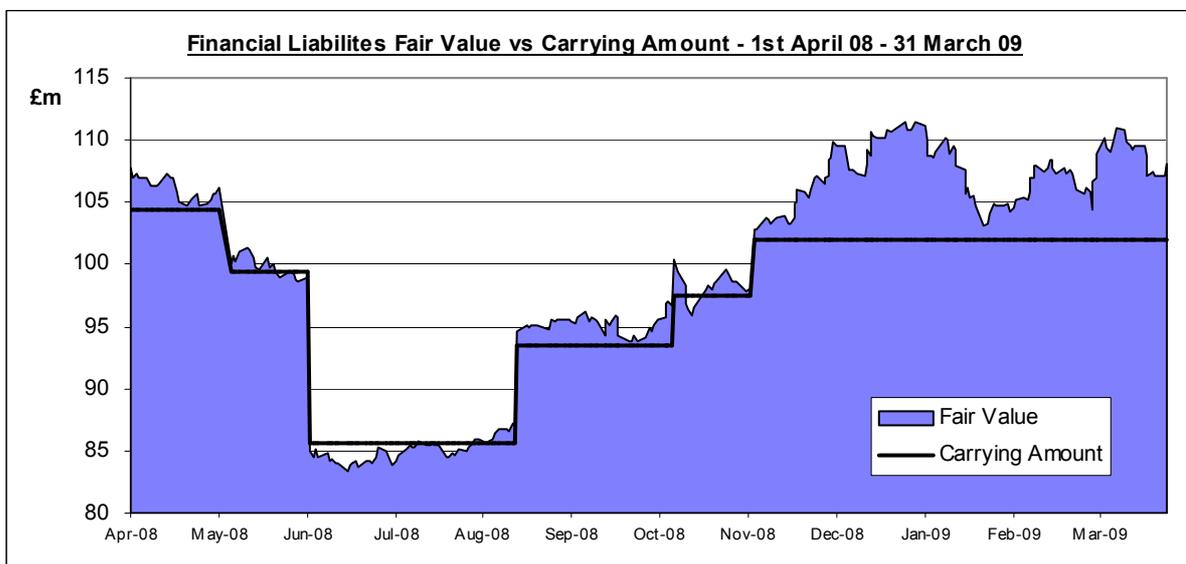
The fair value at 31 March includes £5m (2007/08 £5m) of money market debt in the form of a Lenders Option Borrowers Option (LOBO) loan. This loan is currently within its primary period (a period of 3 years in which the interest payable on the loan is at a fixed rate) and is therefore unable to be restructured, 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 2008 and higher in March 2009 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 2009.

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 31.3.09	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	31,091	-	-	-
Bonds	-	-	-	-
	31,091			-

No credit limits 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.

#### 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.

	Authority Upper Limit %	Authority Actual at 31.3.09 %	Authority Actual at 31.3.09 £000's
Under 12 months	10%	5%	(4,000)
12 months and within 24 months	10%	4%	(4,000)
24 months and within 5 years	25%	7%	(3,000)
5 years and within 10 years	25%	15%	(14,500)
10 years and above	90%	69%	(76,565)
			(102,065)

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

## NOTES TO THE CORE STATEMENTS

### Financial Instruments Adjustment Account cont'd

#### 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:

31.3.08		31.3.09
£000's		£000's
-	Increase in interest payable on variable rate borrowings	-
40.5	Increase in interest receivable on variable rate investments	49.0
-	Increase in government grant receivable for financing costs	-
40.5	Impact on Income and Expenditure Account	49.0
5.3	Share of overall impact credited to the HRA	8.5
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on STRGL	-
1,044.0	Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E Account or STRGL)	1,020.7

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.

## NOTES TO THE CORE STATEMENTS

### 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.

2007/08 £000's		2008/09 £000's
(5,349)	Balance at 1 April	(4,226)
(7,693)	Receipts in year from sale of assets	(2,116)
(31)	Mortgage principal repayments	(39)
<u>(13,073)</u>		<u>(6,381)</u>
2,060	Less: Proportion of HRA receipts to be paid to Government Pool	85
-	Less: Allowable costs on sale of HRA Assets	3
<u>(11,013)</u>	Available Usable Receipts	<u>(6,293)</u>
6,787	Receipts applied during the year	6,293
<u>(4,226)</u>	Usable Capital Receipts Unapplied at 31 March	<u>-</u>

### 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.

### 37. Earmarked Reserves

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

Balance at 31.3.08 £000's	Account	Expenditure During Year £000's	Income During Year £000's	Balance at 31.3.09 £000's
<b>Reserves</b>				
(1,208)	Investment Reserves	-	-	(1,208)
(439)	Trading Operations Reserve	849	(742)	(332)
(2,158)	Venture Fund	748	(865)	(2,275)
(1,906)	Reserve to Support Capital	3,759	(2,425)	(572)
(4,511)	Developers Contributions Unapplied	1,147	(907)	(4,271)
(2,071)	Insurance Fund	452	(267)	(1,886)
(1,388)	Introducing New Technology	789	-	(599)
-	Invest to Save	-	(1,072)	(1,072)
<u>(4,548)</u>	Miscellaneous	<u>1,530</u>	<u>(2,440)</u>	<u>(5,458)</u>
<u>(18,229)</u>		<u>9,274</u>	<u>(8,718)</u>	<u>(17,673)</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.

