



Statement of Accounts 2005/06

CONTENTS

| | PAGES |
|--|--------------|
| Introduction by the Leader | iii - iv |
| Foreword by the Director of Resources | v - xv |
| STATEMENT OF ACCOUNTS | |
| District Auditor's Report | 1 - 4 |
| Statement of Responsibilities | 5 |
| Statement on Internal Control | 6 - 13 |
| Statement of Accounting Policies | 14 - 23 |
| Consolidated Revenue Account | 24 - 36 |
| Housing Revenue Account | 37 - 44 |
| Collection Fund | 45 - 47 |
| Consolidated Balance Sheet | 48 - 67 |
| Cash Flow Statement | 68 - 72 |
| Statement of Total Movements in Reserves | 73 - 76 |
| GLOSSARY | 77 - 87 |
| INDEX | 88 - 89 |

INTRODUCTION BY THE LEADER



Welcome to the Statement of Accounts for City of York Council for 2005/06.

These accounts show that the Council has been successful in addressing the major financial issues that it continues to face. Residents have been kept informed about the difficult decisions that have to be made. Some have indeed been hard, involving either higher charges and/or potentially reduced service levels.

The council has spent slightly less than its budget for the year but has still managed to improve the quality of several services and has avoided making any cuts in the standard of street level services.

In addition reserves have been kept at a prudent level.

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 Council has frozen most of its car parking charges and introduced payment for parking at city centre car parks using mobile phones.
- * Recycling rates hit record levels with the new Hazel Court recycling centre proving to be a big hit with residents.
- * We successfully welcomed Royal Ascot to the City for a memorable sporting week and minimal disruption to the City's normal life. Indeed throughout the 12 months we had more visitors to the City than in previous years.
- * Visitor numbers to our libraries increased and the *schools out* programme for teenagers attracted the largest ever number of participants.
- * City of York Council's Children's Services were recognised by the government as being amongst the best in the country. The council has been awarded Beacon Council Status, by the Office of the Deputy Prime Minister, for its work in making provision for some of the most disadvantaged children and young people in the city and tackling disaffection. The award, which is for Early Intervention (Children at Risk), recognises the achievements of schools, education providers, social care workers, health services and voluntary/community groups in improving the lives of local children and helping to prevent failure in young people from 0-19 years of age. This is the third time York has been awarded Beacon Status since the scheme was introduced in 2000.
- * City of York Council's brand new Hob Moor Children's Centre, one of the first facilities of its kind in the country, officially opened its doors in the Spring. The new £7.5 million centre caters for children aged 0 to 11 years and boasts an impressive range of facilities under one roof. These include Hob Moor Oaks School; Hob Moor Community Primary School; Cherry Tree Neighbourhood Nursery; a Fun Club operating before and after school and during school holidays; a Sure Start York Local Programme; a Family Support Team (known as The Family Centre and relocated from Holgate); and access to health professionals.

Across the City - the streets are cleaner and safer; we are acknowledged to have the best education system in the region; unemployment continues at historically low levels; travel concessions for the elderly have been substantially improved; and crime levels are falling. Independent assessors have given the Council good marks for transport planning and social care services for people with disabilities.And this has been achieved despite our having to manage with the lowest Council Tax level outside of the south east of England!

INTRODUCTION BY THE LEADER

and the future?

Our attention, as always, is focussed on problems that residents have highlighted as their top priorities.

The main priorities continue to be York Pride and Safe City and I want the Council to build on the excellent work that has already taken place.

Over the next year we will be improving further our sports facilities.

In partnership with the police, we'll be increasing the numbers of uniformed officers on the streets and a new neighbourhood pride initiative will build on the success of York Pride.

We'll officially open the ground breaking *eco depot* on Foss Islands Road in December while the private sector is poised to make a multi million pound investment in upgrading the Barbican concert hall.

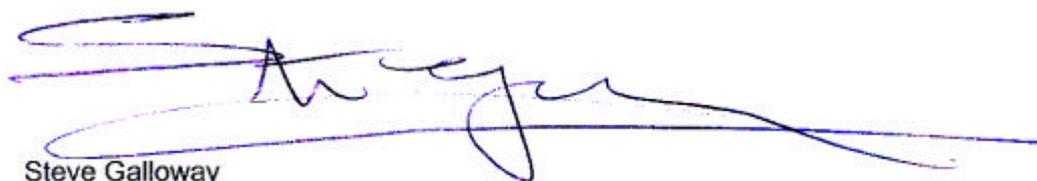
Major improvements to the outer ring road will start in the spring as will work on new buildings for three secondary schools for the City.

A new swimming pool is in the pipeline and we hope to encourage even more use of local public transport systems - services which have been praised by central government as being amongst the best in the country and which enjoy high usage levels compared to other cities.

There will be major challenges to face as our local economy transforms itself. The Council will play a leading part in securing the continued prosperity of York.

We will rise to the challenge of substantial additional demands which will be placed on our adult social services organisation - and inevitable consequence of the increasing average lifespan of local residents.

We are pledged to continue to seek improvement while providing the best value for money of any authority



Steve Galloway

Leader of the Council

in the country.

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 2006 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.

The Statement of Responsibilities

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

The Statement on Internal Control

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.

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.

The Consolidated Revenue Account

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

The Housing Revenue Account

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

The 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.

The Consolidated Balance Sheet

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

The Cash Flow Statement

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

Introduction cont'd

The Statement of Total Movements in Reserves

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

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 the 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. Consolidated Revenue Account

Despite continuing pressures on public sector expenditure, the Council has been able to maintain and improve Council services in a number of areas. Growth of £5.387m was approved in the 2005/06 budget process, although this was accompanied by savings of £6.010m.

The Council's General Fund budget for its own net expenditure was set at £166.382m, after the assumed use of £1.313m from reserves and general fund balances. To this sum the parish precepts added a further £0.496m.

During the year Members approved additional net expenditure totalling £2.080m, which was to be funded by using general fund balances. This approval was mainly for the cost of financing work originally budgeted to be completed in 2004/05 (£1.872m). The revised budget before the use of balances was therefore £170.271m, with the use of reserves and balances amounting to £3.393m.

The out-turn position is net expenditure, including parish precepts, of £167.936m, an underspend of £2.335m. Included within the net underspend, however, are several items of expenditure that will have ongoing budgetary pressures into 2006/07. These have been identified and reported to Members and will be continually monitored during 2006/07.

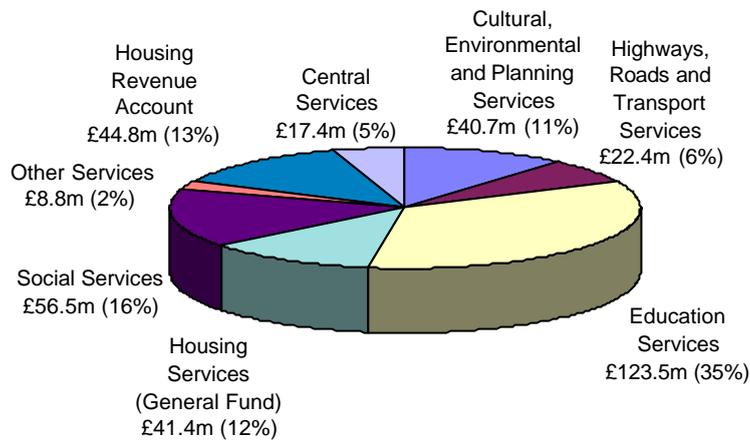
FOREWORD

Consolidated Revenue Account cont'd

The overspending budgets have been compensated for by reduced expenditure in other areas, a large proportion of which is the result of one-off events that cannot be expected to recur in future financial years, e.g. backdated rate rebates (£0.493m). Of the remainder, Members have already agreed that £1.158m can be spent in 2006/07 to complete projects that could not be finalised in 2005/06.

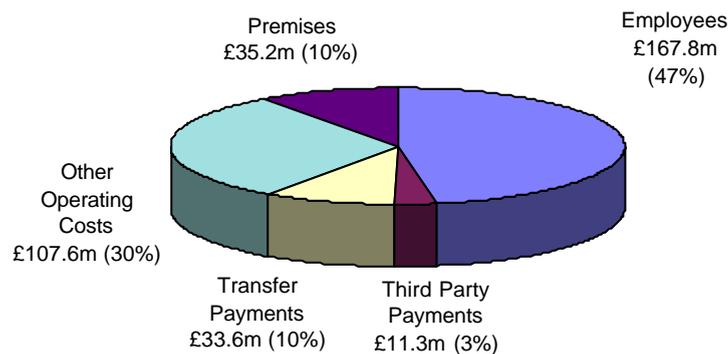
The Council's gross expenditure on services, as shown on the Consolidated Revenue Account on page 24, was £355.5m and the following two diagrams show this firstly on a service by service basis and then by category of expenditure:

Gross Expenditure on Services 2005/06



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

How the Money Was Spent 2005/06



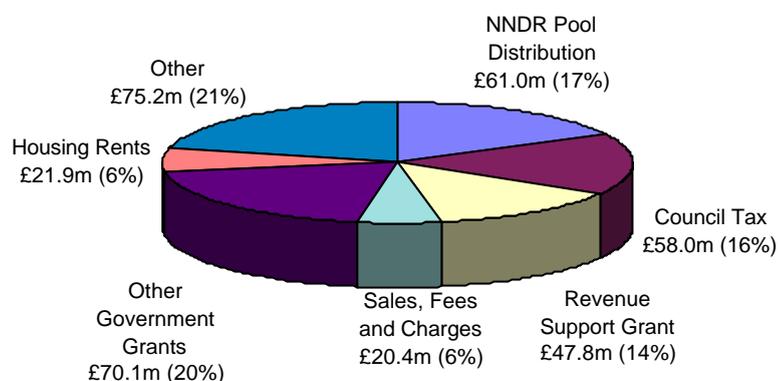
In the above analysis employees costs include the full cost of employing all staff including teachers; third party payments include levies from Internal Drainage Boards; and transfer payments relate principally to benefit payments and rent rebates.

FOREWORD

Consolidated Revenue Account 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 £354.4m, £1.1m less than was needed to fund expenditure. The shortfall is funded from general fund balances, which now total £5.347m.

The Council transferred £80.437m 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 grants totalling £2.771m. 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 2005/06 this was a transfer from reserves of £178k, reducing the balances held to £5.064m. These balances can only be used by schools.

From April 2006 funding for schools will be provided through a new grant (the Dedicated Schools Grant, or DSG) from the DfES. The baseline for this will be the 2005/06 schools budget rather than the amount included in the Schools' FSS, to allow for the fact that schools spend above or below FSS. York currently spends more on schools than the schools' FSS. The proposal is that this will be adjusted over time by the government.

In November 2005 the government announced a second amending report on Revenue Support Grant for the 2004/05 and 2005/06 financial years, following the introduction of more up-to-date information into their grant distribution formulae. As a result of this the government will be 'clawing-back' a further £0.2m in 2006/07, which the Council included in their 2006/07 budget. As part of the 2006/07 budget Members agreed to fund non-recurring items of expenditure by using £1.1m from general fund balances. In addition, Members have also agreed to use £1.158m to finance work which was budgeted to be completed in 2005/06 but which could not be completed in the year.

FOREWORD

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 Authority.

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.

When the 2005/06 revenue estimates were approved, rents were increased by £1.94 per week or 3.88%, 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 Office of the Deputy Prime Minister (ODPM), now the Department for Communities and Local Government (DCLG). The payment for 2005/06 was estimated to be £4.817m compared to an actual at the year-end of £4.738m.

This variation together with those to other original budgets have resulted in a surplus on the HRA of £5.139m at the year-end, which is an increase of £2.307m from that originally budgeted for. The most significant variations have resulted from:

| | £(000) |
|--|--------|
| (i) Increase in repairs and maintenance contract prices | (167) |
| (ii) Reduced charges from departmental and support services | 228 |
| (iii) Reduced cost of Sheltered Housing | 38 |
| (iv) Increased cost of providing single homeless accommodation | (9) |
| (v) Increased cost of providing temporary accommodation | (19) |
| (vi) Reduced provision for bad debts | 138 |
| (vii) Reduced revenue funding of capital programme | 1,510 |
| (viii) Increased expenditure on Rent Rebate Subsidy Limitation and reduced HRA subsidy payment | 30 |
| (ix) Increase in rental income from Council shops and houses | 105 |
| (x) Additional interest on working balances | 253 |
| (xi) Reduced capital charges | 5 |
| (xii) Increased income from leaseholder admin charges | 12 |
| (xiii) Reduction in caretaking costs | 27 |
| (xiv) Net effect of other minor variations | 23 |
| (xv) Increased income from services and charges | 133 |
| | <hr/> |
| | 2,307 |

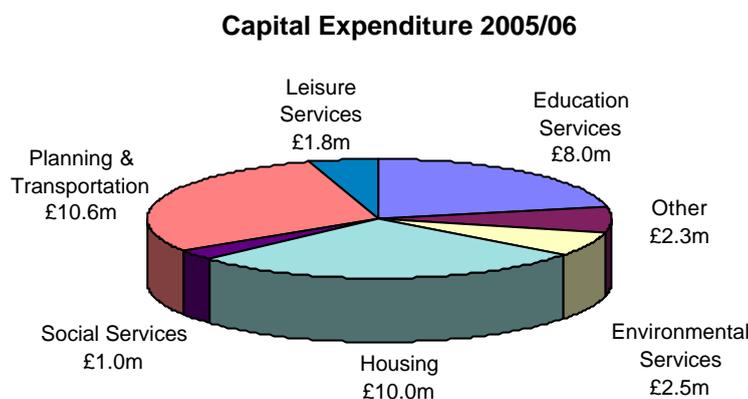
5. Collection Fund

At 31 March 2006 the surplus on the Collection Fund is £166k although £33k of this is owed to the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority. While preparing for the 2006/07 budget it was estimated that there would not be a year-end surplus available for distribution. The year-end surplus has arisen due to increased recovery action taken during the last three months of the year. 96.1% of the total sum collectable for 2005/06 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 97.0% of the 2005/06 bills. Both of these are higher than in 2004/05 and show that the initial problems with the new computer system are being overcome. At the same time recovery of prior years' arrears is also improving.

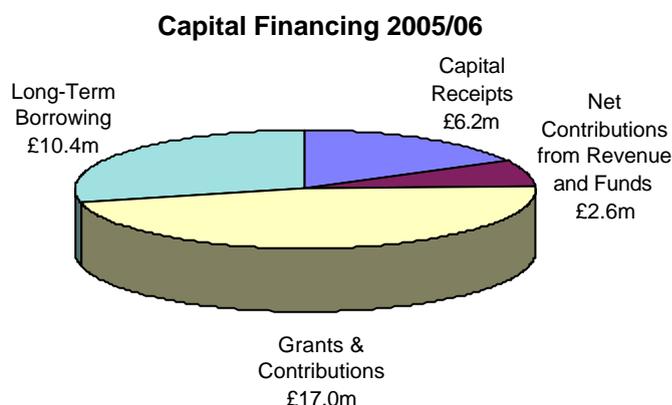
FOREWORD

6. Capital Expenditure

Total expenditure on capital schemes in 2005/06 was £36.2m gross (£40.8m). The original budget for gross expenditure was £44.2m (£41.2m). However, due to re-programming some of the work, the final budget was £38.5m (£40.5m). An analysis of where the money was spent 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:

- Hazel Court household waste site (£1.2m)
- The delivery of the Local Transport Plan (£6m)
- New Deal for Schools modernisation works on a variety of schools (£3.1m)
- The purchase of over 60,000 green wheeled bins (£1.1m)
- The modernisation and repairs to Council properties (£3.9m)
- The refurbishment and enhancement of Oaklands sports centre (£1.2m)
- The resurfacing and refurbishment of the Council's roads (£2.3m).

FOREWORD

7. Borrowing Facilities and Capital Borrowing

The ability to borrow in 2005/06 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 2005, 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) | Amended Limits £(000) |
|----------------------|-----------------------------|-----------------------------|
| Authorised Limit | 112,500 | 112,500 |
| Operational Boundary | 95,600 | 103,400 |

Although the Council may borrow from a variety of financial institutions, the majority of our long-term debt is borrowed from the Public Works Loan Board (PWLB). During 2005/06 the Council's long-term borrowing was as follows:

| | |
|--|---------------|
| | £(000) |
| Opening Borrowing at 1 April | 80,365 |
| Borrowing to fund capital schemes | 17,000 |
| Loans maturing in the year | (4,000) |
| Additional borrowing to refinance maturing loans | - |
| Closing Borrowing at 31 March | <u>93,365</u> |
| Authorised Limit for 2005/05 | 112,500 |
| Operational Boundary for 2005/06 | 103,400 |

The Council drew down £7m of PWLB borrowing in June 2005, £4m was taken at a rate of 4.35% and is due to mature in 2007/08. The remaining £3m was taken at 4.4% and is due to mature in 2012/13. Both these loans reduced the average rate of borrowing and helped to smooth the maturity profile of the Council's debt. An additional £10m of PWLB debt was also drawn down in January 2006 at a rate of 3.7% to be repaid in 41 years. This was taken in advance of future capital schemes. The Council repaid debt of £4m that matured in August (£2m) and February (£2m). In total at 31 March 2006 the Council's debt was £93.4m, although the maximum level of debt outstanding did reach £95.4m in January. Consequently, the Council did not exceed either the authorised limit of £112.5m or the operational boundary at the time of £95.6m. The average rate of interest on all long-term loans at 1 April 2005 was 4.83% and at 31 March 2006 was 4.69%.