## NOTES TO THE CORE STATEMENTS

### Earmarked Reserves cont'd

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 2009 the reserves stood at £1.886m (2007/08 £2.071m).

### 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		67,692
Non-cash transactions		
Items in the Statement of Movement on the General Fund Balance		
Depreciation of fixed assets	(65,101)	
Amortisation of deferred grants relating to fixed assets	1,198	
Revenue Expenditure Funded from Capital under Statute	(1,731)	
Profit/loss on sale of fixed assets	(375)	
Provisions set aside	(808)	
Contributions (to)/from reserves	<u>(6,829)</u>	<u>(73,646)</u>
		(5,954)
Items on an accruals basis		
Increase/(decrease) in stocks and works in progress	(114)	
Increase/(decrease) in debtors	3,063	
(Increase)/decrease in creditors	<u>(1,974)</u>	<u>975</u>
		(4,979)
Items included in another classification in the Cash Flow Statement		
Capital Activities	4,268	
Investment Income/Finance Leasing Payments	<u>(883)</u>	<u>3,385</u>
		<u>(1,594)</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 £3.218m (2007/08 £2.946m).

### 40. Purchase of Long-Term Investments

This is the purchase of new long-term investments; see also Note 22.

### 41. Other Capital Cash Payments

This figure comes from Note 13.

## NOTES TO THE CORE STATEMENTS

### 42. Sale of Fixed Assets

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

### 43. Capital Grants Received

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

	£000's
DCSF BSF One School Pathfinder	13,906
DCSF Devolved Formula Capital	2,734
DCSF Targeted Capital Fund	2,000
DCSF Other smaller funds - collective	3,237
Major Repairs Allowance	5,152
Miscellaneous Housing Grants	1,884
Other Miscellaneous	5,620
<b>Total</b>	<b>34,533</b>

### 44. 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 31.3.08 £000's	Balance 31.3.09 £000's	Movement in Year £000's
<i>Management of Liquid Resources</i>			
Temporary Investments	53,050	30,900	(22,150)
Temporary Loans	-	-	-
	53,050	30,900	(22,150)
<i>Financing</i>			
Long-Term loans due within 12 months	5,000	5,000	-
Long-Term Loans	99,365	97,065	2,300
	104,365	102,065	2,300

### 45. 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 31.3.08 £000's	Balance 31.3.09 £000's	Movement in Year £000's
Cash-in-hand	59	59	-
Schools Cash at Bank	9,060	8,841	(219)
Cash Overdrawn	(563)	(256)	307
<b>Total</b>	<b>8,556</b>	<b>8,644</b>	<b>88</b>
Temporary Loans Investments	53,050	30,900	(22,150)
Long Term Borrowing	(104,365)	(102,065)	2,300
<b>Total</b>	<b>(51,315)</b>	<b>(71,165)</b>	<b>(19,850)</b>
<b>Total Movement in Net Debt</b>	<b>(42,759)</b>	<b>(62,521)</b>	<b>(19,762)</b>

## NOTES TO THE CORE STATEMENTS

### 46. 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 precepts paid in the year are respectively £12.764m (2007/08 £12.089m), £3.866m (2007/08 £3.654m) and £0.561m (2007/08 £0.530m).

### 47. 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	39,068
Housing Benefits Administration	1,139
Schools Standard Support Grant	4,556
Education Standards Fund	6,574
Sure Start (Early Years)	3,547
Supporting People	7,811
Dedicated Schools Grant	86,056
Sixth Form Funding	5,584
Total	154,335

### 48. 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.

The usage figures for the year are calculated by the Council, but are then subject to audit and approval by the Department for Environment, Food and Rural Affairs (DEFRA). The figures for 2007/08 shown in brackets are the final figures agreed by DEFRA, the Council's original calculations were usage of 51,265 tonnes, which was 12,185 tonnes below the allowance for the year. In 2008/09 the Council received an allowance of 51,950 tonnes (58,340 tonnes) of biodegradable municipal waste to put into landfill. The usage was 43,750 tonnes (46,320 tonnes), which was 8,200 tonnes (12,020 tonnes) below this target, and the excess will 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

### 49. 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 (2007/08 £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
2009/10 to 2013/14	(5,931)	10,892
2014/15 to 2018/19	(5,931)	10,598
2019/20 to 2023/24	(5,931)	10,583
2024/25 to 2028/29	(5,931)	10,827
2029/30 to 2033/34	(5,931)	11,315
2034/35 to 2035/36	(2,323)	4,715
	(31,978)	58,930

### 50. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the area and mayoral appeals that it considers to be in the interests of the inhabitants of its area. The expenditure listed below was incurred under the powers conferred by this section. The expenditure shown is net of any relevant income.

2007/08 £000's	Voluntary Sector Grants	2008/09 £000's
391		415
391		415

### 51. Long-Term Contracts

The Council is committed to making payments for the provision of care and support contracts estimated at £6.3m (2007/08 £5.5m) per annum. The actual level of payments will depend on the service required. The contracts expire between June 2009 and April 2012.