8. Changes in Accounting Policies

It is a requirement of the SORP that intangible fixed assets, which are principally for ITT software, are shown separately on the balance sheet. The balance sheet for 2004/05 has been restated for comparative purposes.

In accordance with government guidance the value at which council houses are included in the balance sheet is the 'social housing value' of such properties. The ratio between the social housing value and open market value is determined by the government. From 1 April 2005 the social housing value was reduced from 55% of open market value to 47% and this has been incorporated into these Accounts.

Two new accounting policies have been introduced this year, relating to the treatment of landfill allowances under the trading scheme (LATS) enabled under the Waste and Emissions Trading Act 2003 and for Private Finance Initiative (PFI) accounting. The LATS scheme enables local authorities to buy and sell landfill allowances so that they are not penalised for disposing of more waste to landfill sites than permitted by central government. 2005/06 is the first year such activity has occurred.

The PFI transactions are treated in the Accounts in accordance with the latest recommended practice (as set out in note 19 to the Statement of Accounting Policies). The Accounts for 2005/06 only include the effect of a partial year as the new schools built under the initiative only become operational at different times during the year.

9. Significant Points to Note in Respect of the Balance Sheet (Page 48)

There are several significant entries on the Council's Balance Sheet. The first is in relation to the increase in value of Fixed Assets (£32.8m). This increase includes expenditure of £22.5m on new assets and assets under construction, offset by £4.1m written out for sold assets. The remaining increase represents the net effect of revaluations and depreciation adjustments on the value of the assets. Included in the revaluations figure is the reduced value of social housing (£34.9m) in accordance with government guidelines, as well as other revaluations completed in the year in accordance with the rolling programme. There is an equivalent increase (£12.9m) in the value of the Fixed Asset Restatement Reserve for expenditure in the year which does not enhance the value of fixed assets, the removal of the disposals and the effect of the revaluations.

There is also an increase in the Council's share of the North Yorkshire Pension Fund's deficit from £103.783m to £108.834m. This increase has been calculated by the Fund's actuaries based on assumptions about events and circumstances in the future. It is matched by a reduction in the level of the pensions reserve.

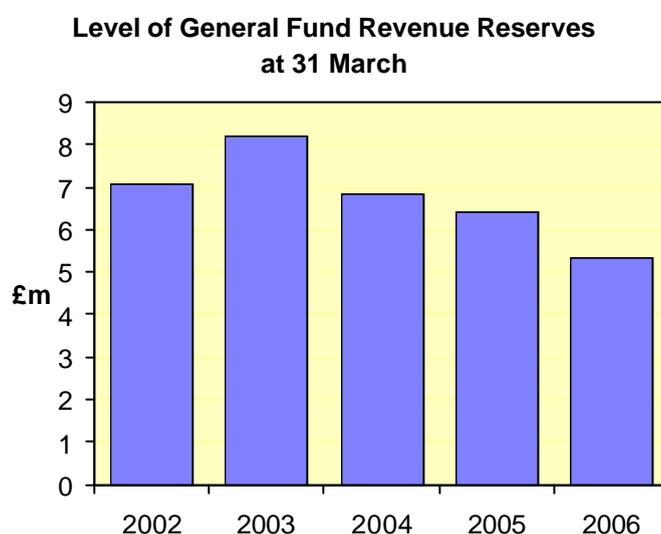
The value of temporary investments has increased by £5.450m, and long-term loans (both those due within 12 months and other long-term loans) have increased by a net £13.0m. There are two reasons for the changes; firstly the 2004/05 temporary investment was lower than normal due to the decision in that year to fund the majority of the capital programme from cash balances rather than borrowing, to enable the Council to wait until interest rates had fallen before entering into any long-term borrowing arrangements. Secondly, due to extremely low interest rates prevailing at the time (3.7%) additional borrowing of £10m was taken in 2005/06 in advance of the 2006/07 capital programme.

Government Grants Deferred and Developer's Contributions Deferred have both increased in value, in total by £7.6m. These represent grant and contribution 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.

10. Review of the Council's Financial Position

At the completion of the audit of the 2004/05 accounts the revenue reserves stood at £31.7m, excluding the pensions reserve. The equivalent revenue resources at 31 March 2006 stand at £30.2m, including £5.1m for schools' accumulated reserves. It was expected that the overall level of revenue reserves would reduce by £5.5m during 2005/06, but in actual fact they only reduced by £1.5m. The main reasons that balances reduced less than expected were: delays in planned expenditure on the general fund that will now be incurred in 2006/07, an increase in HRA balances because there was no need to make revenue contributions in 2005/06 although these will be needed in 2006/07 and the transfer from provisions to earmarked reserves are set out in paragraph 9. In compliance with the Education Reform Act 1988, individual school balances (ISB) will be carried forward into 2005/06. It is currently planned to use £5.8m of revenue reserves in 2006/07.

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



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. For 2005/06 this equated to approximately £5.25m. The actual level of reserves that can be taken into account for comparison to this level amount to £6.5m at 31 March 2006, including the general fund reserve. However, due to changes in funding levels for 2006/07 following the introduction of the Dedicated Schools Grant a similar calculation would give a target of £4.95m. The planned and projected use of the designated reserves during 2006/07 will result in a reserve level of £4.96m at 31 March 2007. The CPA now recommends that a risk assessment is undertaken of the level of reserves and any potential call on them.

11. Future Developments

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

Distribution of financial resources

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

- The changes to the way in which Council services are financed and managed. This includes the wide-ranging 'easy@york' project.
- The development by the Council of 13 improvement statements which will provide a clearer focus on our key needs: nine as priority areas and four as enabling areas.
- The continued financial pressures faced by many of the Council's services, particularly services for the elderly and care services to both adults and children. Continuing to fund increased demand is a particular challenge in the context of the comparatively low Council Tax in York, which is 2nd lowest nationally out of 46 unitary authorities.
- Two-year funding settlements were to be introduced from 2006/07 and it is anticipated that this will move to three-year from 2007/08. This is intended to facilitate forward planning through the announcement of fixed three-year grant settlements. However, there may still be changes to the funding available to local government as decisions on how, or whether, to incorporate revised formulae and changes in specific grants have not yet been made.
- It is estimated that the government grant allocated to support services to vulnerable groups will be reduced in future years. This requires the Council to review the financial support given to service providers, which would also affect the Council as a service provider receiving this income in both social care and housing services. In addition a new formulaic approach to allocate grant to Councils is likely to adversely affect the monies allocated to York.
- The Gershon Review, published in 2004, introduced a major efficiency agenda into local government. York has already met its target to produce £7.6m of efficiency savings in the period 2005/06 to 2007/08. There have been recent announcements that the efficiency agenda will continue until 2011, with a review during 2007. It is likely that the targets will be made tighter, with increasing levels of efficiencies to be found. The Council is introducing a three-year efficiency programme.
- The Council has undertaken an accommodation review exercise and has decided that the best option is to consolidate all its activities on one site. This will involve building a new accommodation block and disposing of the current premises. The project is planned to be completed by 2010.
- A Job Evaluation exercise is in place to meet a requirement of a national agreement on pay. At the same time proposals to resolve equal pay issues are being prepared.
- There have been changes made to the Comprehensive Performance Assessment criteria, in many cases 'hardening' the achievements that have to be attained. The Council has determined that it will strive to remain a Council that is classified as 'good'.
- The scale of changes associated with funding is significant and puts emphasis on developing the detail and the accuracy of the forward financial strategy for the Council.

FOREWORD

Future Developments cont'd

Public Service Agreements (PSA)/Local Area Agreements (LAA)

The Council signed a PSA in September 2002, by which it agreed to improve performance in 12 key service areas over a three-year period ending on 31 December 2005. The Council received a "pump priming" grant of £929k in 2002/03, and used additional resources from its own Venture Fund. The Council expects to receive £1.7m in 'reward' grant, which will be used to repay the sums advanced from the Venture Fund, with the balance going to finance the 'easy@york' project.

A second agreement has been made with the government to run from April 2005 to December 2008. Again the cost of implementing changes to meet the improved targets will be funded partly from "pump priming" grant of £933k and partly from loans from the Venture Fund. If all targets are achieved the Council is expecting to see performance reward grant from the government of up to £3.9m from 2008 onwards.

The government has now indicated that it would like all upper tier authorities to implement LAAs. It is likely that any York LAA would incorporate current PSA targets and rewards.

STATEMENT OF ACCOUNTS

Independent auditor's report to the members of City of York Council

Opinion on the financial statements

I have audited the financial statements of City of York Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to City of York Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

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 financial statements presents fairly the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance. I report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. I am also not 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 financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Council as at 31 March 2006 and its income and expenditure for the year then ended.



Mark Kirkham

Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

29 September 2006

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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, 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 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the Council's best value performance plan for the financial year 2005/06 in January 2006. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

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.



Mark Kirkham

Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

29 September 2006

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Resources.

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

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 Code of Practice').

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

selected suitable accounting policies and then applied them consistently;

made judgments and estimates that were reasonable and prudent;

complied with the Code of Practice;

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

The Director of Resources has also:

kept proper accounting records that were up to date;

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

Certification of the Accounts

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.

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

Dated *18/8/06*

Approval of the Accounts

The Statement of Accounts was approved by Urgency Committee on 18 August 2006.

On behalf of the Council

Signed *S. F. Galloway*
Cllr S. F. Galloway
Chair of Urgency Committee

Dated *18/8/06*

STATEMENT ON INTERNAL CONTROL

1. **Scope of Responsibility**

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.

2. **The Purpose of the System of Internal Control**

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. 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 three underlying principles of good governance, namely:

- openness and inclusivity
- integrity
- accountability.

The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that they are complying with these principles.

Although the Council has not yet formally adopted a local code of corporate governance, the principles and standards contained in the framework document are recognised as good working practice, and hence are supported and followed. This Statement forms part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 system of internal control has been in place within the Council for the year ended 31 March 2006 and up to the date of approval of the Statement of Accounts.

3. **The Internal Control Environment**

The requirement to have a 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 internal control within the Council consist of policies and guidance, political and managerial structures and processes, strategic planning processes, management and decision making processes, financial management, compliance arrangements, risk management, internal audit and fraud and performance management. Further information about each of these areas follow.

STATEMENT ON INTERNAL CONTROL

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 Members and Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules and Procedures
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and the Prosecution of Fraud and Corruption
- Asset Management Plan
- Strategic Risk Register
- Council Procurement Strategy
- Guide to Managing Financial Risks
- Register of Breaches and Waivers of Financial Regulations.

A revised Council Constitution, together with updated financial regulations and procurement rules, was formally adopted on 25 May 2006.

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 has responsibility for implementing Council policies and decisions, providing advice to Members and for coordinating the use of resources and the work of the Council's Directorates.

The Executive and the Council's Management Team each meet every fortnight. Both 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 include the review of policies, budget and service delivery to ensure that they remain appropriate. As part of the Council's new Constitution, an Audit and Governance Committee has been introduced. The purpose of the Audit and Governance Committee is to act as the responsible body charged with governance at the Council. In doing so it will provide independent assurance of 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, and to oversee the financial reporting process.

Strategic Planning Processes

The Council has developed a strategic planning process that is intended to reflect political and community objectives as expressed in the City Vision and Community Strategy and act as the basis for corporate prioritisation. The Council's Corporate Strategy expresses the Council's three year priorities and annual targets are detailed in the annual Council Plan. Both documents will be refreshed annually. The Council also introduced revised service planning processes across all Directorates so as to improve the integration of planning, resource allocation and performance management.

STATEMENT ON INTERNAL CONTROL

Management and Decision Making Processes

The Council has established an organisational effectiveness programme which incorporates the actions arising from four of the thirteen priorities in the Corporate Strategy. The aim of the programme is to improve management and decision-making processes as well as building capacity. The four priorities the programme will be designed around are:

- Improve our focus on the needs of customers and residents in designing and providing services
- Improve leadership at all levels to provide clear, consistent direction to the organisation
- Improve the way the Council and its partners work together to deliver better services for the people who live in York
- Improve efficiency and reduce waste to free-up more resources

Champions for the whole programme and each of the streams within it have been nominated and will lead on the further development, and ensure delivery of actions within the programme. Each part will be timetabled and delivered over a three year period.

Corporate management and leadership is supported and developed through the Corporate Leadership Group. Management and decision making processes are also being developed through the work of the Corporate Operations Group.

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.

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.

A report is presented to Members on an annual basis detailing compliance with the Council's financial and contract procedure rules. In addition, compliance arrangements are subject to ongoing scrutiny by the District Auditor and other external agencies. A formal officer group has also been established with a remit to monitor, review and manage the development of the Council's corporate governance arrangements. The core group comprises the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor.

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.

STATEMENT ON INTERNAL CONTROL

The system of Risk Management includes an annual risk evaluation exercise and the maintenance of a corporate strategic risk register. The strategic risk register also includes project and partnership risks, in accordance with best practice in local government. The Council is currently reviewing its methodology for identifying, recording and monitoring risks. Relevant staff within the Council have also received ongoing training, guidance and support in Risk Management principles.

Internal Audit and Fraud

The Council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003. 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.

Performance Management

The Council recognises the importance of effective performance management arrangements and has been working to secure improvements. The service planning process now incorporates full consideration of actual and planned performance. A computerised performance monitoring system has also been implemented to record actual performance and improve the quality of information available to service managers and other key stakeholders.

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) and the Head of Audit and Risk Management (the Chief Internal Auditor). 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, which was presented to the Council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the District Auditor and other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the views of those Members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the Council's Strategic and Operational Risk Registers and any other issues highlighted through the Council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- those control issues identified in the 2005/06 Statement of Control.

Following the review of the adequacy and effectiveness of key controls within the Council an action plan has been prepared which details the areas where improvements in governance arrangements and the control environment are considered to be necessary. The action plan will be co-ordinated and monitored on an ongoing basis by the Officer Governance Group.

STATEMENT ON INTERNAL CONTROL

5. Significant Internal Control Issues

The corporate governance arrangements in place within the Council have identified a number of significant control issues. Specific actions have been taken or are proposed, to address the control issues identified. These are detailed in the following table, with an * indicating that details have previously been reported to Members.

| Control Issue | Action Taken or Proposed | Due Date | Source(s) |
|---|---|----------------------|--|
| Risk Management | | | |
| <p>Risk management is an essential part of the overall governance framework by which the Council identifies and manages risks to the achievement of its aims and objectives. In previous years the external auditor has raised concerns about the extent to which risk management is embedded throughout the organisation. The Council has made good progress in developing its risk management policies and procedures. These arrangements, particularly those in respect of operational risks, however still need to be fully embedded. There is also a continuing need to raise awareness and communicate risk management arrangements to staff.</p> | <p>A programme of training and guidance for Members and relevant staff will be delivered during 2006/07. The Officer Governance Group will review the roll-out of this programme during the year. Service Managers will continue to be supported and encouraged to implement effective risk management arrangements including operational risk registers.</p> | <p>March 2007</p> | <p>2004/05 SIC *</p> <p>Annual report of the Chief Internal Auditor *</p> <p>Corporate and Directorate Assurance Statements</p> <p>Audit Commission – CPA ‘Use of Resources’ assessment</p> |
| Competition and Procurement | | | |
| <p>The Council's competition arrangements and procurement rules and procedures contribute to the efficient and effective use of resources and the delivery of best value. The 2004/05 SIC identified weaknesses in the Council's existing competition and procurement arrangements. A framework corporate procurement strategy was approved by Members in 2003. The Council's procurement arrangements however need to be further developed so as to provide a comprehensive policy and procedural framework, which takes account of competition and adequately demonstrates best value. During the period the procurement of goods and services across the organisation has also not always complied with EU procurement legislation and the Council's procurement rules and procedures.</p> | <p>Awareness of the new Financial Regulations and agreed procurement procedures will be raised during the year through a programme of targeted training. A draft corporate Procurement Strategy is being prepared and will be issued for consultation in summer 2006. Strategic Procurement Plans and practitioner guidance will be developed. A competition policy and strategy is also currently being drafted.</p> | <p>December 2006</p> | <p>2004/05 SIC *</p> <p>Annual report of the Chief Internal Auditor *</p> <p>Annual Breaches and Waivers report *</p> <p>Corporate and Directorate Assurance Statements</p> <p>2005 Annual Audit and Inspection Letters (External Audit) *</p> <p>Governance Report (External Audit)</p> |

STATEMENT ON INTERNAL CONTROL

| Control Issue | Action Taken or Proposed | Due Date | Source(s) |
|---|--|--|---|
| Overall Governance Framework | | | |
| The 2004/05 SIC identified weaknesses in the Council's governance framework. Similar weaknesses had also been identified by the external auditor. Since then the Council has significantly improved its governance monitoring and review arrangements through the creation of an Audit and Governance Committee and an Officer Governance Group. Work is now planned to further strengthen the overall control framework. In particular, there is a need to develop a local code of corporate governance and provide training to Members and relevant staff on the Council's governance framework and the new Protocol for Member/Officer Relations. A number of specific internal controls have also been identified which need to be improved, including the maintenance of registers of staff interests and gifts and hospitality, and awareness of the Council's whistleblowing arrangements. | The Officer Governance Group will coordinate the ongoing review of the Council's governance arrangements and the implementation of the detailed governance action plan. | March 2007 | Corporate and Directorate Assurance Statements Monitoring Officer Disclosure Statement 2005 Annual Audit and Inspection Letters (External Audit) * Governance Report (External Audit) 2004/05 SIC * |
| Sickness | | | |
| The levels of sickness across the Council remain higher than for comparable local authorities. Sickness monitoring and reporting arrangements also need to be improved. | A review of the sickness management arrangements is being undertaken by Internal Audit. An action plan will be developed to address any weaknesses in procedures and reporting arrangements. A revised Attendance Management policy was agreed by Personnel Committee in October 2005. Comprehensive workplan for an attendance management strategy was agreed by CMT and Personnel Committee in February 2006. Pilot arrangements in Adult Social Services continued providing improved data and levels of attendance. Further work on improving management information concerning the causes of absence were developed and continue. | September 2006 On-going On-going | Corporate and Directorate Assurance Statements Performance and Financial Monitoring Reports * |

STATEMENT ON INTERNAL CONTROL

| Control Issue | Action Taken or Proposed | Due Date | Source(s) |
|---|--|----------------|---|
| Recruitment and Selection Procedures | | | |
| The Council's recruitment and selection policy is not always followed. Guidance to managers is also insufficient to ensure that they comply with all relevant legislation and best practice. | <p>Revised recruitment and selection policy, and associated guidelines were approved by the Personnel Committee in October 2005.</p> <p>Workshops with HR staff are currently taking place.</p> <p>The guidelines will be issued to all relevant staff in summer 2006.</p> <p>Briefings for Directorate Management Teams planned for late summer 2006.</p> <p>Attendance by HR staff at shortlisting and interview as necessary.</p> | December 2006 | Annual report of the Chief Internal Auditor * |
| Business Continuity | | | |
| Business continuity plans and procedures are required to enable the Council to respond effectively to any major events which may impact on the city and/or the ability of the Council to maintain its services. The 2004/05 SIC identified weaknesses in the Council's existing business continuity arrangements. Since then the Council has approved a Business Continuity Policy and Strategy. However, there is still a need to prepare specific Business Continuity Plans at corporate, Directorate and service levels. | An implementation plan has been developed to monitor delivery of the Business Continuity Policy and Strategy, together with preparation of the Council wide plan. Achievement of the implementation plan is being regularly monitored by the Business Continuity Officer Liaison Group. | November 2006 | 2004/05 SIC * Corporate and Directorate Assurance Statements Report to the Executive – Oct 2005 |
| Action Plan Implementation | | | |
| The Council has no formalised procedure to monitor and review the implementation of agreed action plans including those arising from internal and external audit reports, inspection reports and other financial and performance reports. | A formalised procedure for tracking the implementation of agreed action plans will be developed by the Officer Governance Group. | March 2007 | Corporate and Directorate Assurance Statements |
| Budgetary Control | | | |
| A number of service areas overspent their budgets during 2005/06. In a limited number of these areas the total budget overspends were greater than had been forecast during the year and reported to Members. | The specific causes of the budget overspends in these service areas are being investigated. Improved budget monitoring arrangements are also being introduced. These improvements include revised forecasting and reporting procedures. | September 2006 | Performance and Financial Monitoring Reports * |

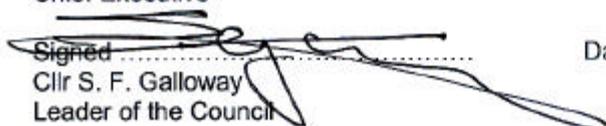
STATEMENT ON INTERNAL CONTROL

| Control Issue | Action Taken or Proposed | Due Date | Source(s) |
|---|--|----------------|--|
| Health and Safety | | | |
| <p>The Council has a Health and Safety Team within the Human Resources Department which provides professional health and safety advice to all service areas. It is recognised that the Council needs to develop greater consistency in health and safety performance and a more robust corporate framework in order to drive improvement and ensure compliance with legislation and best practice. The Council has also recognised the need to satisfy itself that adequate resources are available to provide professional advice and meet statutory requirements.</p> | A prioritised corporate workplan has been agreed by the Health and Safety Steering Group. | Ongoing | 2004/05 SIC * H&S Prohibition Notice |
| | Revised corporate policies on Risk Assessment, Lone Workers and Slips, Trips and Falls have been adopted. | May 2006 | |
| | Revised policies on Violence and Aggression, Incident Reporting and Manual Handling are currently the subject of final stage consultation. | July 2006 | |
| | A revised approach to Health and Safety Training has been agreed. | May 2006 | |
| | Training needs relating to lone workers, violence and aggression and manual handling are being assessed by Directorates. | September 2006 | |
| Project Management, Programme Management and Benefit Realisation | | | |
| <p>Although progress has been made to develop in-house management skills and capacity during the year there is still a need to ensure consistency across the Council. As a result major projects do not always realise the anticipated benefits to the Council. The resources to support key projects also remain limited.</p> | <p>The Council has adopted the Prince II project management methodology and the OGC programme management approach and will apply these to all appropriate activity. Staff leading major projects and programmes will be given formal training in these methodologies. COG will perform a Quality Assurance role for major corporate projects and programmes to ensure the further development of skills and capacity in this area.</p> | March 2007 | 2004/05 SIC * Corporate risk register * |

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Executive, and are assured plans to address known weaknesses and promote continuous improvement is in place.

Signed 
 D. N. Atkinson
 Chief Executive

Dated 22.6.06

Signed 
 Cllr S. F. Galloway
 Leader of the Council

Dated 27/6/06

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2005/06 financial year and its position at the year-end, 31 March 2006. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2005 (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 7). 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. Debtors and Creditors (FRS 18)

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) 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, which are included in the accounts on the basis of four quarterly accounts or twelve monthly payments, debtors and creditors are raised in respect of goods and services received and provided by 31 March. This policy is consistently applied each year. 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 and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment
- 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.

3. Revenue Government Grants and Contributions (SSAP 4)

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. 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) are credited to the foot of the Consolidated Revenue Account after Net Operating Expenditure and Appropriations to and from reserves.

STATEMENT OF ACCOUNTING POLICIES

4. Value Added Tax (VAT) (SSAP 5)

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

5. 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 in the preparations for Best Value by helping to identify the full costs of each individual Council service
- it assists in the preparation of government returns, grant claims, etc.
- it meets the requirements embodied in the CIPFA publications, 'Accounting for Central Overheads' and 'Accounting Code of Practice'.

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

The basic principles and methods of charging agreed within this exercise have been used to allocate all support service costs in 2005/06, 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 Consolidated Revenue Account, as part of Net Cost of Services.

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 first scheme is for non-teaching employees who are eligible (subject to meeting the qualifying criteria) to join the Local Government Superannuation Scheme. This scheme 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 County Fund's actuary following a triennial revaluation; the last review being on 31 March 2004. Further costs arise in respect of discretionary awards of retirement benefits under restricted powers. Any liabilities estimated to arise as a result of an award to any member of staff 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.

STATEMENT OF ACCOUNTING POLICIES

Retirement Benefits (FRS 17) cont'd

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, using a discount rate of 2.0% (based on the corporate bond yield of 4.9% less 2.9% inflation assumption)
- the assets of the pension fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities - mid-market value
 - unquoted securities - professional estimate
 - unutilised securities - average of the bid and offer rates
 - property - market value
- 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 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 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
 - 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
 - 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 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 not charged to revenue.
 - contributions paid to the pension fund - cash paid as the Council's employer's contribution to the pension fund.

The Code of Practice has been worded in such a way as to allow each individual authority the discretion of how to show the FRS17 transactions on the HRA. These accounts have been prepared on the basis of showing the full transactions in the HRA. 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.

There is a separate scheme for teachers, which is an unfunded scheme administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employers' contribution rate. The 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 revenue accounts are charged with the employer's contributions payable to the TPA. The Council is responsible for payments related to added years awarded and any pension increases on the added years as they occur.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Consolidated Revenue Account this means that there is an appropriation to the Pensions Reserve after Net Operating Expenditure 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.

STATEMENT OF ACCOUNTING POLICIES

7. 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. Expenditure on the acquisition, creation or enhancement of tangible fixed assets is included in the balance sheet 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.

Assets are initially shown in the balance sheet 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 the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

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 the Fixed Asset Restatement Reserve.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Fixed Asset Restatement Reserve. The treatment of the income received from disposal of assets is set out in note 9.

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. The charge for depreciation commences in the first full year that the asset is used.

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 - a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over 40 years.

STATEMENT OF ACCOUNTING POLICIES

Tangible Fixed Assets cont'd

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

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 Asset Management Revenue 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 Financing 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.

8. 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.

9. Capital Receipts

Capital receipts from the disposal of non Housing Revenue Account assets are treated in accordance with provisions of the Local Government and Housing Act 1989. This stipulates that income from the disposal of assets must be split into 'usable' and 'reserved' elements. The reserved element must be set aside, either to repay debt or as a provision for future credit liabilities. The usable element can be used to fund capital expenditure in the year or held in the usable capital receipts reserve until such time as it is required. Since the Act, there have been a number of specific relaxations to the split of usable and reserved elements. Currently 100% of disposal values can be used to finance capital expenditure. In accordance with Part 1 of the Local Government Act 2003 housing capital receipts are subject to the capital pooling requirements. Generally 75% of the value of council house sales and mortgage repayments and 50% of the value of land sales must be paid into a Government 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.

10. Capital Charges to Revenue for Fixed Assets

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

- capital charges on tangible fixed assets, comprising:
 - a) a notional interest charge based on the value of the asset in the balance sheet using rates specified by Central Government. The rates for use by all local authorities for 2005/06 were 3.5% for operational and non-operational assets and 4.8% for infrastructure and community assets
 - b) depreciation charges where appropriate. Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the useful life of the asset. For 2005/06 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
- amortisation of intangible fixed assets attributable to the service.

STATEMENT OF ACCOUNTING POLICIES

Capital Charges to Revenue for Fixed Assets cont'd

In order to avoid any impact on local taxation these charges are reversed out of the Consolidated Revenue Account after the Net Cost of Services by way of a credit to the Asset Management Revenue Account (AMRA). The following transactions are then made in the AMRA to represent the expenditure of the Council relating to fixed assets, reflected in Net Operating Expenditure:

- debit for total depreciation of fixed assets for the year
- credits for amortisations from the Government Grants and Developers Contributions Deferred Accounts
- debits for total impairment losses attributable to the clear consumption of economic benefits and amortisations of intangible assets
- debit for external interest payable by the Council.

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). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision after Net Operating Expenditure, by way of an adjusting transaction with the Capital Financing Account for the difference between their cost and the cost of the annual provision required.

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.

11. Deferred Charges

These relate to expenditure of a capital nature where no tangible or intangible asset is created for use by the Council. They are charged to the relevant service revenue account over a period consistent with the economic benefit received by the Council. They mainly comprise improvement and other grants, where the Council does not gain any direct economic benefit, and so these are charged to the revenue accounts in the same year that the expenditure is incurred. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged to the Consolidated Revenue Account so there is no impact on the level of the council tax.

12. Debt Redemption Policy

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

13. Repurchase of Borrowing

Gains and losses (formerly defined as premiums and discounts) on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Consolidated Revenue Account in the year of repurchase/settlement. However, where the repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet as deferred assets and liabilities and they are released to the General Fund revenue account over a period that represents economic benefit of the repayment of the original loan.

STATEMENT OF ACCOUNTING POLICIES

14. Leases (SSAP 21)

The Prudential Code introduced a change in the definition of operating leases. Some of the leases that were, correctly, formerly classified as operating leases have now to be treated and shown in the Statement of Accounts as if they were finance leases.

Finance leases are defined as leases where substantially all the risks and rewards relating to the leased property transfer to the Council. Operating leases are leasing agreements that do not meet the definition of finance leases.

For finance leases, rental payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is costed to revenue (via the Asset Management Revenue Account (AMRA) - see note 8 to Consolidated Revenue Account, page 28) and the reduction in outstanding liability reduces the deferred liability in the balance sheet.

Rentals payable under operating leases are charged to the relevant service revenue account in line with the contracted payments, usually this is 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.

15. Stocks and Works-in-Progress (SSAP 9)

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

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

16. Investments

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

17. Provisions and Contingencies (FRS 12)

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.

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 expenditure is incurred to which the provision relates it is charged directly to the provision. 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, 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.

STATEMENT OF ACCOUNTING POLICIES

Provisions and Contingencies (FRS 12) cont'd

The provisions held by the Council are detailed in note 13 to the Consolidated Balance Sheet (page 59). 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 9 to the Balance Sheet (page 56).

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 29 to the Balance Sheet (page 65). 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.

18. 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 Consolidated Revenue Account after the Net Operating Expenditure line. 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. The use of the reserve is credited in the appropriation section to finance the expenditure so that there is no net charge against council tax for the expenditure. The reserves held by the Council are detailed in notes 21, 22, 23 and 24 to the Balance Sheet (pages 62 and 63). The major ones are:

The **Commercial Services Reserve** was established under the former legislation for compulsory competitive tendering as 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 Capital Reserve and £2m from General Fund). The Fund makes monies available for Council projects that have the ability to generate expenditure savings or increased income. Advances from the Fund are required to be repaid over a maximum of seven years and notional interest is charged.

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

The Office of the Deputy Prime Minister (ODPM), now 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.

STATEMENT OF ACCOUNTING POLICIES

19. Private Finance Initiative (PFI)

PFI transactions are treated in the Council's accounts in accordance with the latest recommended practice. The Council has one PFI contract for the provision of 4 primary schools with Sewell Education (York) Ltd. 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. However, there are a number of accounting entries that are required to reflect the substance of the transaction over the life of the contract. These are:

- a prepayment of £4.032m was made prior to service commencement. This has the effect of reducing the annual unitary charge and as a result needs to be written off to the revenue account over the life of the contract.
- the four schools revert back into the Council, for nil consideration, at the end of the contract. It is therefore necessary to build up a residual interest in the asset over the life of the contract to reflect the transfer of the ownership of that asset in thirty years.
- the nature of the contract and the way that government support is received means that in the early years of the contract a surplus balance is generated. This surplus is retained as an earmarked reserve and used to generate further interest receipts. The earmarked reserve will be used to finance anticipated deficits in the later years of the contract.
- the Council has not yet paid a full unitary charge as the new schools have become operational at different times during the year. The Council will therefore not build up a residual interest in the asset or amortise the prepayment until the full year effect is felt in 2006/07.

Full details of the accounting transactions for 2005/06 are shown in note 3 to the Consolidated Revenue Account and notes 6 and 24 to the Consolidated Balance Sheet.

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. A guidance note has been issued detailing accounting treatment for these allowances in 2005/06 pending the issue of a code of practice for 2006/07. 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 Consolidated Revenue 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 Consolidated Revenue Account
- the profit or loss from buying or selling any landfill allowances is shown as a net cost of service on the Consolidated Revenue 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 Consolidated Revenue 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 Enterprise Limited

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

Yorwaste Limited

The share-holding for this company was formerly 100% owned by North Yorkshire County Council. As a consequence of the local government review City of York Council now owns 22.27% of the share-holding. See also note 31 to the Consolidated Balance Sheet, page 66.

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 2004/05 resulting from the separating of fixed assets into tangible and intangible assets. Note 1 to the Consolidated Balance Sheet explains this change.

23. Prior Period Adjustments

These accounting policies represent a change to those applied in prior years in relation to the classification of some types of fixed assets. Items of capital expenditure where there is no tangible asset, but where the Council has the use of the asset, e.g. software licences for use with Information Technology, are now shown on the balance sheet as an intangible asset, rather than within tangible fixed assets. This change has no impact on either the revenue position or the net worth of the Council.

CONSOLIDATED REVENUE ACCOUNT

| 2004/05 Net Expenditure £(000) | Note | Gross Expenditure £(000) | 2005/06 Income £(000) | Net Expenditure £(000) |
|---|--|--------------------------------|-----------------------------|------------------------------|
| 2,084 | (1) | 17,381 | 16,778 | 603 |
| 25,916 | (2) | 40,731 | 15,349 | 25,382 |
| 84,816 | (3) | 123,472 | 34,408 | 89,064 |
| 9,906 | | 22,427 | 10,062 | 12,365 |
| 3,375 | | 41,430 | 37,293 | 4,137 |
| 37,437 | | 56,452 | 15,542 | 40,910 |
| 617 | | 280 | - | 280 |
| 5,858 | | 6,622 | 3 | 6,619 |
| 318 | | 1,302 | 5,145 | (3,843) |
| (2,696) | (4) | 599 | 1,721 | (1,122) |
| <u>167,631</u> | Net Cost of General Fund Services | <u>310,696</u> | <u>136,301</u> | <u>174,395</u> |
| 16,043 | Housing Revenue Account | 44,755 | 29,036 | 15,719 |
| <u>183,674</u> | Net Cost of Services | <u>355,451</u> | <u>165,337</u> | <u>190,114</u> |
| 486 | Precepts paid to Parish Councils | | | 496 |
| 214 | Net (surplus)/deficit on trading operations | (5) | | 73 |
| (1,339) | Interest Receivable/Investment Income | (6) | | (2,220) |
| (307) | Dividends from Companies | | | (307) |
| 3,271 | Contribution to Housing Pooled Capital Receipts | (7) | | 2,026 |
| (21,872) | Asset Management Revenue Account | (8) | | (21,110) |
| 3,389 | Net Pensions cost | (9) | | 3,862 |
| <u>167,518</u> | Net Operating Expenditure | | | <u>172,934</u> |
| | Appropriations | | | |
| 213 | Capital expenditure financed from revenue (Surplus)/deficit transferred (from)/to HRA balances | | | 2,600 |
| 1,838 | Contribution to/(from) provisions | (10) | | 284 |
| 1,928 | Contribution to/(from) reserves | (11) | | 275 |
| 1,948 | Contribution to/(from) MRR | (12) | | (1,294) |
| 525 | Contribution to/(from) CFA | (13) | | (735) |
| (9,388) | Contribution to/(from) Usable Capital Receipts | (7) | | (4,241) |
| (3,271) | Contribution to/(from) Pensions Reserve | (9) | | (2,026) |
| (2,984) | | | | 139 |
| <u>158,325</u> | Amount to be met from Government Grant and Local Taxpayers | | | <u>167,936</u> |
| (54,144) | Demand on Collection Fund | | | (57,712) |
| (1,040) | Collection Fund transfer for the surplus at previous 31 March | | | (300) |
| (51,761) | Government Grants | | | (47,840) |
| (50,942) | Distribution from the Non-Domestic Rate Pool | | | (61,026) |
| <u>438</u> | (Surplus)/Deficit for the Year | | | <u>1,058</u> |
| | GENERAL FUND BALANCE | | | |
| (6,843) | Balance at 1st April | | | (6,405) |
| - | Net transfer (to)/from other earmarked reserves | | | - |
| 438 | (Surplus)/Deficit for the Year | | | 1,058 |
| <u>(6,405)</u> | Balance at 31st March | | | <u>(5,347)</u> |
| | LMS RESERVES | | | |
| (4,812) | Balance at 1st April | | | (5,242) |
| (430) | (Surplus)/Deficit for the Year | | | 178 |
| <u>(5,242)</u> | Balance at 31st March | | | <u>(5,064)</u> |

Signed S. Wiles
S. Wiles CPFA
Director of Resources

Dated 18/8/06

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Discontinued Services / Continuing Operations

The government determined that from 1 April 2005 the operational costs of the Magistrates Service would be transferred from local to central government. From 2005/06 onwards the only costs for the Magistrates Service shown against Court Services is the ongoing cost of prior years capital debt repayment. All other Council operations are categorised as continuing operations.