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 £5.4m (2007/08 £5.8m) per annum.

In April 2007 the Council let a new waste processing contract to deal with landfill, recycle, green and bulky waste. The length of contract covers 15 years for landfill and composting, five years for recycle with an option to extend these. In 2008/09 the estimated contract value is £3.5m (including £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.

## NOTES TO THE CORE STATEMENTS

### Long-Term Contracts cont'd

The Council entered into a contract with the Defence Support Group (DSG) (formerly ABRO) for fleet services in January 2007. The Council operates approximately 250 vehicles and the contract is for the provision, management and maintenance of fleet or maintenance only where the Council owns the vehicles. The level of payments depends on the service provided but was £2.9m (2007/08 £2.7m) in this financial year. Contract prices carry an annual index and in addition are reviewed every 5 years on Best Value principles. The contract with DSG was for 12 years with options to extend up to a further 3 years. However, the contract will be reviewed during 2009/10 after a decision by the Ministry of Defence to cease all third party contracts.

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 2008/09 was £1.560m (2007/08 £735k).

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 2010 with a contract sum of £495k per annum. The second is a 12 month contract running to 31 October 2009 and has a total value of £1.080m.

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

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

During 2007/08 the Council had agreements principally with North Yorkshire County Council for the provision of building alterations, heating and electrical repairs and this raised £1.2m income out of the total trading activity turnover of £23.6m, with related expenditure of £1.2m. There were no transactions in 2008/09.

Contracts have also been obtained to provide payroll services to two schools, one college, one district council (two councils in 2007/08), a trust and various small organisations mostly in the voluntary and sports sectors. These contracts earned £29k (2007/08 £32k) against expenditure of £26k (2007/08 £25k).

From 1 April 2006 the maintenance of Critical Ordinary Watercourses was transferred from being the responsibility of the Council to the responsibility of the Environment Agency. The Council undertook this work under contract during 2007/08, but not in 2008/09. In 2007/08 income of £25k was earned against expenditure of £25k.

### 53. 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 2008/09 was £4.49m (2007/08 £3.42m).

There were no further pooled budgets in 2008/09, but these will continue to be considered by the Council in future years.

## NOTES TO THE CORE STATEMENTS

### 54. Publicity

Under Section 5 of the Local Government Act 1986 the Council is required to keep a separate account of its expenditure on publicity. The Act does not provide a clear definition of publicity. The following table summarises the elements of expenditure on publicity which are judged to be relevant:

2007/08 £000's		2008/09 £000's
450	Staff Advertising	313
612	Advertising & Publicity Costs	677
770	Marketing and Communications Group	768
1,832		1,758

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

### 55. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The Council is required to fully recover its costs on chargeable activity over a three-year rolling period. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Total 2007/08 £000's		Chargeable £000's	Non- Chargeable £000's	Total 2008/09 £000's
<b>Expenditure</b>				
369	Employee Expenses	324	81	405
12	Premises	10	2	12
15	Transport	13	3	16
20	Supplies and Services	19	5	24
168	Central and Support services charges	160	40	200
584	<b>Total Expenditure</b>	526	131	657
<b>Income</b>				
(670)	Building Regulation Charges	(593)	-	(593)
(6)	Miscellaneous Income	-	(2)	(2)
(676)	<b>Total Income</b>	(593)	(2)	(595)
(92)	<b>(Surplus)/Deficit for the year</b>	(67)	129	62

### 56. 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 2008/09 will be released to the press during the summer and will identify that the Council spent £562k (2007/08 £563k) 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.

## NOTES TO THE CORE STATEMENTS

### Members' Allowances cont'd

Although the Council consists of 47 Members there were local elections in May 2007, following which 18 Members did not return to office and only received a small payment in the financial year. In addition a by-election was held in one ward. 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.

2007/08	Allowance Band	2008/09
Number of Members	£000's	Number of Members
20	0 - 5	-
21	5 - 10	20
15	10 - 15	19
3	15 - 20	2
6	20 - 25	5
1	25 - 30	1
66		47

### 57. Employees' Emoluments

The Accounts and Audit Regulations 1996 require the disclosure of officers' emoluments (Reg. 6(2)). There were 97 (86) employees, including head-teachers and deputy head-teachers, whose total emoluments were above £50k per annum. The numbers in different bands are shown below.

2007/08		Salary Range £000's	2008/09	
Number of employees Teachers	Officers		Number of employees Teachers	Officers
39	11	50 - 60	39	15
11	13	60 - 70	12	14
5	2	70 - 80	6	2
1	-	80 - 90	2	-
-	4	90 - 100	-	4
-	-	100 - 110	-	1
-	-	110 - 120	-	-
-	-	120 - 130	-	-
-	-	130 - 140	-	-
-	-	140 - 150	-	1
56	30		59	37

### 58. 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 £12k (2007/08 £13k). 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 (2007/08 £6k).

## NOTES TO THE CORE STATEMENTS

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

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 £689k (2007/08 £636k). Contributions from North Yorkshire County Council and North Yorkshire and York Primary Care Trust totalled £244k (2007/08 £233k).

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 £697k (2007/08 £530k) was incurred, of which £498k (2007/08 £452k) was funded by grants and partnership contributions with the Council funding the remaining £199k (2007/08 £78k).

An investment fund has been 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. The position at 31 March is expenditure of £246k (2007/08 £289k), base budget of £302k (previously £302k grant income prior to grant rolling into base), which with the surplus balance brought forward of £54k (2007/08 £41k), leaves a surplus of £110k (2007/08 £54k) to carry forward.

### 59. 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 £600k through the use of LPSA2 revenue grant to assist in the achievement of LAA targets.

The Local Safeguarding Children Board Committee develops, monitors and reviews local child protection policies and had costs of £163k (2007/08 £131k) and received contributions totalling £68k (2007/08 £53k) 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 £562k (2007/08 £289k).

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 £430k (2007/08 £312k).

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 in 2008/09 totalled £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 (2007/08 £66k) 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 appoint a developer for the York central site during summer 2009.

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 2008/09 LDDF was 100% grant funded to the value of £127k (2007/08 £209k).

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 £386k in 2008/09.

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 by the Council and the University of York. In 2009/10 the service will be provided jointly by the Council for the first six months with the company taking full control from 1 October 2009. This has been established as a company limited by guarantee. The members of the company are City of York Council and the University of York. Additional board members come from Yorkshire Forward and the local business community. Science City York received a financial contribution from the Council of £235k in 2008/09.

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 costs of £10k in 2008/09 towards the set up of the new company.

## NOTES TO THE CORE STATEMENTS

### 60. 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 £91k (2007/08 £301k) charged to the Income and Expenditure Account as £4k (2007/08 £23k) finance costs (debited to interest payable) and £87k (2007/08 £278k) 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. The rentals payable under these arrangements were £443k (2007/08 £443k) charged to the Income and Expenditure Account as £105k (2007/08 £nil) finance costs (debited to interest payable) and £338k (2007/08 £443k) relating to the write-down of the obligations to the lessor (reversed in the Statement of Movement on the General Fund Balance). The lease runs for five years after which the vehicles are returned to DSG for disposal.

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.

2007/08 £000's		2008/09 £000's
1,159	Value at 1 April	1,640
1,202	Additions	-
-	Revaluations	-
(721)	Depreciation	(424)
-	Disposals	-
1,640	Value at 31 March	1,216

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 31.3.08 £000's	Year	Commitment at 31.3.09 £000's
424	2008/09	-
393	2009/10	393
409	2010/11	408
414	2011/12	414
-	2012/13	-
1,640		1,215

### 61. 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 £2.761m (2007/08 £2.820m) 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 £0.795m (2007/08 £2.043m).

## NOTES TO THE CORE STATEMENTS

### Operating Leases cont'd

The Council is committed to making lease payments totalling £520k (2007/08 £795k) in 2009/10 as shown below:

Commitment at 31.3.08 £000's	Year	Commitment at 31.3.09 £000's
-	Leases expiring within one year	74
795	Leases expiring between 2 and 5 years	446
-	Leases expiring after 5 years	-
795		520

With regard to the Council's activity as lessor (landlord), the gross value of assets held for use under operating leases was £73.167m (2007/08 £79.489m) at 31 March. This figure has been revised from the previous year when it stood at a value of £35.050m as it now includes all properties held for use under operating leases.

### 62. Audit Costs

The fees in the following table were incurred relating to external audit and inspection. Within the statutory inspection fee in 2007/08 was £104k for work undertaken by the Audit Commission for the corporate assessment of the Council in January 2008.

2007/08 £000's		2008/09 £000's
223	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	272
126	Fees payable to the Audit Commission in respect of statutory inspection	22
63	Fees payable to the Audit Commission for the certification of grant claims and returns	39
1	Fees payable in respect of other services provided by the appointed auditor	-
413		333

### 63. 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.

### 64. 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.

### 65. 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.

## NOTES TO THE CORE STATEMENTS

### Contingent Liabilities and Assets cont'd

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).

As part of the Derwenthorpe scheme the Council agreed to indemnify costs incurred by a third party prior to the receipt of land purchase and planning permission for a joint project. The maximum liability to the Council is £1.250m, but a payment of this amount will only become due if the Council withdraws from the scheme. If the scheme is not deliverable then the Council's liability will reduce, and will not exist if the third party withdraws. The potential cost to the Council of the indemnity arrangement cannot therefore be determined, but it is the Council's intention that any costs of the indemnity that are incurred would be met from the eventual sale of the land. The proposal was subject to a Public Inquiry, and has now been approved by the Secretary of State.

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 £1.5m. It is not certain that the claim will be upheld, so the asset cannot be recognised in the Accounts.

### 66. 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 31.3.08 £000's		Expenditure During Year £000's	Income During Year £000's	Balance at 31.3.09 £000's
(22)	James Cox Automoton Clock	-	(1)	(23)
(22)	Edmund Wilson Trust	-	(1)	(23)
(52)	Ismay Trust	6	(3)	(49)
(44)	Haughton/Gardiner Trust Fund	3	(3)	(44)
(59)	Strensall & Towthorpe Village Trust	3	(3)	(59)
(134)	Other Funds	6	(12)	(140)
<u>(333)</u>		<u>18</u>	<u>(23)</u>	<u>(338)</u>

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.