2. 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. In 2005/06 the Council received an allowance of 67,290 tonnes of biodegradable municipal waste to put into landfill. The usage was 3,203 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.

3. 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 expected to be fully operational in May 2006. The contract will finish on 31 March 2036. 2005/06 has only part year costs of £541k including consultancy and project management (£552k in 2004/05 for consultancy and project management). An estimate of the total payments to be made to the contractor over the life of the contract are shown below, although the actual amount paid will be affected by the contractor's performance.

| 5-Year Range | Estimated Payment £(000) |
|--------------------|--------------------------------|
| 2006/07 to 2010/11 | 11,215 |
| 2011/12 to 2015/16 | 10,739 |
| 2016/17 to 2020/21 | 10,560 |
| 2021/22 to 2025/26 | 10,651 |
| 2026/27 to 2030/31 | 10,993 |
| 2031/32 to 2035/36 | <u>11,576</u> |
| | <u>65,734</u> |

The DfES 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 £543k was received in 2005/06. The expected receipt of the remaining PFI credits are as follows:

| 5-Year Range | Estimated Receipt £(000) |
|--------------------|--------------------------------|
| 2006/07 to 2010/11 | 5,931 |
| 2011/12 to 2015/16 | 5,931 |
| 2016/17 to 2020/21 | 5,931 |
| 2021/22 to 2025/26 | 5,931 |
| 2026/27 to 2030/31 | 5,931 |
| 2031/32 to 2035/36 | <u>5,881</u> |
| | <u>35,536</u> |

The expenditure and income in the year are included in the Education Services line.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

4. Exceptional Items

In 2005/06 there are three 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 £493k (£1,518k). In addition, the Council has negotiated an agreement that the costs the Council incurred in acquiring a site for waste disposal will be reimbursed over four years, commencing in 2004/05. As the income is outside the normal service income it is being shown as exceptional for each of the four years. This income is being transferred to the capital financing account and that transaction is included in the appropriation section of the statement. The final transaction relates to a repayment demanded by the government. In November 2004 the government announced an amending report on Revenue Support Grant for the 2003/04 financial year, following the introduction of more up-to-date information into their grant distribution formulae. As a result of this the government determined to 'claw-back' almost £0.4m in 2005/06, which the Council included in their 2005/06 budget.

5. Trading Accounts including Commercial 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 Commercial Services activities, 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:

| Turnover (Income) £(000) | 2004/05 Expend- iture £(000) | (Surplus)/ Deficit £(000) | | Turnover (Income) £(000) | 2005/06 Expend- iture £(000) | (Surplus)/ Deficit £(000) |
|--------------------------------|---------------------------------------|---------------------------------|--|--------------------------------|---------------------------------------|---------------------------------|
| | | | Significant Trading Services included in Net Cost of Services | | | |
| (2,314) | 2,028 | (286) | Commercial Property | (2,445) | 1,913 | (532) |
| (592) | 428 | (164) | Markets | (563) | 434 | (129) |
| (5,955) | 2,248 | (3,707) | Car Parks | (5,921) | 2,093 | (3,828) |
| (977) | 302 | (675) | Crematorium | (1,026) | 426 | (600) |
| (723) | 403 | (320) | Building Control | | | |
| (1,879) | 1,701 | (178) | (chargeable element) | (715) | 410 | (305) |
| (1,732) | 1,650 | (82) | Engineering Consultancy | (1,748) | 1,763 | 15 |
| (1,332) | 1,357 | 25 | Building Services | (1,995) | 2,060 | 65 |
| (15,504) | 10,117 | (5,387) | York Training Centre | (1,183) | 1,209 | 26 |
| | | | Total | (15,596) | 10,308 | (5,288) |

The income on commercial property is principally rental income, and the (surplus)/deficit includes asset rental charges of £1.354m (£1.509m). Markets income is principally from Newgate market tolls and from other markets, and the surplus is net of asset rental charges of £121k (£121k). 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 £421k (£418k) for asset rentals. The main sources of income at the crematorium are cremation fees and memorialisation. The surplus is net of asset rental charges of £39k (£30k). Building Control is, by statute, split into two elements. The full statement on the trading activity is shown in note 19, but only the chargeable element needs to be shown under the BVACOP requirements.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Trading Accounts including Commercial Services Turnover and Profit (cont'd)

The main sources of income for Engineering Consultancy and Building Services 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 loss of £26k (£25k) represents 3% (2%) of turnover.

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

| 2004/05 | | | 2005/06 | | | |
|--------------------------------|----------------------------|---------------------------------|--|----------------------------|---------------------------------|-----------|
| Turnover (Income) £(000) | Expend- iture £(000) | (Surplus)/ Deficit £(000) | Turnover (Income) £(000) | Expend- iture £(000) | (Surplus)/ Deficit £(000) | |
| | | | (Surplus)/Deficit from Trading Operations | | | |
| (5,764) | 5,975 | 211 | Building Maintenance | (6,428) | 6,538 | 110 |
| (5,959) | 5,862 | (97) | Civil Engineering | (6,550) | 6,236 | (314) |
| (2,724) | 2,721 | (3) | Refuse Collection | (2,930) | 2,966 | 36 |
| (3,138) | 3,120 | (18) | Street Scene | (3,276) | 3,373 | 97 |
| (3,146) | 3,329 | 183 | Cleaning of Public Buildings | (2,888) | 3,134 | 246 |
| (875) | 892 | 17 | Vehicle Maintenance | (862) | 893 | 31 |
| (1,320) | 1,198 | (122) | Commercial Waste | (1,531) | 1,276 | (255) |
| (663) | 681 | 18 | Waste Management | (693) | 838 | 145 |
| (2,773) | 2,776 | 3 | Transport Operating | (3,336) | 3,169 | (167) |
| - | 22 | 22 | Quality Assurance costs | - | - | - |
| - | - | - | Exceptional Items | - | 144 | 144 |
| <u>(26,362)</u> | <u>26,576</u> | <u>214</u> | Total | <u>(28,494)</u> | <u>28,567</u> | <u>73</u> |

Although the Building Maintenance section made a deficit during the year the level of work from the internal housing contract was as expected, however a new partnership arrangement is now in place and is expected to improve the trading position of this section. The Civil Engineering section has made a profit in the year, partly due to an expansion of the external customer base of the drainage section, but also due to a non-recurring saving in the year due to the postponement of part of the vehicle replacement programme. The remaining sections have faced additional cost pressures such as rising costs of diesel and high levels of staff sickness. Further additional costs arose due to requirements to replace or install new safety measures to machinery to comply with new safety legislation. There is also a new waste management contract with the York University which is working well with early indications of there being significant opportunities to increase the recycling from their sites.

In 2003/04 Members approved expenditure of £100k, spent £78k in 2003/04 and £22k in 2004/05, to develop the structure of Commercial Services to become a Quality Assured provider. The 'Committed to Excellence' Award, a level 1 award from the European Foundation of Quality Management, was achieved in October 2004, and was officially presented to the Council at an award function in April 2005.

During 2005/06 expenditure was incurred in two areas that were outside the normal trading activity of the service. The first was in relation to the temporary arrangements put in place during the process to dissolve the traditional client/contractor role and the creation of the new Neighbourhood Services Department from 1 April 2006. Secondly following the fire at the Depot which damaged a number of Refuse vehicles costs were incurred in order to keep the service running which may not be recoverable through the Council's insurance scheme.

In addition to the net deficit of £73k (£214k deficit) on trading activity a further £26k (£7k) has been transferred to earmarked reserves. The balance remaining after the agreed contribution from the General Fund of £111k (£187k) is transferred to the Commercial Services Reserve. The transfer in the year was a surplus of £12k (£34k deficit).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

6. Interest and Investment Income and Expenditure

Included in the revenue accounts is a net return on investments of £2.220m (£1.316m) which comprises interest income of £2.255m (£1.339m) and the costs of associated fees and charges of £0.035m (£0.023m). There was no investment income.

7. 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 Usable Capital Receipts shown in the Appropriations Section of the Account.

8. Asset Management Revenue Account (AMRA)

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

| 2004/05 £(000) | | 2005/06 £(000) | £(000) |
|-------------------|--|-------------------|-----------------|
| | Expenditure | | |
| 4,007 | External Interest | 4,421 | |
| 90 | Debt Management Charges | 104 | |
| | Depreciation Charge | | |
| 8,609 | Housing Revenue Account | 7,979 | |
| <u>4,349</u> | Non-Housing Revenue Account | <u>5,180</u> | |
| <u>17,055</u> | | | 17,684 |
| | Income | | |
| | Capital Charges made to Service Accounts | | |
| (23,675) | Housing Revenue Account | (21,938) | |
| (14,913) | Non-Housing Revenue Account | (16,460) | |
| (1) | Notional interest on stock balances for DSO accounts | (1) | |
| <u>(338)</u> | Transfer from govt grants/developers contribs deferred | <u>(395)</u> | |
| <u>(38,927)</u> | | | <u>(38,794)</u> |
| <u>(21,872)</u> | Net (over)/under charge to services | | <u>(21,110)</u> |

9. Pensions 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. The liability for payment of pensions under the Teachers Pension scheme rests with the Department for Education, and it is therefore classed as a multi-employer defined benefit scheme for which the liabilities of individual employers cannot be separated. 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 fund. 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.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Pensions and Net Pensions Liability Movement in Year cont'd

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. Brief details of the two pension schemes are shown in the Statement of Accounting Policies, note 6 on pages 15 and 16. The information below relates to the cost of pension arrangements borne by this Council and included in the revenue accounts.

Teachers

In 2005/06 the Council paid £6.013m (£5.816m) to the Teachers Pensions Agency in respect of teachers' pensions costs, which represents 13.5% (13.5%) of teachers' pensionable pay. This is an unfunded scheme with pension costs charged to the accounts based on a contributions rate set by the TPA, supported by a five-year actuarial review. In addition the Council paid £679k (£455k) in respect of added years' payments, which are treated under FRS17 requirements as defined benefit payments.

Other Employees

The Council contributes to the North Yorkshire Pension Fund 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 of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

| 2004/05 £(000) | | 2005/06 £(000) | £(000) |
|-------------------|--|-------------------|---------------|
| | Net Cost of Services | | |
| 9,668 | Current service cost | 11,242 | |
| 735 | Past service cost | 902 | |
| - | Past service adjustment for assumed take-up level of new commutation option | (5,365) | |
| <u>159</u> | Curtailment Cost | <u>1,144</u> | |
| <u>10,562</u> | | | 7,923 |
| | Net Operating Expenditure | | |
| 12,189 | Interest cost | 13,597 | |
| <u>(8,800)</u> | Expected return on assets in the scheme | <u>(9,735)</u> | |
| <u>3,389</u> | | | 3,862 |
| | Appropriations | | |
| (2,984) | Contribution to/(from) Pensions Reserve | | 139 |
| <u>10,967</u> | Actual amount charged against Council Tax for Pensions in the year | | <u>11,924</u> |

Note 12 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures above, including further information on the new commutation option, and note 2 to the Statement of Total Movements in Reserves details the actuarial gains and losses on the reserve. Further information can be found in North Yorkshire Pension Fund's Annual Report that is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.

10. Provisions

The contributions to provisions include sums to increase the level of provision for bad/doubtful debts.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

11. Reserves

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

| 2004/05 | | Net Movement | 2005/06 |
|-----------------|-------------------------------------|-----------------|-----------------|
| £(000) | | £(000) | £(000) |
| (288) | Commercial Services Reserve | (12) | (300) |
| (1,208) | Investment Reserves | - | (1,208) |
| (5,242) | Education Delegated School Reserves | 178 | (5,064) |
| (1,468) | Venture Fund | 616 | (852) |
| (2,770) | Developers Contributions' Unapplied | (937) | (3,707) |
| (4,950) | Miscellaneous | (904) | (5,854) |
| <u>(2,805)</u> | Capital Reserve | <u>2,353</u> | <u>(452)</u> |
| <u>(18,731)</u> | | <u>1,294</u> | <u>(17,437)</u> |

Further information on the movements on these reserves is shown in notes 22 and 24 to the Consolidated Balance Sheet on pages 62 and 63.

12. Major Repairs Reserve

The major repairs reserve is a statutory reserve established under the Accounts and Audit Regulations 1996. The following gives the net movement in the year.

| 2004/05 | | Net Movement | 2005/06 |
|----------------|-----------------------|-----------------|--------------|
| £(000) | | £(000) | £(000) |
| <u>(1,307)</u> | Major Repairs Reserve | <u>735</u> | <u>(572)</u> |
| <u>(1,307)</u> | | <u>735</u> | <u>(572)</u> |

Further information on the movements on this reserve is shown in note 12 to the Housing Revenue Account on pages 41 and 42.

13. Capital Financing Account

The Asset Management Revenue Account (note 8) attempts to minimise departures from generally accepted accounting practice for charging capital financing costs to the revenue account. However, under section 63 of the Local Government and Housing Act 1989 there is a requirement to set aside a minimum revenue provision (MRP) for the repayment of external debt. In order to show the true cost of capital between government grants and local taxpayers, the adjustments set out below have been made in the appropriation section of the Consolidated Revenue Account.

| 2004/05 | | 2005/06 | |
|----------------|---|------------|----------------|
| £(000) | | £(000) | £(000) |
| (9,282) | Depreciation/Impairment | (9,163) | |
| 338 | less govt grants/developers contribs deferred | <u>395</u> | |
| (8,944) | | | (8,768) |
| 2,056 | Minimum Revenue Provision | | 2,766 |
| <u>(6,888)</u> | Excess of depreciation/impairment over MRP | | <u>(6,002)</u> |
| (3,423) | Deferred Charges expenditure | | (2,523) |
| 923 | Principal element of finance leases | | 820 |
| - | Transfer from Earmarked Reserves | | 3,464 |
| <u>(9,388)</u> | Appropriation to/(from) Capital Financing Account | | <u>(4,241)</u> |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

14. Minimum Revenue Provision (MRP)

The method of calculating the MRP is defined by the Local Government Act 2003 (Prudential Code). Previously, under the 1989 Act, the calculation was based on a prescribed percentage of the Council's credit ceiling at the end of the previous year, and was 4% for general fund expenditure and 2% for HRA expenditure. Under the Prudential Code the 4% provision for general fund remains, but the HRA provision is no longer obligatory. In view of this the Council has decided not to make a voluntary debt repayment for the HRA. Consequently, the MRP for 2005/06, including the amortisation for the Local Government Reorganisation in 1996, is £3.244m (£2.722m).

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 2005/06 to £2.766m (£2.056m). The following table shows the transactions in the year:

| 2004/05 £(000) | | 2005/06 £(000) | £(000) |
|-------------------|---|-------------------|--------------|
| - | Housing Revenue Account (2%) | - | |
| <u>2,038</u> | Other Services (General Fund) (4%) | <u>2,560</u> | |
| 2,038 | | | 2,560 |
| 684 | Add: Amortisation of Local Government Re-organisation | | 684 |
| <u>2,722</u> | | | <u>3,244</u> |
| (666) | Less: Commutation adjustment | | (478) |
| <u>2,056</u> | Total for Year | | <u>2,766</u> |

15. Section 137 Expenditure

The Local Government Act 2000 (LGA 2000) granted new powers to local authorities in England and Wales to promote well-being in their area. As a consequence of the LGA 2000 some of the provisions of Section 137 of the Local Government Act 1972, as amended by Section 36 of the Local Government and Housing Act 1989, were repealed with effect from October 2000. The remaining provisions of Section 137 are that the Council is empowered to make grants to voluntary sector organisations that it considers to be in the interests of the inhabitants of its area, provided such expenditure is contained within a sum equal to £3.80 per head for the Registrar General's mid 2004 estimate of the population of the Authority's area. The Council calculates its Section 137 limit as £703k and the expenditure listed below was incurred under the powers conferred by this section. The expenditure shown is net of any relevant income.

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|-------------------------|-------------------|
| <u>389</u> | Voluntary Sector Grants | <u>416</u> |
| 389 | | 416 |

16. Agency Services and Pooled Budgets

The Council has an agency agreement with Selby and York Primary Care Trust (PCT) and North Yorkshire County Council (NYCC), related to provision for people with learning disabilities. The Council administers the service on behalf of the PCT and NYCC and are fully reimbursed for the expenditure incurred. The income received in 2005/06 was £1.66m (£1.6m) and £852k (£488k) respectively.

There were no further pooled budgets in 2005/06, but these are to be considered by the Council in future years.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

17. 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 Consolidated Revenue Account.

During 2005/06 the Council had agreements principally with North Yorkshire County Council for the provision of building alterations, vehicle maintenance, heating and electrical repairs and this raised £1.7m (£1.7m) income out of the total DLO turnover of £28.5m (£26.4m).

Contracts have also been obtained to provide payroll services to two schools, one college, a district council, a trust and various small organisations mostly in the voluntary and sports sectors. These contracts earned £30.6k (£39k).

18. 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:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|------------------------------------|-------------------|
| 512 | Staff Advertising | 550 |
| 578 | Advertising & Publicity Costs | 645 |
| <u>703</u> | Marketing and Communications Group | <u>734</u> |
| <u>1,793</u> | | <u>1,929</u> |

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

19. Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The 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 2004/05 £(000) | | Chargeable £(000) | Non- Chargeable £(000) | Total 2005/06 £(000) |
|----------------------------|---------------------------------------|----------------------|------------------------------|----------------------------|
| | Expenditure | | | |
| 320 | Employee Expenses | 244 | 81 | 325 |
| 8 | Premises | 8 | 1 | 9 |
| 16 | Transport | 18 | 2 | 20 |
| 32 | Supplies and Services | 22 | 3 | 25 |
| | Central and support services | | | |
| <u>132</u> | charges | <u>118</u> | <u>21</u> | <u>139</u> |
| <u>508</u> | Total Expenditure | <u>410</u> | <u>108</u> | <u>518</u> |
| | Income | | | |
| (723) | Building Regulation Charges | (715) | - | (715) |
| <u>(4)</u> | Miscellaneous Income | <u>-</u> | <u>(3)</u> | <u>(3)</u> |
| <u>(727)</u> | Total Income | <u>(715)</u> | <u>(3)</u> | <u>(718)</u> |
| <u>(219)</u> | (Surplus)/Deficit for the year | <u>(305)</u> | <u>105</u> | <u>(200)</u> |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

20. Long-Term Contracts

The Council is committed to making payments for the provision of care and support contracts estimated at £3.1m (£1.3m) per annum. The actual level of payments will depend on the service required. The contracts expire between June 2006 and March 2009.

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 £6.0m per annum. All Supporting People contracts with service providers are currently being reviewed so the value of these contracts is subject to the outcome of these reviews.

21. Employees' Emoluments

The Accounts and Audit Regulations 1996 require the disclosure of officers' emoluments (Reg. 6(2)). There were 76 (53) employees, including head-teachers and deputy head-teachers, whose total emoluments were above £50k per annum. The numbers in different bands are shown below.

| 2004/05 | | | Salary Range £(000) | 2005/06 | |
|---------------------|----------|-----------|------------------------|---------------------|----------|
| Number of employees | | £(000) | | Number of employees | |
| Teachers | Officers | | £(000) | Teachers | Officers |
| 19 | 15 | 50 - 60 | 30 | 14 | |
| 8 | 4 | 60 - 70 | 11 | 14 | |
| 1 | - | 70 - 80 | 3 | - | |
| - | 1 | 80 - 90 | - | 1 | |
| - | 4 | 90 - 100 | - | 2 | |
| - | 1 | 100 - 110 | - | 1 | |
| 28 | 25 | | 44 | 32 | |

22. Members' Allowances

The Local Authorities (Members' Allowances) (Amendment) Regulations 1995 introduced 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 2005/06 will be released to the press during the summer and will identify that the Council spent £560k (£564k) 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. The following table shows the number of Members whose combined basic and responsibility allowances fell in different bands.

| 2004/05 | | Allowance Band £(000) | 2005/06 | |
|-------------------|---------|--------------------------|-------------------|--|
| Number of Members | | | Number of Members | |
| 22 | 5 - 10 | 17 | | |
| 14 | 10 - 15 | 20 | | |
| 9 | 15 - 20 | 1 | | |
| 1 | 20 - 25 | 8 | | |
| - | 25 - 30 | 1 | | |
| 1 | 30 - 35 | - | | |
| 47 | | 47 | | |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

23. Contributions to Joint Committees and Joint Bodies

In 2004/05 the Council had to contribute to the cost of providing Magistrates Services throughout the administrative area of North Yorkshire. The contribution was included in the Consolidated Revenue Account in the Court Services total and was £270k. From 1 April 2005 the Council is only responsible for the residual capital financing costs that remain following the transfer of the responsibility of the service to central government. These costs totalled £15k in 2005/06. 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 £7k (£7k).

The Joint Equipment Service orders, stores and supplies equipment to customers in the Selby and York Primary Care Trust area. The gross cost of the service was £649k (£663k). Contributions from North Yorkshire County Council and Selby and York Primary Care Trust totalled £200k (£273k).

The Council has been awarded Pathfinder Childrens Trust status, which will bring together services working with children within one organisational structure to include services provided by Education, Social Services and Health. The cost to the Council is £258k (£195k) which is matched by grant and partnership contributions.

An investment fund has been set up with Selby 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 £280k (£324k), grant income of £298k (£297k), which with the deficit balance brought forward of £2k (surplus of £25k), leaves a surplus of £16k (deficit of £2k) to carry forward.

The accounting arrangements for Future Prospects transferred from York College on 1 August 2003. Its main sources of funding arise from provision of training and employment advice.

24. Partnership Arrangements

The Area Child Protection Committee develops, monitors and reviews local child protection policies and had costs of £84k (£81k) and received contributions totalling £50k (£36k) from various bodies, including Selby 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 £210k (£202k).

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 £135k (£110k).

The Childrens' Fund is a partnership that aims to address a recognised gap in the provision of preventative services for young people at risk of social exclusion by providing increased and better co-ordinated preventative services for 5-13 year olds. The cost to the Council is £408k (£490k), which is matched by an equivalent grant.

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 £68k (£59k) comes from the Learning and Skills Council plus £8k (£15k) contribution from City of York Council.

A new City Partnership Board has been set up to enhance the economic vitality and viability of the city centre for the benefit of all who live, work or visit the city. The partners are City of York Council, Yorkshire Forward, York Business Pride, Land Securities and Marks and Spencer plc.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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). The next phase of the partnership is to bring on board a developer to engage in the preparation of a masterplan before a planning application is submitted.

The Consumer Support Network (CSN) is a partnership between CYC Trading Standards, East Riding of Yorkshire Trading Standards, York Citizens Advice Bureau (CAB), 4 East Riding CABs and other Community Legal Services Quality Marked providers of consumer advice, e.g. solicitors and non-governmental organisations providing consumer advice to residents and businesses in the region served by the two councils. The York and East Riding CSN aims to promote networking and co-ordination of quality assured consumer advice agencies at local level, to consider and canvas views from all relevant parties, to increase awareness of these advice agencies and enable them to share information and support each other. 100% grant funding from the DTI supports three projects to further these aims.

Connexions is the name of the government support strategy for young people aged 13 - 19. Connexions York and North Yorkshire Ltd. was founded in 2001 (the founding members being CYC, NYCC and Guidance Enterprise Group). A Partnership Board was formed reflecting DfES guidance with 16 Directors and an independent Chair. The approach taken has been a sub-contracting model, whereby the partners deliver the services to young people on the basis of a funded contract.

25. Finance Leases

The Council holds a few 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 £910k (£1,082k) charged to the revenue account as £91k (£159k) finance cost (charged to the AMRA) and £819k (£923k) relating to the write-down of the obligations to the lessor.

26. 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 £2,531k (£2,446k) 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 £940k (£821k).

27. Audit Costs

The following fees were incurred relating to external audit and inspection:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|--|-------------------|
| 111 | Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor | 228 |
| 149 | Fees payable to the Audit Commission in respect of statutory inspection | 30 |
| 76 | Fees payable to the Audit Commission for the certification of grant claims and returns | 66 |
| - | Fees payable in respect of other services provided by the appointed auditor | 5 |
| <u>336</u> | | <u>329</u> |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

28. 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.

29. 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.

The transactions in 2005/06 were as follows:

| | Receipts £(000) | Payments £(000) |
|--|--------------------|--------------------|
| Central Government | | |
| Revenue Grants | (117,889) | - |
| Capital Grants | (14,250) | - |
| National Non-Domestic Rating Pool - payment into the Pool of rating income collected and receipt of redistributed Pool | (61,026) | 63,794 |
| North Yorkshire Police Authority - precept and payment of share of the Collection Fund surplus | - | 11,364 |
| North Yorkshire Fire and Rescue Authority - precept and payment of share of the Collection Fund surplus | - | 3,395 |
| Precept payments to Parish Councils | - | 496 |
| Levy payment to Environmental Agency | - | 15 |
| Levy payments to Drainage Boards | - | 527 |
| CYCs share of the cost of providing the following services run by other bodies: | | |
| Magistrates | - | 15 |
| Probation | - | 7 |
| North Yorkshire Pension Fund - payment of employer's superannuation contributions in respect of employees | - | 11,245 |
| Yorwaste - transactions include the cost of disposal of waste, as well as transportation, Landfill Tax and management expenses. The income relates to rent, air space and royalties in respect of power generation | (1,506) | 4,400 |
| Yorkshire Purchasing Organisation - CYC are members of this consortium, which uses its purchasing powers to obtain better discounts on supplies | (136) | 920 |
| Joint arrangements between Social Services and Selby and York PCT Services for people with learning difficulties | (1,660) | - |
| Joint arrangements between Social Services and North Yorkshire County Council for people with learning difficulties | (852) | - |
| Youth Offending Team | | |
| Selby and York Primary Care Trust | (34) | - |
| North Yorkshire Police | (53) | - |
| North Yorkshire County Council - Probation Services | (27) | - |
| Employees - car loans made under the Council's scheme | (232) | 153 |
| City of York Councillors | | |
| One Councillor is an equity partner in a firm of York solicitors. The total paid to the partnership during the year amounted to less than £200 | - | - |

HOUSING REVENUE ACCOUNT

| 2004/05 £(000) | | Note | 2005/06 £(000) |
|-------------------|---|------|-------------------|
| | Expenditure | | |
| | Housing Repairs | | |
| 4,315 | Responsive | (2) | 4,923 |
| 792 | Programmed | | 828 |
| | Supervision and Management | | |
| 4,095 | General | | 4,023 |
| 1,922 | Special Services | | 2,128 |
| 181 | Rents, Rates, Taxes and Other Charges | | 147 |
| 210 | Subsidy Limitation Transfer to General Fund | (3) | 168 |
| 128 | Provision for Bad or Doubtful Debts | (4) | 148 |
| 5,010 | Sums Directed by the Secretary of State | (5) | 4,738 |
| | Capital Charges | | |
| 15,311 | Cost of Capital Charge | (6) | 14,245 |
| 8,609 | Depreciation | (7) | 7,979 |
| 23 | Debt Management Expenses | | 28 |
| <u>40,596</u> | Total Expenditure | | <u>39,355</u> |
| | Income | | |
| (21,209) | Gross Rents | (8) | (21,911) |
| (512) | Other Rents from Land and Buildings | | (497) |
| (928) | Charges for Services and Facilities | | (798) |
| (1,069) | Contributions Towards Expenditure | | (1,062) |
| (129) | Other Government Grants | | (33) |
| (27) | Transfer from General Fund | (9) | (27) |
| <u>(23,874)</u> | Total Income | | <u>(24,328)</u> |
| 16,722 | Net Cost of Services | | 15,027 |
| | Other Operating Costs | | |
| | Net HRA expenditure/(income) on Asset | | |
| (14,436) | Management Revenue Account | (10) | (13,282) |
| 465 | Amortised premiums/discounts | | 403 |
| | Interest receivable | | |
| (15) | Mortgage interest | | (13) |
| (294) | Interest on notional cash balances | | (330) |
| 112 | Net Pensions cost | (11) | 124 |
| <u>2,554</u> | Net Operating Expenditure | | <u>1,929</u> |
| | Appropriations | | |
| - | Housing set aside | | - |
| 44 | Capital expenditure financed from revenue | | 1,291 |
| - | Usable capital receipts for Right to Buy administration | | - |
| (4,348) | Contribution to/(from) MRR | (12) | (3,557) |
| - | Contribution to/(from) reserves | | - |
| (88) | Contribution to/(from) Pensions Reserve | (11) | 53 |
| <u>(1,838)</u> | (Surplus)/Deficit for the year | | <u>(284)</u> |
| | HOUSING REVENUE RESERVE | | |
| (3,017) | Balance at beginning of year | | (4,855) |
| <u>(1,838)</u> | (Surplus)/Deficit for the year | | <u>(284)</u> |
| <u>(4,855)</u> | Balance at end of year | | <u>(5,139)</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

1. 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.

2. Responsive Repairs

The responsive and void repair service is provided by Commercial Services. During 2005/06 a partnering agreement has been implemented between Commercial Services and Community Services for the provision of this service.

3. Subsidy Limitation Transfer to General Fund

Under the Rent Rebate Subsidy Limitation York loses subsidy of £91k (£57k) because our actual rent levels are higher than the guideline rent. Members agreed that this cost would continue to be borne by the HRA. In addition, the Council has to fund the cost of benefit overpayments. The legislation allowed the HRA to contribute the equivalent of the cost to the General Fund in 2004/05, which reduced to 50% funding in 2005/06. The general fund will have to bear the full cost from 2006/07 onwards.

4. Provision for Bad/Doubtful Debts

A provision was made in 2005/06 for bad and doubtful debts in accordance with the HRA (Arrears of Rent and Charges) Directions 1990. During 2005/06 rent arrears as a proportion of gross rent income have decreased from 8.79% of the amount due to 6.95%. The rent arrears figures are as follows:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| 1,026 | Arrears at 31 March - Current tenants | 791 |
| 904 | - Former tenants | 786 |
| 233 | Amounts Written Off during the Year | 412 |
| 106 | Increased/(Reduced) Provision during the Year | 124 |
| 1,533 | Provision for Bad and Doubtful Debts | 1,245 |

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

| 2004/05 % | | 2005/06 % |
|--------------|--|--------------|
| | Dwelling rent arrears as a % of gross rent debit | |
| 4.67 | - Current tenants | 3.49 |
| <u>4.12</u> | - Former tenants | <u>3.46</u> |
| <u>8.79</u> | | <u>6.95</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

Provision for Bad/Doubtful Debts cont'd

A bad/doubtful debt provision was made in 2005/06 for debts outstanding on rechargeable repairs. The arrears figures are as follows:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| 84 | Arrears at 31 March | 93 |
| 34 | Amounts Written Off during the Year | 18 |
| 22 | Increased/(Reduced) Provision during the Year | 24 |
| 50 | Provision for Bad and Doubtful Debts | 56 |

5. 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:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|--|-------------------|
| | <u>Expenditure</u> | |
| 8,951 | Management and Maintenance | 9,816 |
| 1,512 | Capital Financing Charges | 1,311 |
| 1 | Other Items | - |
| <u>4,261</u> | MRA | <u>4,422</u> |
| <u>14,725</u> | | <u>15,549</u> |
| | <u>Income</u> | |
| (19,717) | Rent Income | (20,274) |
| <u>(18)</u> | Interest | <u>(13)</u> |
| <u>(19,735)</u> | | <u>(20,287)</u> |
| <u>(5,010)</u> | Total HRA subsidy receivable/(payable) | <u>(4,738)</u> |

6. Cost of Capital Charge

In accordance with the requirements of Resource Accounting, a sum representing the cost of capital tied up in HRA assets is charged into the accounts as interest, but, to avoid impacting on council house rents, is reversed out in other operating costs, thus having a net nil effect. This is calculated as 3.5% (3.5%) of the value of the HRA operational assets and was £13.959m (£15.065m). In addition a voluntary debt repayment has been made in the sum of £286k (£246k).

7. Depreciation

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:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|--------------------------|-------------------|
| 8,481 | Dwellings | 7,851 |
| - | Other Land and Buildings | - |
| <u>128</u> | Non-operational property | <u>128</u> |
| <u>8,609</u> | | <u>7,979</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

8. Gross Rents

Gross rent income is the total amount due for the year after allowance for voids of £301k (£272k) which represents 1.32% (1.23%) of the gross rent income including charges for services. Average rents in March 2005 were £49.88 (£48.02) a week. In April an increase of 3.88% (3.8%) was applied increasing the average rent at that time by £1.94 (£1.83).

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

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| 8,645 | Rents due from Tenants | 9,187 |
| <u>12,564</u> | Rents remitted by Rent Rebates through the Housing Benefit System | <u>12,724</u> |
| <u>21,209</u> | Total Rent Income | <u>21,911</u> |

The Council was responsible for managing 8,090 dwellings at 31 March 2006. In addition to this total are 164 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 | 551 | 660 | 748 | 1,960 |
| Medium Rise Flats | 4 | 3 | 845 | 767 | 1,619 |
| Houses and Bungalows | <u>16</u> | <u>2,162</u> | <u>1,553</u> | <u>780</u> | <u>4,511</u> |
| | <u>21</u> | <u>2,716</u> | <u>3,058</u> | <u>2,295</u> | <u>8,090</u> |

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

| 2004/05 | | Houses/ Bungalows | 2005/06 Flats | Total |
|--------------|---|----------------------|------------------|--------------|
| Total | | | | |
| | Operational Stock | | | |
| 8,224 | Balance at 1 April | 4,540 | 3,585 | 8,125 |
| (65) | Sales | (29) | (6) | (35) |
| (34) | Demolitions | - | - | - |
| - | Dwellings declared surplus | - | - | - |
| - | Dwellings reprovided with Housing Association | - | - | - |
| - | Re-categorisation | - | - | - |
| - | To General Fund | - | - | - |
| - | To HRA non-housing stock | - | - | - |
| <u>8,125</u> | Balance at 31 March | <u>4,511</u> | <u>3,579</u> | <u>8,090</u> |

9. 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.