## NOTES TO THE CORE STATEMENTS

### Trust Funds cont'd

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.

### 67. Yorwaste Limited

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% share-holding in the above company. The only other shareholder is North Yorkshire County Council. The Company's profit and loss account is not included as part of the Income and Expenditure Account, however dividend income of £223k (2007/08 £495k) is included in that Account. Similarly, the Company's assets and liabilities are not included in the Balance Sheet.

Brief details of the Company are as follows:

Name	Yorwaste Limited
Business	The principal activities of the Company are the management, transport and disposal of waste
Council's shareholding	22.27%
Net assets	£10,800k
Loans to/(from) CYC	None
Profit for period to 31.3.09	
(a) Before tax	£248k
(b) After tax	£271k
Copies of accounts held at	County Treasurer's Department County Hall Northallerton
Auditors Report	Unqualified

The Council has a contract with Yorwaste Limited for waste disposal services. Contract prices are negotiated on an arms length commercial basis. The total value of services received in the year was £4.853m (2007/08 £4.123m) including Landfill Tax of £1.931m (2007/08 £1.569m) (£2.922m (2007/08 £2.554m) net of Landfill Tax), and at 31 March 2009 there was a creditor balance of £828k (2007/08 £737k). In addition the Council provides services to Yorwaste Limited that totalled £393k (2007/08 £1.558m) during the year. There was a debtor outstanding at 31 March 2009 of £nil (2007/08 £nil).

### 68. 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.

## NOTES TO THE CORE STATEMENTS

### Yorkshire Purchasing Organisation (YPO) cont'd

YPO's year-end is 31 December and its financial results were an invoiced turnover of £98.8m (2007/08 £93.7m) resulting in an operating surplus of £5.145m (2007/08 £0.876m). An interim dividend was paid amounting to £2m. The Council's share of this was £45k. There was no member's dividend in 2007. YPO has net assets of £18.0m (2007/08 £13.4m) with a general fund working balance of £12.8m (2007/08 £6.4m). The accounts 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.

### 69. 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 31.3.08 £000's		Balance at 31.3.09 £000's
318,061	General Fund	270,664
291,481	Housing Revenue Account	257,146
<u>619</u>	Trading Services	<u>379</u>
<u>610,161</u>		<u>528,189</u>

### 70. Related Parties

The Accounting Code of Practice requires that material transactions with related parties should be disclosed. Related parties are organisations 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 precept payment might qualify as related party transactions, but these are disclosed in note 39.

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 43 and 47.

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 2008/09 services to the value of less than £2k (2007/08 £5k) were commissioned from this company. Four Members are part of the York Credit Union to whom the Council granted a £100k loan.

Income was received for joint arrangements for people with learning difficulties. The arrangements were between Social Services and North Yorkshire and York PCT Services, £4.493m (2007/08 £3.421m).

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

## NOTES TO THE CORE STATEMENTS

### 71. 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 Statement of Accounts was approved by Audit and Governance Committee on 21 September 2009. The Director of Resources authorised the publication of the Accounts on the Council's website.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

2007/08 £000's		Note	2008/09 £000's
	<b>Income</b>		
(24,347)	Gross Dwellings Rents	(3)	(25,044)
(563)	Non-dwelling rents		(581)
(808)	Charges for Services and Facilities		(782)
(934)	Contributions Towards Expenditure		(961)
(2)	Other Government Grants		-
(3)	Transfer from General Fund	(4)	(3)
(26,657)	<b>Total Income</b>		(27,371)
	<b>Expenditure</b>		
	Housing Repairs		
5,100	Responsive	(5)	5,558
940	Programmed		1,003
	Supervision and Management		
4,401	General		4,557
2,641	Special Services		2,644
142	Rents, Rates, Taxes and Other Charges		163
-	Subsidy Limitation Transfer to General Fund	(6)	-
142	Provision for Bad or Doubtful Debts	(7)	198
5,344	Sums Directed by the Secretary of State	(8)	5,321
16,071	Depreciation and Impairment of fixed assets	(9)	24,120
3	Debt Management Costs		6
34,784	<b>Total Expenditure</b>		43,570
	<b>Net Cost of Services included in the Council Income and Expenditure Account</b>		
8,127			16,199
340	HRA share of Corporate and Democratic Core	(10)	299
	HRA share of other amounts included in the Council		
93	Net Cost of Services but not allocated to specific services	(11)	(5)
8,560	<b>Net Cost of HRA Services</b>		16,493
	<b>Other Operating Costs</b>		
(36)	Gain or loss on sale of HRA Fixed Assets	(16)	(50)
372	Amortised premiums/discounts		370
-	Interest payable and similar charges		-
	Interest receivable		
(7)	Mortgage interest		(4)
(517)	Interest on notional cash balances		(550)
71	Pensions interest cost and expected return on pensions assets	(11)	203
8,443	<b>(Surplus)/Deficit for the year transferred to the Statutory HRA</b>		16,462