NOTES TO THE HOUSING REVENUE ACCOUNT

10. HRA Expenditure on AMRA

The transactions for offsetting the cost of capital charge and receipt of interest are merged into net HRA expenditure/(income) on Asset Management Revenue Account and are as follows:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|--|-------------------|
| (15,065) | Capital Asset Charges accounting adjustment | (13,959) |
| <u>629</u> | HRA contribution towards debt financing and management costs | <u>677</u> |
| <u>(14,436)</u> | | <u>(13,282)</u> |

11. FRS17 Transactions for the HRA

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

| 2004/05 £(000) | | 2005/06 £(000) | |
|-------------------|--|-------------------|------------|
| | Net Cost of Services | | |
| 347 | Current service cost | 390 | |
| 1 | Past service cost | - | |
| - | Past service adjustment for assumed take-up level of new commutation option | (186) | |
| <u>6</u> | Curtailment Cost | <u>9</u> | |
| <u>354</u> | | | 213 |
| | Net Operating Expenditure | | |
| 428 | Interest cost | 462 | |
| <u>(316)</u> | Expected return on assets in the scheme | <u>(338)</u> | |
| <u>112</u> | | | 124 |
| | Appropriations | | |
| (88) | Contribution to/(from) Pensions Reserve | | 53 |
| <u>378</u> | Actual amount charged against the HRA for Pensions | | <u>390</u> |

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.

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| (128) | Depreciation on other HRA assets | (128) |
| <u>(4,220)</u> | Depreciation on dwellings higher than MRA | <u>(3,429)</u> |
| <u>(4,348)</u> | Total Transfer from MRR | <u>(3,557)</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

Contribution to/(from) Major Repairs Reserve (MRR) cont'd

The main credit to the MRR is an amount equivalent to the total depreciation charged for all HRA assets. 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:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| (782) | Balance at 1 April | (1,307) |
| (8,481) | Depreciation on HRA dwellings | (7,851) |
| (128) | Depreciation on other HRA assets | (128) |
| 4,348 | Transfer to HRA during the financial year | 3,557 |
| <u>3,736</u> | Capital expenditure on houses within the HRA charged to the reserve | <u>5,157</u> |
| <u>(1,307)</u> | Balance at 31 March | <u>(572)</u> |

13. Movement of Fixed Assets

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

| | Council dwellings £(000) | Other land and buildings £(000) | Vehicles, plant etc. £(000) | Infra- structure £(000) | Comm- unity Assets £(000) | TOTAL Operational Assets £(000) |
|---|--------------------------------|--|-----------------------------------|-------------------------------|------------------------------------|--|
| Value at 31.3.05 | 419,778 | 7,515 | - | 21 | 32 | 427,346 |
| Less: accumulated depreciation/ impairment | <u>(8,481)</u> | <u>(507)</u> | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>(8,989)</u> |
| Net Book Value of Assets at 31.3.05 | 411,297 | 7,008 | - | 20 | 32 | 418,357 |
| Movement in 2005/06 | | | | | | |
| Category Adjustment | - | - | - | - | - | - |
| Additions/Enhancements | 7,631 | - | - | - | - | 7,631 |
| Disposals - Gross book value | (2,709) | - | - | - | - | (2,709) |
| Accum. Deprecn | - | - | - | - | - | - |
| Revaluations | (34,859) | 4,849 | - | - | (32) | (30,042) |
| Accum. Deprecn | 8,481 | 544 | - | - | - | 9,025 |
| Depreciation | (7,851) | (126) | - | (1) | - | (7,978) |
| Impairment | - | - | - | - | - | - |
| Net Book Value of Assets at 31.3.06 | <u>381,990</u> | <u>12,275</u> | <u>-</u> | <u>19</u> | <u>-</u> | <u>394,284</u> |
| Value at 31.3.06 | 389,841 | 12,364 | - | 21 | - | 402,226 |
| Less: accumulated depreciation/ impairment | <u>(7,851)</u> | <u>(89)</u> | <u>-</u> | <u>(2)</u> | <u>-</u> | <u>(7,942)</u> |
| Net Book Value of Assets at 31.3.06 | <u>381,990</u> | <u>12,275</u> | <u>-</u> | <u>19</u> | <u>-</u> | <u>394,284</u> |

The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements, see note 14 for further information.

NOTES TO THE HOUSING REVENUE ACCOUNT

Movement of Fixed Assets cont'd

| | Investment Properties £(000) | Assets under Construct'n £(000) | Surplus Assets £(000) | TOTAL Non-Oper Assets £(000) | TOTAL All Assets £(000) |
|---|------------------------------------|--|-----------------------------|---------------------------------------|----------------------------------|
| Value at 31.3.05 | 39 | - | - | 39 | 427,385 |
| Less: accumulated depreciation/ impairment | - | - | - | - | (8,989) |
| Net Book Value of Assets at 31.3.05 | 39 | - | - | 39 | 418,396 |
| Movement in 2005/06 | | | | | |
| Category Adjustment | - | - | - | - | - |
| Additions/Enhancements | - | - | - | - | 7,631 |
| Disposals - Gross book value | - | - | - | - | (2,709) |
| Accum. Deprecn | - | - | - | - | - |
| Revaluations | (37) | - | - | (37) | (30,079) |
| Accum. Deprecn | - | - | - | - | 9,025 |
| Depreciation | - | - | - | - | (7,978) |
| Impairment | - | - | - | - | - |
| Net Book Value of Assets at 31.3.06 | 2 | - | - | 2 | 394,286 |
| Value at 31.3.06 | 2 | - | - | 2 | 402,228 |
| Less: accumulated depreciation/ impairment | - | - | - | - | (7,942) |
| Net Book Value of Assets at 31.3.06 | 2 | - | - | 2 | 394,286 |

14. Vacant Possession Value of Council Dwellings

In accordance with the Office of the Deputy Prime Minister's (now 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 £381.990m (£411.297m) on the balance sheet. At vacant possession the same dwellings would have a value of £807.828m (£753.350m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £425.838m (£342.053m).

15. Summary of Capital Expenditure and Financing

The capital expenditure to be financed in 2005/06 is £7.631m (£7.876m). The analysis of the expenditure and the sources of financing used are set out in the following table:

| 2004/05 | | 2005/06 | | | |
|------------------|----------------------------------|---------------------|-------------------------------|---------------------|-----------------|
| Total £(000) | | Dwellings £(000) | Infra- structure £(000) | Equipment £(000) | Total £(000) |
| 7,876 | Total capital expenditure | 7,631 | - | - | 7,631 |
| Financing | | | | | |
| (1,353) | Borrowing | (1,023) | - | - | (1,023) |
| (2,743) | Capital Receipts | (160) | - | - | (160) |
| (3,736) | Grants | (5,157) | - | - | (5,157) |
| (44) | Revenue Contributions | (1,291) | - | - | (1,291) |
| (7,876) | | (7,631) | - | - | (7,631) |

NOTES TO THE HOUSING REVENUE ACCOUNT

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:

| 2004/05 | | Council Dwellings | 2005/06 Land | Total |
|-----------------|------------------------------|----------------------|-----------------|----------------|
| Total £(000) | | £(000) | £(000) | £(000) |
| (4,876) | Sales proceeds | (2,709) | (160) | (2,869) |
| <u>70</u> | less: administrative costs | <u>37</u> | <u>-</u> | <u>37</u> |
| (4,806) | Net proceeds | (2,672) | (160) | (2,832) |
| (134) | Right to buy discount repaid | (36) | - | (36) |
| <u>(42)</u> | Mortgage principal repaid | <u>(60)</u> | <u>-</u> | <u>(60)</u> |
| <u>(4,982)</u> | | <u>(2,768)</u> | <u>(160)</u> | <u>(2,928)</u> |
| | of which: | | | |
| (1,711) | Usable | | | (902) |
| <u>(3,271)</u> | Reserved | | | <u>(2,026)</u> |
| <u>(4,982)</u> | | | | <u>(2,928)</u> |

COLLECTION FUND

| 2004/05 £(000) | | Note | £(000) | 2005/06 £(000) |
|---------------------------------------|---|------|---------------|-------------------|
| INCOME AND EXPENDITURE ACCOUNT | | | | |
| | Expenditure | | | |
| | Precepts and Demands | | | |
| 10,842 | North Yorkshire Police Authority | | 11,304 | |
| 3,195 | North Yorkshire Fire and Rescue Authority | | 3,377 | |
| <u>54,144</u> | City of York Council | | <u>57,712</u> | <u>72,393</u> |
| <u>68,181</u> | | | | |
| | Business Rates | | | |
| 58,348 | Payment to National Pool | | 63,794 | |
| <u>281</u> | Costs of Collection | | <u>281</u> | <u>64,075</u> |
| <u>58,629</u> | | | | |
| 720 | Council Tax Provision for uncollectable accounts and outstanding appeals | (2) | | 117 |
| | Contribution from previous years' | | | |
| | Collection Fund surpluses | | | |
| 195 | North Yorkshire Police Authority | | | 60 |
| - | North Yorkshire Fire and Rescue Authority | | | 18 |
| <u>1,040</u> | City of York Council | | | <u>300</u> |
| <u>128,765</u> | Total Expenditure | | | <u>136,963</u> |
| | Income | | | |
| (62,309) | Council Tax Income | (2) | | (65,326) |
| | Transfer from General Fund: | | | |
| (6,952) | Council Tax Benefit | | | (7,320) |
| <u>(58,629)</u> | Income from business ratepayers | (3) | | <u>(64,075)</u> |
| <u>(127,890)</u> | Total Income | | | <u>(136,721)</u> |
| <u>875</u> | (Surplus)/Deficit for the year | | | <u>242</u> |
| COLLECTION FUND BALANCE | | | | |
| (1,283) | Balance at beginning of year | | | (408) |
| <u>875</u> | (Surplus)/Deficit for the year | | | <u>242</u> |
| <u>(408)</u> | Balance at end of year | | | <u>(166)</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 4).

2. Council Tax

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

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

This gives the tax base for the Council. The valuation bands, the Band D equivalent figures originally estimated for the year, the year-end Band D equivalent figures and the 2005/06 charges are as follows:

| Property Band | Property Value | | Proportion of Band D | Estimated Tax Base for Year | Year-End Tax Base | Average Charge In Year |
|---------------|----------------|----------|----------------------|-----------------------------|-------------------|------------------------|
| A reduced | up to | £40,000 | 5/9 | 4.86 | 4.79 | £626.17 |
| A | up to | £40,000 | 6/9 | 5,653.37 | 5,571.52 | £751.41 |
| B | £40,000 to | £52,000 | 7/9 | 15,558.90 | 15,333.64 | £876.64 |
| C | £52,000 to | £68,000 | 8/9 | 19,161.91 | 18,884.49 | £1,001.88 |
| D | £68,000 to | £88,000 | 9/9 | 10,732.15 | 10,576.77 | £1,127.11 |
| E | £88,000 to | £120,000 | 11/9 | 7,626.36 | 7,515.94 | £1,377.58 |
| F | £120,000 to | £160,000 | 13/9 | 4,057.95 | 3,999.20 | £1,628.05 |
| G | £160,000 to | £320,000 | 15/9 | 2,179.33 | 2,147.78 | £1,878.52 |
| H | over | £320,000 | 18/9 | 108.60 | 107.03 | £2,254.22 |
| TOTAL | | | | 65,083.43 | 64,141.16 | |

In addition, the government makes a contribution for properties classed as "Crown" properties in lieu of paying Council Tax.

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

| | |
|----------------------------------|----------|
| | £(000) |
| Crown Contribution | (352) |
| Charge (64,141.16 x £1,127.11) | (72,294) |
| | (72,646) |

which comprises

| | |
|--|----------|
| Income due from Chargepayers, including Crown properties | (65,326) |
| Council Tax Benefit | (7,320) |

NOTES TO THE COLLECTION FUND

Council Tax cont'd

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 £695k (£149k) 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 £810k (£869k) and the level of the provision for banding appeals was increased by £3k (£nil). The net effect of these is an increase in the value of provisions of £117k (£720k).

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 2006 was 205,806,437 (161,947,489) and the rate for 2005/06 was 42.2p (45.6p), with a reduction to 41.5p (n/a) for small businesses.

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

Under these arrangements the amount due is as follows:

| 2004/05 £(000) | | £(000) | 2005/06 £(000) |
|-------------------|---|--------|-------------------|
| (73,848) | Rates payable for year (205,806,437 x 42.2 p) | | (86,850) |
| 4,294 | Less: Transitional Relief and part occupancy | 10,954 | |
| 3,943 | Charitable Relief | 4,569 | |
| 6,509 | Adjustments re previous years rates | 4,969 | |
| | Other adjustments including making provision for bad debts and interest payments made and small business relief | 2,283 | |
| 473 | | | |
| 15,219 | | | 22,775 |
| (58,629) | | | (64,075) |

4. Community Charge

The transactions for the community charge have to be accounted for separately to those for the Council Tax. Any surplus or deficit that arises on Community Charge transactions belongs entirely to City of York Council. It is now over ten years since the community charge was replaced by the council tax and the amount collected in the year was less than £100.

CONSOLIDATED BALANCE SHEET

| 31 March 2005 £(000) | | Note | 31 March 2006 £(000) | £(000) |
|-------------------------|--|------|-------------------------|----------------|
| | LONG-TERM ASSETS | | | |
| 1,070 | Intangible Fixed Assets | (2) | | 1,309 |
| 742,793 | Tangible Fixed Assets | (3) | | 775,605 |
| 29,002 | Deferred Assets | (6) | | 31,576 |
| 1,215 | Long - Term Investments | (7) | | 1,215 |
| 611 | Long - Term Debtors | (8) | | 471 |
| <u>774,691</u> | LONG - TERM ASSETS | | | <u>810,176</u> |
| | CURRENT ASSETS | | | |
| 12,650 | Temporary Investments | | 18,100 | |
| 318 | Stocks | | 306 | |
| - | Landfill Usages Allowances | | 1,359 | |
| 181 | Work in Progress | | 117 | |
| 24,513 | Debtors | (9) | 22,836 | |
| 62 | Cash in Hand | | 61 | |
| 9,406 | Schools Cash at Bank | | 7,583 | |
| <u>47,130</u> | | | <u>50,362</u> | |
| | CURRENT LIABILITIES | | | |
| 4,000 | Long - Term Loans due within 12 months | (10) | - | |
| - | Temporary Loans | (10) | - | |
| 31,497 | Creditors | (11) | 34,173 | |
| 340 | Cash Overdrawn | | 148 | |
| <u>11,293</u> | NET CURRENT ASSETS | | | <u>16,041</u> |
| <u>785,984</u> | TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>826,217</u> |
| | LONG TERM LIABILITIES | | | |
| 76,365 | Long - Term Loans | (10) | 93,365 | |
| 103,783 | Pensions Liability | (12) | 108,834 | |
| 2,807 | Provisions | (13) | 2,958 | |
| 26,432 | Deferred Liabilities | (14) | 24,349 | |
| 253 | Deferred Credits | (15) | 174 | |
| <u>209,640</u> | | | <u>229,680</u> | |
| <u>576,344</u> | TOTAL ASSETS LESS LIABILITIES | | | <u>596,537</u> |
| | CAPITAL RESERVES | | | |
| 494,916 | Fixed Asset Restatement Account | (16) | | 507,845 |
| 7,205 | Government Grants Deferred Account | (17) | | 12,660 |
| 3,031 | Developers Contributions Deferred Account | (17) | | 5,214 |
| 141,281 | Capital Financing Account | (18) | | 150,386 |
| 62 | Capital Grants Unapplied | (19) | | 549 |
| 1,926 | Usable Capital Receipts | (20) | | 56 |
| | REVENUE RESERVES | | | |
| 6,405 | General Fund Reserve | | | 5,347 |
| 4,855 | Housing Revenue Account Reserve | | | 5,139 |
| 1,307 | Major Repairs Reserve | (21) | | 572 |
| 288 | DLO Reserve | (22) | | 300 |
| 408 | Collection Fund Reserve | | | 166 |
| (103,783) | Pensions Reserve | (23) | | (108,834) |
| 18,443 | Earmarked Reserves | (24) | | 17,137 |
| <u>576,344</u> | TOTAL EQUITY | | | <u>596,537</u> |

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

Dated *18/8/06*

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Restated Comparative Figures for 2004/05

There is one change in reporting for 2005/06 which requires the opening balance sheet position to be restated so that a comparative position is given. The change is the reclassification of certain fixed assets as intangible assets rather than tangible ones. The assets involved relate to the acquisition of IT software. The change is set out in the following table:

| Original Balance at 31.3.05 £(000) | | Adjustment £(000) | Revised Balance at 31.3.05 £(000) |
|---|---|----------------------|--|
| | Reclassification of some fixed assets from tangible to intangible | | |
| | Long Term Assets | | |
| - | Intangible Fixed Assets | 1,070 | 1,070 |
| 743,863 | Tangible Fixed Assets (vehicles, plant, etc.) | (1,070) | 742,793 |
| <u>743,863</u> | Total | <u>-</u> | <u>743,863</u> |

2. 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. The life of the asset is re-assessed at the end of each year and revised if necessary. The transactions on intangible fixed assets are set out below:

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| | Purchased Software Licences | |
| 3,567 | Original Cost | 3,567 |
| <u>(2,067)</u> | Less: accumulated depreciation/impairment | <u>(2,497)</u> |
| 1,500 | Balance at 1 April | 1,070 |
| - | Expenditure in Year | 802 |
| - | Disposals - Gross book value | (1,260) |
| - | Accum. Deprecn | 1,260 |
| (430) | Written off to revenue in year | (563) |
| <u>1,070</u> | Closing balance at 31 March | <u>1,309</u> |
| 3,567 | Value at 31 March | 3,109 |
| (2,497) | Less: accumulated depreciation/ impairment | (1,800) |
| <u>1,070</u> | Net Book Value of Assets at 31 March | <u>1,309</u> |

3. 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 CONSOLIDATED BALANCE SHEET

Tangible Fixed Assets cont'd

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

| | Council dwellings £(000) | Other land and buildings £(000) | Vehicles, plant etc. £(000) | Infra-structure £(000) | Comm-unity Assets £(000) | TOTAL Operational Assets £(000) |
|---|-----------------------------|------------------------------------|--------------------------------|---------------------------|-----------------------------|------------------------------------|
| Value at 31.3.05 | 419,778 | 231,317 | 7,836 | 56,057 | 122 | 715,110 |
| Less: accumulated depreciation/ impairment | <u>(8,481)</u> | <u>(6,839)</u> | <u>(4,576)</u> | <u>(4,877)</u> | - | <u>(24,773)</u> |
| Net Book Value of Assets at 31.3.05 | 411,297 | 224,478 | 3,260 | 51,180 | 122 | 690,337 |
| <u>Movement in 2005/06</u> | | | | | | |
| Category Adjustment | - | 1,821 | 279 | 670 | - | 2,770 |
| Additions/Enhancements | 7,631 | 3,847 | 2,894 | 5,369 | 307 | 20,048 |
| Disposals - Gross book value | (2,709) | (1,115) | - | - | - | (3,824) |
| Accum. Deprecn | - | 147 | - | - | - | 147 |
| Revaluations | (34,859) | 41,229 | (488) | (126) | (339) | 5,417 |
| Accum. Deprecn | 8,481 | 544 | - | - | - | 9,025 |
| Depreciation | (7,851) | (2,522) | (1,048) | (1,600) | - | (13,021) |
| Impairment | - | - | - | - | - | - |
| Net Book Value of Assets at 31.3.06 | <u>381,990</u> | <u>268,429</u> | <u>4,897</u> | <u>55,493</u> | <u>90</u> | <u>710,899</u> |
| Value at 31.3.06 | 389,841 | 277,099 | 10,521 | 61,970 | 90 | 739,521 |
| Less: accumulated depreciation/ impairment | <u>(7,851)</u> | <u>(8,670)</u> | <u>(5,624)</u> | <u>(6,477)</u> | - | <u>(28,622)</u> |
| Net Book Value of Assets at 31.3.06 | <u>381,990</u> | <u>268,429</u> | <u>4,897</u> | <u>55,493</u> | <u>90</u> | <u>710,899</u> |

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

| | Investment Properties £(000) | Assets under Construct'n £(000) | Surplus Assets £(000) | TOTAL Non-Oper Assets £(000) | TOTAL All Assets £(000) |
|---|---------------------------------|------------------------------------|--------------------------|---------------------------------|----------------------------|
| Value at 31.3.05 | 40,174 | 12,407 | - | 52,581 | 767,691 |
| Less: accumulated depreciation/ impairment | <u>(125)</u> | - | - | <u>(125)</u> | <u>(24,898)</u> |
| Net Book Value of Assets at 31.3.05 | 40,049 | 12,407 | - | 52,456 | 742,793 |
| <u>Movement in 2005/06</u> | | | | | |
| Category Adjustment | (2,770) | - | - | (2,770) | - |
| Additions/Enhancements | - | 12,855 | - | 12,855 | 32,903 |
| Disposals - Gross book value | (569) | - | - | (569) | (4,393) |
| Accum. Deprecn | - | - | - | - | 147 |
| Revaluations | 5,379 | (2,770) | - | 2,609 | 8,026 |
| Accum. Deprecn | 125 | - | - | 125 | 9,150 |
| Depreciation | - | - | - | - | (13,021) |
| Impairment | - | - | - | - | - |
| Net Book Value of Assets at 31.3.06 | <u>42,214</u> | <u>22,492</u> | <u>-</u> | <u>64,706</u> | <u>775,605</u> |
| Value at 31.3.06 | 42,214 | 22,492 | - | 64,706 | 804,227 |
| Less: accumulated depreciation/ impairment | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(28,622)</u> |
| Net Book Value of Assets at 31.3.06 | <u>42,214</u> | <u>22,492</u> | <u>-</u> | <u>64,706</u> | <u>775,605</u> |

NOTES TO THE CONSOLIDATED BALANCE SHEET

Tangible Fixed Assets cont'd

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. Only a proportion of this either increases the value of tangible assets or is for a new asset, the remainder is either expenditure classified as assets under construction, £12.855m (£9.565m) or expenditure of a capital nature which does not enhance the value of the asset, £10.404m (£11.254m). The Code of Practice stipulates that only expenditure which enhances the value of assets is included in the balance sheet as fixed assets. Assets under construction must be shown as non-operational assets and expenditure that does not enhance the value of assets must be shown as a transfer to the Fixed Asset Restatement Account (FARA) (see note 16 on page 60). This latter adjustment is included in the line described as revaluations. These transfers leave expenditure of £9.644m (£15.099m) in the year that increases the value of tangible fixed assets.

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

| | £(000) |
|--|---------------|
| Green Waste Wheeled Bins | 1,132 |
| Carriageway and Footpath Schemes | 2,289 |
| Malton Road Bus Priorities | 588 |
| Front Street - link road to Gale Lane | 689 |
| Various expenditure on schools | 366 |
| Other smaller schemes | <u>4,580</u> |
| Expenditure that increases value of assets | 9,644 |
| Assets under construction | <u>12,855</u> |
| | <u>22,499</u> |

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) |
|--------------------------------------|--------------|
| 35 Council Dwellings | 2,709 |
| Aldwark 47 Borthwick Institute | 375 |
| St Anthonys Hall | 47 |
| Peasholme Green Coward Print | 17 |
| Foss Islands Road Depot | 1,065 |
| New House Farm | 130 |
| Foss Islands Road Civic Amenity Site | <u>50</u> |
| | <u>4,393</u> |

As shown above, the Council sold the Foss Island Depot during the year. However, part of the deal on the sale was that the Council continued to have the use of the site while a new depot was being built and that the sale price would not be payable until the site is vacated.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Tangible Fixed Assets cont'd

Valuations on all major Council assets are required to be carried out at least every 5 years and at 31 March 2006 no valuations are greater than five years old. Major assets valued during 2005/06 include city centre car parks, Monks Cross stadium, land holdings and administrative buildings. The major revaluation exercise for most assets will commence during 2005/06. The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements. The valuations process is led by John Reid, Senior Property Consultant with the Council, who is a Chartered Surveyor, with the council housing valuations being undertaken by Stephenson's of 10 Colliergate, York, who are estate agents, chartered surveyors, auctioneers and valuers.

In accordance with the Office of the Deputy Prime Minister's (now the Department for Communities and Local Government) guidance, 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 was increased from 45% to 53%, thus producing a lower valuation as social housing.

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.

The following statement shows the progress of the Council's rolling programme for the revaluation of operational and non-operational assets.

| Basis of Valuation | Council dwellings £(000) | Other land and buildings £(000) | Vehicles, plant etc. £(000) | Infra-structure £(000) | Comm-unity Assets £(000) | TOTAL Operational Assets £(000) |
|--------------------|-----------------------------|------------------------------------|--------------------------------|---------------------------|-----------------------------|------------------------------------|
| Historic Cost | - | 31,383 | 1,676 | 36,149 | 32 | 69,240 |
| Current Value in: | | | | | | |
| Current year | (29,307) | 43,950 | 1,893 | 4,313 | - | 20,849 |
| Previous year | 44,589 | 3,679 | 746 | 10,344 | - | 59,358 |
| 2 years ago | 85,442 | 1,942 | 582 | 4,533 | - | 92,499 |
| 3 years ago | 281,266 | 29,468 | - | 154 | 58 | 310,946 |
| 4 years ago | - | 158,007 | - | - | - | 158,007 |
| Total | 381,990 | 268,429 | 4,897 | 55,493 | 90 | 710,899 |

| Basis of Valuation | Investment Properties £(000) | Assets under Construct'n £(000) | Surplus Assets £(000) | TOTAL Non-Oper Assets £(000) | TOTAL All Assets £(000) |
|--------------------|---------------------------------|------------------------------------|--------------------------|---------------------------------|----------------------------|
| Historic Cost | 21,831 | - | - | 21,831 | 91,071 |
| Current Value in: | | | | | |
| Current year | 113 | 12,855 | - | 12,968 | 33,817 |
| Previous year | 6,712 | 7,102 | - | 13,814 | 73,172 |
| 2 years ago | 6,413 | 2,333 | - | 8,746 | 101,245 |
| 3 years ago | 3,563 | 202 | - | 3,765 | 314,711 |
| 4 years ago | 3,582 | - | - | 3,582 | 161,589 |
| Total | 42,214 | 22,492 | - | 64,706 | 775,605 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

Tangible Fixed Assets cont'd

Included amongst the assets owned by the Council at 31 March 2006 are the following:

| | |
|---|--|
| <p>Council Dwellings:</p> <ul style="list-style-type: none"> 3,579 Flats 4,511 Houses and Bungalows <p>Land:</p> <ul style="list-style-type: none"> 754 km Road 975 km Footpath 16 Allotment Sites (1,152 plots) 11 Public Parks (approx 74 acres) 3 Travellers Sites 3 Equipped Farms <p>Vehicles:</p> <ul style="list-style-type: none"> 12 Miscellaneous Vehicles <p>Other Buildings:</p> <ul style="list-style-type: none"> Bar Walls Mansion House 7 Administrative Buildings 172 Commercial Properties | <p>Other Buildings (cont'd):</p> <ul style="list-style-type: none"> 1 Open Air Market 1 Theatre 1 Crematorium 11 Toilet blocks 71 Schools 15 Residential Homes 8 Day Centres 4 Waste Disposal/Civic Amenity Sites 1 Art Gallery 8 Community Centres 2 Sports Pavilions 3 Sports Centres 17 Off Street Car Parks 2 Coach Parks 7 Play Areas 2 Swimming Pools 7 Museums 10 Libraries 11 Youth Centres |
|---|--|

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

| | 2006/07 | 2007/08 | 2008/09 |
|---|---------------|---------------|---------------|
| | £(000) | £(000) | £(000) |
| Education Services | 13,132 | 12,935 | 8,000 |
| Environment and Sustainability Services | - | - | - |
| Housing Services | 10,064 | 7,934 | 8,153 |
| Leisure and Heritage Services | 4,305 | 3,415 | 3,713 |
| Economic Development | 100 | 150 | - |
| Planning and Transportation Services | 19,445 | 7,317 | 6,042 |
| Resources | 1,974 | 5,118 | 8,560 |
| Chief Executive's Department | 368 | 202 | 202 |
| Social Services | 409 | 205 | 205 |
| Total Capital Programme | 49,797 | 37,276 | 34,875 |

At 31 March 2006 gross capital expenditure commitments were over £12.8m, the most significant of which were Huntington School (£3.6m), James Street link road (£2.0m) and NDS Modernisation (£0.8m).

NOTES TO THE CONSOLIDATED BALANCE SHEET

4. Deferred Charges

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 (Public Service Agreements) which will be amortised in one year. The following table summarises the expenditure in the year.

| Balance at 1.4.05 | | Expenditure During Year | Written off to Revenue in Year | Balance at 31.3.06 |
|----------------------|---------------------------|----------------------------|--------------------------------------|-----------------------|
| £(000) | | £(000) | £(000) | £(000) |
| - | Public Service Agreements | 98 | (98) | - |
| - | Improvement Grants | 1,200 | (1,200) | - |
| - | Other Grants | 1,261 | (1,261) | - |
| <u>-</u> | | <u>2,559</u> | <u>(2,559)</u> | <u>-</u> |

The Council was successful in participating in Public Service Agreements in twelve areas. Capital pump-priming grant was received in 2002/03 in the sum of £929k, which was used over the length of the projects. The figures above represent the expenditure incurred during the current financial year.

5. 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.

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| | Expenditure in year | |
| 21,947 | Operational Assets | 20,048 |
| 13,971 | Non-operational Assets | 12,855 |
| - | Intangible Assets | 802 |
| 3,530 | Deferred Charges | 2,559 |
| - | Deferred Asset (PFI prepayment) | 4,032 |
| 1,339 | Accruals for 2003/04 to be financed in 2004/05 | - |
| | Sources of Finance | |
| (12,922) | Grants and Contributions | (17,009) |
| (10,684) | Capital Receipts | (6,226) |
| - | Internal Funds and Provisions | (1,111) |
| (1,390) | Revenue Contributions | (1,525) |
| (2,056) | Minimum Revenue Provision | (2,766) |
| - | Voluntary Debt Repayment | (1,028) |
| <u>13,735</u> | Movement in Year | <u>10,631</u> |
| | Capital Financing Requirement | |
| <u>59,147</u> | Opening balance at 1 April | <u>72,882</u> |
| <u>72,882</u> | Closing balance at 31 March | <u>83,513</u> |
| | Explanatory Movements in Year | |
| 10,885 | Increase in underlying need to borrow (supported by Government financial assistance) | 7,694 |
| 4,906 | Increase in underlying need to borrow (unsupported by Government financial assistance) | 6,731 |
| (2,056) | Minimum Revenue Provision | (2,766) |
| - | Harewood Whin Set-aside | (1,028) |
| <u>13,735</u> | Increase/(decrease) in Capital Financing Requirement | <u>10,631</u> |

NOTES TO THE CONSOLIDATED BALANCE SHEET

6. Deferred Assets

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.

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 figure in the balance sheet for prepayments represents the amount remaining to be written down for both the local government reorganisation debt servicing and the PFI contract. The PFI prepayment represents the capital 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 full write-down will begin in the first full financial year of operation, i.e. during 2006/07.

In addition, premiums paid when restructuring long-term debt are written back to revenue over the period of the original loan. The following table shows the transactions in the year.

| Balance at 1.4.05 | | Expenditure During Year | Written off to Revenue in Year | Balance at 31.3.06 |
|----------------------|-----------------------------|----------------------------|--------------------------------------|-----------------------|
| £(000) | | £(000) | £(000) | £(000) |
| 24,477 | Prepayment - LGR 1996 | - | (1,224) | 23,253 |
| - | Prepayment - PFI scheme | 4,032 | - | 4,032 |
| <u>4,525</u> | Loan Restructuring Premiums | <u>-</u> | <u>(234)</u> | <u>4,291</u> |
| <u>29,002</u> | | <u>4,032</u> | <u>(1,458)</u> | <u>31,576</u> |

7. Long-Term Investments

These are investments held for the medium/long-term. They comprise mainly share investments in two companies: Yorwaste (£1,007,940) and York Science Park (£200,000). 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.

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

| Balance at 1.4.05 | | Expenditure During Year | Income Received in Year | Balance at 31.3.06 |
|----------------------|-------------------------|----------------------------|-------------------------------|-----------------------|
| £(000) | | £(000) | £(000) | £(000) |
| 371 | Employee Loans | 153 | (232) | 292 |
| 192 | Council House Mortgages | - | (48) | 144 |
| 14 | Housing Act Advances | - | (1) | 13 |
| <u>34</u> | Other | <u>4</u> | <u>(16)</u> | <u>22</u> |
| <u>611</u> | | <u>157</u> | <u>(297)</u> | <u>471</u> |

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. Debtors

This figure has been netted down by £8.129m (£7.892m) 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 1.4.05 £(000) | | Balance at 31.3.06 £(000) |
|--------------------------------|---|---------------------------------|
| 6,399 | Taxpayers | |
| 3,688 | Council Tax | 5,753 |
| | NNDR | 4,327 |
| | Central Government | |
| 4,450 | Government Departments | 1,262 |
| 428 | Customs and Excise | - |
| 3,786 | NNDR Pool | 1,612 |
| | Other | |
| 1,930 | Housing Rents | 1,578 |
| 1,750 | Housing Benefits | 1,909 |
| 9,974 | Other Debtors | 14,524 |
| 32,405 | | 30,965 |
| | Provision for Bad and Doubtful Debts | |
| (4,088) | Collection Fund | (4,397) |
| (1,533) | Housing Rents | (1,245) |
| (1,362) | Housing Benefits | (1,499) |
| (909) | Other | (988) |
| (7,892) | | (8,129) |
| 24,513 | Total Debtors | 22,836 |

10. Loans Outstanding

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

| As at 1.4.05 £(000) | | Interest Rates Payable | As at 31.3.06 £(000) |
|---------------------------|---------------------------------------|---------------------------|----------------------------|
| | Total Outstanding | | |
| 70,365 | Public Works Loan Board | 3.80% to 4.875% | 83,365 |
| - | CLF Municipal Bank | | - |
| 10,000 | Royal Exchange Trust Co Ltd | 7.155% to 7.155% | 10,000 |
| - | Local Bonds | | - |
| - | Short Term Loans | | - |
| 80,365 | Total | | 93,365 |
| | Analysis of loans by maturity: | | |
| 4,000 | Maturing within one year | | - |
| - | Maturing in 1 - 2 years | | 4,000 |
| 9,000 | Maturing in 2 - 5 years | | 13,000 |
| 4,000 | Maturing in 5 - 10 years | | 5,000 |
| 63,365 | Maturing in more than 10 years | | 71,365 |
| 80,365 | Total | | 93,365 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. Creditors

The creditors figure can be analysed as follows:

| Balance at 1.4.05 £(000) | | Balance at 31.3.06 £(000) |
|--------------------------------|--|---------------------------------|
| 1,454 | Taxpayers | |
| 5 | Council Tax | 1,322 |
| 3,668 | Poll Tax | 5 |
| | NNDR | 2,795 |
| | Central Government | |
| 2,172 | Government Departments | 1,002 |
| 2,837 | Inland Revenue | 3,009 |
| - | DEFRA Landfill Allowances Trading Scheme | 1,294 |
| | Other | |
| 154 | Housing Rents | 314 |
| <u>21,207</u> | Other Creditors | <u>24,432</u> |
| <u>31,497</u> | Total Creditors | <u>34,173</u> |

12. Pensions Liability

As explained in note 9 to the Consolidated Revenue Account the Council participates in the North Yorkshire Pension Fund and the Teachers Scheme. The liability for payment of pensions under the Teachers Pension scheme rests with the Department for Education, and it is therefore classed as a multi-employer defined benefit scheme for which the liabilities of individual employers cannot be separated. However, there are some enhancements to teachers' pensions which are not funded by the Teachers Pension Scheme, but by the Council. They are therefore to be treated as a defined benefit scheme under FRS17 rules.