**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

2007/08 £000's		Note	2008/09 £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>		
(340)	HRA share of Corporate and Democratic Core	(10)	(299)
(7,529)	Losses on impairment of fixed assets	(9)	(15,525)
36	Gain or loss on sale of HRA fixed assets	(16)	50
(589)	Net charges made for retirement benefits in accordance with FRS17	(11)	(637)
<u>(8,422)</u>	<b>Total</b>		<u>(16,411)</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>		
749	HRA Contribution towards debt financing and management costs		766
425	Employer's contributions payable to the North Yorkshire Pension Fund and retirement benefits payable direct to pensioners	(11)	439
-	HRA share of statutory provision for repayment of debt		-
344	Voluntary repayment of debt		373
1,355	Capital expenditure financed from revenue		935
370	Contribution to/(from) earmarked reserves		(89)
(3,820)	Contribution to/(from) MRR	(12)	(3,443)
-	Sums directed by the Secretary of State		-
<u>(577)</u>	<b>Total</b>		<u>(1,019)</u>
<u>(8,999)</u>	<b>(Surplus)/Deficit for the year</b>		<u>(17,430)</u>
	<b>STATUTORY HOUSING REVENUE ACCOUNT</b>		
8,443	(Surplus)/Deficit for the Year on the Income and Expenditure Account		16,462
(8,999)	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		(17,430)
<u>(556)</u>	<b>(Increase)/decrease in the Housing Revenue Account Balance</b>		<u>(968)</u>
(5,990)	Housing Revenue Account surplus brought forward		(6,546)
<u>(6,546)</u>	Housing Revenue Account surplus carried forward		<u>(7,514)</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

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

Although there is a deficit of £16.462m (2007/08 £8.443m) on the Housing Revenue Account Income and Expenditure Account this becomes a surplus of £968k (2007/08 £556k) 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 £269k (2007/08 £288k) which represents 1.03% (2007/08 1.15%) of the gross rent income including charges for services. Average rents in March 2008 were £57.14 (2007 £54.37) a week. In April an increase of 5.25% (2007 5.00%) was applied increasing the average rent at that time by £3.00 (2007/08 £2.72).

## 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.

2007/08 £000's		2008/09 £000's
(10,474)	Rents due from Tenants	(10,911)
<u>(13,873)</u>	Rents remitted by Rent Rebates through the Housing Benefit System	<u>(14,133)</u>
<u>(24,347)</u>	Total Rent Income	<u>(25,044)</u>

The Council was responsible for managing 8,008 (2007/08 8,035) dwellings at 31 March. In addition to this total are 200 (2007/08 189) 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	548	660	745	1,954
Medium Rise Flats	4	3	839	765	1,611
Houses and Bungalows	<u>16</u>	<u>2,140</u>	<u>1,535</u>	<u>752</u>	<u>4,443</u>
	<u>21</u>	<u>2,691</u>	<u>3,034</u>	<u>2,262</u>	<u>8,008</u>

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

2007/08		Houses/ Bungalows	2008/09 Flats	Total
Total				
8,053	<b>Operational Stock</b>			
(28)	Balance at 1 April	8,035	-	8,035
-	Sales	(1)	-	(1)
-	Awaiting Demolitions	(23)	-	(23)
-	Dwellings declared surplus	-	-	-
-	Dwellings reprovided with Housing Association	-	-	-
-	Re-categorisation	(3)	-	(3)
-	To General Fund	-	-	-
<u>10</u>	To HRA non-housing stock	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,035</u>	Balance at 31 March	<u>8,008</u>	<u>-</u>	<u>8,008</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 2008/09 rent arrears as a proportion of gross rent income have decreased from 5.97% of the amount due to 5.48%. The rent arrears figures are as follows:

2007/08 £000's		2008/09 £000's
605	Arrears at 31 March - Current tenants	589
876	- Former tenants	884
73	Amounts Written Off during the Year	153
119	Increased/(Reduced) Provision during the Year	158
1,259	Provision for Bad and Doubtful Debts	1,264

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

2007/08 %		2008/09 %
	Dwelling rent arrears as a % of gross rent debit	
2.44	- Current tenants	2.19
3.53	- Former tenants	3.29
5.97		5.48

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

2007/08 £000's		2008/09 £000's
55	Arrears at 31 March	98
52	Amounts Written Off during the Year	13
23	Increased/(Reduced) Provision during the Year	39
33	Provision for Bad and Doubtful Debts	59

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 8. Sums Directed by the Secretary of State/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:

2007/08 £000's		2008/09 £000's
	<u>Expenditure</u>	
11,525	Management and Maintenance	12,392
1,401	Capital Financing Charges	1,432
136	Other Items	-
4,722	MRA	5,152
17,784		18,976
	<u>Income</u>	
(23,119)	Rent Income	(24,291)
(9)	Interest	(6)
(23,128)		(24,297)
(5,344)	Total HRA subsidy payable	(5,321)

### 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:

2007/08 £000's		2008/09 £000's
8,256	Dwellings	8,414
286	Other Land and Buildings	180
-	Infrastructure	1
8,542		8,595

The cost of impairment charged to the income and expenditure account in 2008/09, £15.525m (2007/08 £7.529m), reflects the cost of capital expenditure incurred during the year on council dwellings which does not result in an increase in the value of the asset. This charge 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:

2007/08 Restated £000's		2008/09 £000's	£000's
	<b>Income and Expenditure Account Entries</b>		
	<b>Net Cost of HRA Services</b>		
403	Current service cost	427	
106	Past service cost	-	
<u>9</u>	Curtailment Cost	<u>7</u>	
518			434
<b>Net Operating Expenditure</b>			
564	Interest cost	678	
<u>(493)</u>	Expected return on assets in the scheme	<u>(475)</u>	
71			203
<u>589</u>	<b>Net Charge to the Income and Expenditure Account</b>		<u>637</u>
<b>Statement of Movement on the Housing Revenue Account Balance Entries</b>			
	Reversal of net charges made for retirement benefits		
(589)	Contribution to/(from) Pensions Reserve		(637)
	Actual amount charged to the Housing Revenue Account for		
425	Pensions in the year		439

### 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.

2007/08 £000's		2008/09 £000's
(286)	Depreciation on other HRA assets	(181)
<u>(3,534)</u>	Depreciation on dwellings higher than MRA	<u>(3,262)</u>
<u>(3,820)</u>	Total Transfer from MRR	<u>(3,443)</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:

2007/08 £000's		2008/09 £000's
(763)	Balance at 1 April	(240)
(8,256)	Depreciation on HRA dwellings	(8,414)
(286)	Depreciation on other HRA assets	(181)
3,820	Transfer to HRA during the financial year	3,443
<u>5,245</u>	Capital expenditure on houses within the HRA charged to the reserve	<u>5,330</u>
<u>(240)</u>	Balance at 31 March	<u>(62)</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
Certified Valuation at 31.3.08	410,190	11,452	-	17	-	421,659
Accumulated depreciation/ impairment	(8,256)	(444)	-	(1)	-	(8,701)
Net Book Value of Assets at 31.3.08	401,934	11,008	-	16	-	412,958
Opening Balance Adjustments	-	(21)	-	1	-	(20)
Revised Opening Balances	401,934	10,987	-	17	-	412,938
<u>Movement in 2008/09</u>						
Category Adjustment	-	(3,659)	-	1	-	(3,658)
Additions/Enhancements	7,469	-	-	-	-	7,469
Disposals - Gross book value	(240)	-	-	-	-	(240)
Revaluations	18,924	2,060	-	-	-	20,984
Depreciation	(8,414)	(180)	-	(1)	-	(8,595)
Impairment	(52,219)	(483)	-	-	-	(52,702)
Net Book Value of Assets at 31.3.09	367,454	8,725	-	17	-	376,196

	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
Certified Valuation at 31.3.08	26	-	-	26	421,685
Accumulated depreciation/ impairment	-	-	-	-	(8,701)
Net Book Value of Assets at 31.3.08	26	-	-	26	412,984
Opening Balance Adjustments	-	-	-	-	(20)
Revised Opening Balances	26	-	-	26	412,964
<u>Movement in 2008/09</u>					
Category Adjustment	2,852	-	806	3,658	-
Additions/Enhancements	-	-	-	-	7,469
Disposals - Gross book value	-	-	-	-	(240)
Revaluations	920	-	69	989	21,973
Depreciation	-	-	-	-	(8,595)
Impairment	(31)	-	-	(31)	(52,733)
Net Book Value of Assets at 31.3.09	3,767	-	875	4,642	380,838

### 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 £367.454m (2007/08 £409.463m) on the balance sheet. At vacant possession the same dwellings would have a value of £867.365m (2007/08 £850.584m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £499.911m (2007/08 £441.121m).

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 15. Summary of Capital Expenditure and Financing

The capital expenditure to be financed in 2008/09 is £7.469m (2007/08 £7.669m). The analysis of the expenditure and the sources of financing used are set out in the following table:

2007/08		Dwellings £000's	2008/09 Infra- structure £000's	Equipment £000's	Total £000's
Total £000's					
<u>7,669</u>	<b>Total capital expenditure</b>	<u>7,243</u>	<u>-</u>	<u>226</u>	<u>7,469</u>
	<b>Financing</b>				
(1,000)	Borrowing	1,000	-	-	1,000
(69)	Capital Receipts	204	-	-	204
(5,245)	Grants	5,243	-	87	5,330
<u>(1,355)</u>	Revenue Contributions	<u>796</u>	<u>-</u>	<u>139</u>	<u>935</u>
<u>(7,669)</u>		<u>7,243</u>	<u>-</u>	<u>226</u>	<u>7,469</u>

### 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:

2007/08		Council Dwellings £000's	2008/09 Land £000's	Total £000's
Total £000's				
(2,814)	Sales proceeds	(61)	(179)	(240)
<u>19</u>	less: administrative costs	<u>1</u>	<u>2</u>	<u>3</u>
(2,795)	Net proceeds	(60)	(177)	(237)
(24)	Right to buy discount repaid	(14)	-	(14)
<u>(31)</u>	Mortgage principal repaid	<u>(39)</u>	<u>-</u>	<u>(39)</u>
<u>(2,850)</u>		<u>(113)</u>	<u>(177)</u>	<u>(290)</u>
	of which:			
(790)	Usable			(205)
<u>(2,060)</u>	Payable to Housing Pooled Capital Receipts			<u>(85)</u>
<u>(2,850)</u>				<u>(290)</u>

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

**COLLECTION FUND**

2007/08 £000's	<b>INCOME AND EXPENDITURE ACCOUNT</b>	Note	2008/09	
			£000's	£000's
	<b>Income</b>			
(72,721)	Council Tax Income	(2)		(76,504)
	Transfer from General Fund:			
(8,045)	Council Tax Benefit			(8,526)
<u>(77,058)</u>	Income from business ratepayers	(3)		<u>(79,961)</u>
<u>(157,824)</u>	<b>Total Income</b>			<u>(164,991)</u>
	<b>Expenditure</b>			
	Precepts and Demands			
12,089	North Yorkshire Police Authority		12,764	
3,654	North Yorkshire Fire and Rescue Authority		3,866	
<u>64,563</u>	City of York Council		<u>68,467</u>	
<u>80,306</u>				<u>85,097</u>
	Business Rates			
76,773	Payment to National Pool		79,674	
<u>285</u>	Costs of Collection		<u>287</u>	
<u>77,058</u>				<u>79,961</u>
	Council Tax Provision for uncollectable accounts and outstanding appeals			(270)
83	Contribution from previous years'			
	Collection Fund surpluses			
161	North Yorkshire Police Authority			38
49	North Yorkshire Fire and Rescue Authority			11
<u>850</u>	City of York Council			<u>200</u>
<u>158,507</u>	<b>Total Expenditure</b>			<u>165,037</u>
<u>683</u>	<b>(Surplus)/Deficit for the year</b>			<u>46</u>
	<b>COLLECTION FUND BALANCE</b>			
683	(Surplus)/Deficit for the Year on the Income and Expenditure Account			46
(1,100)	Collection Fund surplus brought forward			(417)
<u>(417)</u>	Collection Fund surplus carried forward	(4)		<u>(371)</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, in so far as it relates to Council Tax transactions, 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). In addition to Council Tax the Collection Fund also has small residual transactions relating to the Community Charge (see also note 5).

### 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 2008/09 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	6.43	5.89	£716.21
A	up to	£40,000	6/9	5,683.94	5,650.99	£859.45
B	£40,000 to	£52,000	7/9	15,750.66	15,649.45	£1,002.69
C	£52,000 to	£68,000	8/9	19,253.56	19,348.68	£1,145.93
D	£68,000 to	£88,000	9/9	10,924.96	10,942.94	£1,289.17
E	£88,000 to	£120,000	11/9	7,650.17	7,680.37	£1,575.65
F	£120,000 to	£160,000	13/9	4,105.05	4,115.04	£1,862.13
G	£160,000 to	£320,000	15/9	2,206.22	2,240.70	£2,148.62
H	over	£320,000	18/9	114.10	114.42	£2,578.34
TOTAL				65,695.09	65,748.48	

In addition, the government makes a contribution for properties classed as "Crown" properties in lieu of paying Council Tax. These contributed £269k (2007/08 £385k) 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 £620k (2007/08 £419k) 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 £460k (2007/08 £395k) and the level of the provision for banding appeals was reduced by £109k (2007/08 increased by £108k). The net effect of these is an increase in the value of provisions of £51k (2007/08 £83k).

## NOTES TO THE COLLECTION FUND

### Council Tax cont'd

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

2007/08 £000's		2008/09 £000's
(385)	Crown Contribution	(269)
<u>(80,381)</u>	Charge ( 65,748.48 x £1,289.17 )	<u>(84,761)</u>
<u>(80,766)</u>		<u>(85,030)</u>

where the charge total comprises:

(72,721)	Income due from Chargepayers, including Crown properties	(76,504)
(8,045)	Council Tax Benefit	(8,526)

### 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 2009 was 204,252,406 (204,818,376) and the rate for 2008/09 was 46.2p (44.4p), with a reduction to 45.8p (44.1p) 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:

2007/08 £000's		2008/09 £000's	£000's
(90,939)	Rates payable for year ( 204,252,406 x 46.2 p)		(94,365)
5,911	Less: Transitional Relief and part occupancy	4,222	
5,310	Charitable Relief	5,921	
1,147	Adjustments re previous years rates	2,824	
1,513	Other adjustments including making provision for bad debts, interest payments made and small business relief	<u>1,437</u>	
<u>13,881</u>			14,404
<u>(77,058)</u>			<u>(79,961)</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). The Council's share, £299k (2007/08 £335k), is included in the Balance Sheet as a fund balance. The sums due to the NYPA, £55k (2007/08 £63k), and the NYFRA, £17k (2007/08 £19k), are included within creditors.

### 5. Community Charge

These transactions have to be accounted for separately to those for the Council Tax. Any surplus or deficit that arises belongs entirely to City of York Council. It is now sixteen years since the community charge was replaced by the council tax and no income was collected in the year.

## 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).

## GLOSSARY

### **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.

## GLOSSARY

### **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 (NDR)**

An NDR 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 Resources.

### **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.

## GLOSSARY

### **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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