The North Yorkshire Pension Fund, 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.

There is a formal actuarial valuation of the performance of the fund three-yearly, with an annual update to reflect current market conditions. The last formal actuarial valuation was at 31 March 2004. The following analyses are all based on the annual updated position provided by the Fund's actuaries.

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

| | | |
|------------------|--|------------------|
| 31.3.05 | | 31.3.06 |
| £(000) | | £(000) |
| 246,987 | Estimated share of liabilities in scheme | 300,717 |
| <u>(143,204)</u> | Estimated share of assets in scheme | <u>(191,883)</u> |
| <u>103,783</u> | Council's net liability | <u>108,834</u> |

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £108.834m (£103.783m) has a substantial impact on the net worth of the Council as recorded in the Consolidated Balance Sheet, resulting in a reduced overall balance. 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Pensions Liability cont'd

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

| As at 31.3.05 | | As at 31.3.06 |
|------------------|---|------------------|
| % pa | | % pa |
| 2.90 | Rate of Inflation | 2.90 |
| 4.65 | Rate of increase in salaries | 4.65 |
| 2.90 | Rate of increase in pensions | 2.90 |
| N/A | Proportion of employees opting to take a commuted lump sum | 50.00 |
| 5.40 | Rate for discounting scheme liabilities | 4.90 |

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. The actuaries have advised that the commutation terms are such that it is less costly for the scheme to provide the lump sum than the pension, so to the extent that members take up the option it will reduce the employers' pension costs. The 50% assumption shown above is purely an estimate of the proportion of members that will take up the option to increase their lump sum to the maximum available, but is consistent with the basis on which the potential costs savings have so far been estimated. This level of take-up will reduce the value of the Council's pension liabilities by £5.365m and this has been included within Non-Distributed Costs in the Consolidated Revenue Account.

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

| As at 31.3.05 | | | As at 31.3.06 | |
|----------------|--------------|------------------|----------------|--------------|
| £(000) | % | | £(000) | % |
| 110,266 | 77.0 | Equities | 143,912 | 75.0 |
| 16,612 | 11.6 | Government Bonds | 14,583 | 7.6 |
| 8,879 | 6.2 | Other Bonds | 26,864 | 14.0 |
| - | - | Property | - | - |
| 7,447 | 5.2 | Cash/liquidity | 6,524 | 3.4 |
| - | - | Other | - | - |
| <u>143,204</u> | <u>100.0</u> | | <u>191,883</u> | <u>100.0</u> |

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

| As at 31.3.05 | | As at 31.3.06 |
|------------------|------------------|------------------|
| % pa | | % pa |
| 7.50 | Equities | 7.00 |
| 4.70 | Government Bonds | 4.30 |
| 5.40 | Other Bonds | 4.90 |
| 6.50 | Property | 6.00 |
| 4.75 | Cash/liquidity | 4.50 |
| - | Other | - |

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| 65,378 | Net pensions liability at 1 April | 103,783 |
| | Movement in year | |
| 9,668 | Current service cost | 11,242 |
| (10,967) | Employer contributions (including unfunded retirement benefits) | (11,924) |
| 894 | Past service cost/curtailment costs | (3,319) |
| 12,189 | Interest costs | 13,597 |
| (8,800) | Expected return on assets in the scheme | (9,735) |
| <u>35,421</u> | Actuarial (Gain)/Loss | <u>5,190</u> |
| <u>103,783</u> | Net pensions liability at 31 March | <u>108,834</u> |

13. Provisions

The following table summarises the Provisions held:

| Balance at 1.4.05 £(000) | | Expenditure During Year £(000) | Income During Year £(000) | Balance at 31.3.06 £(000) |
|--------------------------------|--------------------------|--------------------------------------|---------------------------------|---------------------------------|
| (1,150) | Insurance Fund - General | - | (84) | (1,234) |
| <u>(1,657)</u> | Miscellaneous | <u>-</u> | <u>(67)</u> | <u>(1,724)</u> |
| <u>(2,807)</u> | | <u>-</u> | <u>(151)</u> | <u>(2,958)</u> |

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

14. Deferred Liabilities

This represents the liability for amounts chargeable to the revenue accounts in future financial years. There are three elements. The liability for the payment of notional debt on the 1996 local government reorganisation transferred assets as set out in note 6 on page 55.

In addition, there are liabilities for discounts received from restructuring long-term debt which are written back to revenue over the period of the original loan and the sums owing for assets acquired through finance leases. The following table shows the transactions in the year.

| Balance at 1.4.05 £(000) | | Expenditure During Year £(000) | Written off to Revenue in Year £(000) | Balance at 31.3.06 £(000) |
|--------------------------------|------------------------------|--------------------------------------|--|---------------------------------|
| (24,477) | 1996 Transferred Assets | 1,224 | - | (23,253) |
| (265) | Loan Restructuring Discounts | - | 39 | (226) |
| <u>(1,690)</u> | Finance Leases | <u>820</u> | <u>-</u> | <u>(870)</u> |
| <u>(26,432)</u> | | <u>2,044</u> | <u>39</u> | <u>(24,349)</u> |

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. 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.

16. Fixed Asset Restatement Account

This account represents the difference between the current valuations of assets and their original cost. It is therefore matched by entries in the valuation of Fixed Assets and is not a resource available to the Council. The account is adjusted to reflect writing out the net book value of assets disposed of and capital expenditure that has not resulted in an increase in asset values.

| 2004/05 | | | 2005/06 | | |
|---------------------------------------|---|-----------------|---------------------------------------|---|------------------|
| General Fund Services £(000) | Housing Revenue Account £(000) | Total £(000) | General Fund Services £(000) | Housing Revenue Account £(000) | Total £(000) |
| (222,624) | (232,812) | (455,436) | Balance at 1 April | (223,899) | (271,017) |
| | | | (Surplus)/Deficit on | | |
| <u>(6,077)</u> | <u>(49,895)</u> | <u>(55,972)</u> | revaluation of fixed assets | <u>(54,105)</u> | <u>26,379</u> |
| (228,701) | (282,707) | (511,408) | | (278,004) | (244,638) |
| | | | Less: Disposal of fixed | | |
| <u>980</u> | <u>4,258</u> | <u>5,238</u> | assets | <u>1,684</u> | <u>2,709</u> |
| (227,721) | (278,449) | (506,170) | | (276,320) | (241,929) |
| | | | Less: Expenditure in year | | |
| <u>3,822</u> | <u>7,432</u> | <u>11,254</u> | which does not increase | <u>2,773</u> | <u>7,631</u> |
| (223,899) | (271,017) | (494,916) | value of assets | (273,547) | (234,298) |
| | | | Balance at 31 March | <u>(273,547)</u> | <u>(507,845)</u> |

17. 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 Asset Management Revenue Account (AMRA), at the same rate that the asset is depreciated so that the revenue accounts receive a reduced charge in each year the asset is usable. This money is therefore not available to fund other expenditure requirements. The transactions in the year are as follows:

| Balance at 1.4.05 | | Receipts During Year | Transfer to AMRA in Year | Balance at 31.3.06 |
|----------------------|-----------------------------------|-------------------------|--------------------------------|-----------------------|
| £(000) | | £(000) | £(000) | £(000) |
| (7,205) | Deferred Government Grants | (5,767) | 312 | (12,660) |
| <u>(3,031)</u> | Deferred Developers Contributions | <u>(2,266)</u> | <u>83</u> | <u>(5,214)</u> |
| <u>(10,236)</u> | | <u>(8,033)</u> | <u>395</u> | <u>(17,874)</u> |

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. Capital Financing 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.

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| (132,888) | Balance at 1st April | (141,281) |
| | Add: <u>Income in the Year</u> | |
| (2,056) | Minimum Revenue Provision | (2,766) |
| (923) | Prudential charge for finance leases | (820) |
| (10,684) | Usable Capital Receipts | (4,968) |
| (12,923) | Grants & Contributions | (17,009) |
| (44) | Revenue Contributions - Housing | (1,290) |
| (169) | Revenue Contributions - Other Departments | (235) |
| - | Contributions from internal funds | (1,075) |
| (1,224) | Other Authority Debt Repayment | (1,224) |
| - | Set aside from Harewood Whin repayment | (2,205) |
| - | Net contribution from Venture Fund | (1,259) |
| <u>(28,023)</u> | | <u>(32,851)</u> |
| <u>(160,911)</u> | | <u>(174,132)</u> |
| | Less: <u>Expenditure in year</u> | |
| 12,367 | Transfer to CRA | 11,291 |
| 1 | Application for Housing Loans | - |
| 2,053 | Transfer to Deferred Capital Grants | 5,767 |
| 948 | Transfer to Deferred Developers | |
| 4,261 | Contributions | 2,266 |
| <u>19,630</u> | Transfer to Major Repairs Reserve | 4,422 |
| <u>(141,281)</u> | Balance at 31st March | <u>23,746</u> |
| | | <u>(150,386)</u> |

The five items above identified as 'minimum revenue provision', 'prudential charge for finance leases', 'set aside from Harewood Whin repayment', net contribution from Venture Fund' and 'transfer to CRA' are shown as a net figure on the Consolidated Revenue Account as contribution from Capital Financing Account. Also the three items identified as 'revenue contributions - housing', 'revenue contributions - other departments' and 'contributions from internal funds' are shown as capital expenditure financed from revenue on the Consolidated Revenue Account.

19. Capital Grants Unapplied

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. Usable Capital Receipts

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.

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|---|-------------------|
| (7,956) | Balance at 1 April | (1,926) |
| (7,226) | Receipts in year from sale of assets | (5,106) |
| (664) | Receipts in year from other bodies | (37) |
| <u>(64)</u> | Receipts in year from sale of shares | <u>(19)</u> |
| (15,910) | | (7,088) |
| <u>3,300</u> | Less: reserved proportion | <u>2,064</u> |
| (12,610) | Available Usable Receipts | (5,024) |
| <u>10,684</u> | Receipts applied during the year | <u>4,968</u> |
| <u>(1,926)</u> | Usable Capital Receipts Unapplied at 31 March | <u>(56)</u> |

21. Major Repairs Reserve

The following summarises the movement in the Major Repairs Reserve. The detail of the movement in the year is shown in more details in note 12 to the Housing Revenue Account on pages 41 and 42.

| Balance at 1.4.05 £(000) | | Expenditure During Year £(000) | Income During Year £(000) | Balance at 31.3.06 £(000) |
|--------------------------------|-----------------------|--------------------------------------|---------------------------------|---------------------------------|
| <u>(1,307)</u> | Major Repairs Reserve | <u>5,157</u> | <u>(4,422)</u> | <u>(572)</u> |
| <u>(1,307)</u> | Total | <u>5,157</u> | <u>(4,422)</u> | <u>(572)</u> |

22. Commercial Services Reserve

The following summarises the movement in the Commercial Services Reserve. The detail of the surpluses and deficits on the individual trading accounts are shown in more detail in note 5 to the Consolidated Revenue Account on pages 26 and 27.

| Balance at 1.4.05 £(000) | | (Surplus)/ Deficit in Year £(000) | Transfer to/ (from) Reserves & General Fund £(000) | Balance at 31.3.06 £(000) |
|--------------------------------|-------------|--|---|---------------------------------|
| <u>(288)</u> | DLO Reserve | <u>73</u> | <u>(85)</u> | <u>(300)</u> |
| <u>(288)</u> | Total | <u>73</u> | <u>(85)</u> | <u>(300)</u> |

23. Pensions Reserve

This reserve has been created as part of the incorporation of Financial Reporting Standard 17 (Pensions Liability) into the Accounts. It is not a 'cash-backed' reserve, but one to show the total future liability of the Council for pensions entitlement earned by its employees.

NOTES TO THE CONSOLIDATED BALANCE SHEET

24. Earmarked Reserves

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

| Balance at 1.4.05 £(000) | Account | Expenditure During Year £(000) | Income During Year £(000) | Balance at 31.3.06 £(000) |
|--------------------------------|------------------------------------|--------------------------------------|---------------------------------|---------------------------------|
| | Reserves | | | |
| (1,208) | Investment Reserves | - | - | (1,208) |
| | Education Delegated School | | | |
| (5,242) | Reserves | 178 | - | (5,064) |
| (1,468) | Venture Fund | 1,686 | (1,070) | (852) |
| (2,770) | Developers Contributions Unapplied | 2,336 | (3,273) | (3,707) |
| <u>(4,950)</u> | Miscellaneous | <u>3,074</u> | <u>(3,978)</u> | <u>(5,854)</u> |
| <u>(15,638)</u> | | <u>7,274</u> | <u>(8,321)</u> | <u>(16,685)</u> |
| <u>(2,805)</u> | Capital Reserve | <u>2,353</u> | <u>-</u> | <u>(452)</u> |
| <u>(18,443)</u> | | <u>9,627</u> | <u>(8,321)</u> | <u>(17,137)</u> |

The Delegated School Reserves 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. There are 4 (8) schools with deficit rather than surplus balances at a total deficit of £335k (£869k).

Within miscellaneous reserves is a new reserve relating to the PFI sinking fund. The sinking fund has been established to hold the excess of income over payments in relation to the early years of the contract, which will be applied in later years when payments become greater than the income. The sinking fund will receive interest on its balances which will also be used to contribute to the later years' shortfalls.

25. 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 2006 the reserves stood at £1.303m (£1.001m).

26. Analysis of Net Assets Employed

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

| Balance at 1.4.05 £(000) | | Balance at 31.3.06 £(000) |
|--------------------------------|------------------------------|---------------------------------|
| 258,312 | General Fund | 316,102 |
| 317,561 | Housing Revenue Account | 279,926 |
| <u>471</u> | Direct Service Organisations | <u>509</u> |
| <u>576,344</u> | | <u>596,537</u> |

NOTES TO THE CONSOLIDATED BALANCE SHEET

27. Finance Leases

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.

| 2004/05 £(000) | | 2005/06 £(000) |
|-------------------|-------------------|-------------------|
| 2,613 | Value at 1 April | 1,690 |
| - | Additions | - |
| - | Revaluations | - |
| (923) | Depreciation | (820) |
| - | Disposals | - |
| <u>1,690</u> | Value at 31 March | <u>870</u> |

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:

| Balance at 1.4.05 £(000) | Year | Balance at 31.3.06 £(000) |
|--------------------------------|---------|---------------------------------|
| 820 | 2005/06 | - |
| 451 | 2006/07 | 451 |
| 278 | 2007/08 | 278 |
| 87 | 2008/09 | 87 |
| 32 | 2009/10 | 32 |
| 22 | 2010/11 | 22 |
| <u>1,690</u> | | <u>870</u> |

28. Operating Leases

The Council is committed to making lease payments totalling £2.579m (£2.198m) as shown below:

| Balance at 1.4.05 £(000) | Year | Balance at 31.3.06 £(000) |
|--------------------------------|---------|---------------------------------|
| 746 | 2005/06 | - |
| 715 | 2006/07 | 969 |
| 514 | 2007/08 | 804 |
| 182 | 2008/09 | 439 |
| 41 | 2009/10 | 367 |
| <u>2,198</u> | | <u>2,579</u> |

With regard to the Council's activity as lessor (landlord), the gross value of assets held for use under operating leases was £64.090m (£60.897m) at 31 March. The depreciation charged on these properties was £1.602m (£1.522m).

29. Contingent Liabilities

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

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

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

As part of the ongoing Derwenthorpe scheme the Council has 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 £1.25m, 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 proposal has been called in the Secretary of State and a Public Inquiry has been announced. 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 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. In addition Her Majesty's Revenue and Customs has announced new rules on tax and national insurance liabilities of such payments. These rules are being challenged and the final cost implications are not certain.

30. Trust Funds

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

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

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

Trust Funds cont'd

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, £45,212 received in January 2002, would be put into trust to maintain and develop the collection.

| Balance at 1.4.05 £(000) | | Expenditure During Year £(000) | Income During Year £(000) | Balance at 31.3.06 £(000) |
|--------------------------------|-------------------------------------|--------------------------------------|---------------------------------|---------------------------------|
| (19) | James Cox Automoton Clock | - | (1) | (20) |
| (19) | Edmund Wilson Trust | - | (1) | (20) |
| (51) | Ismay Trust | - | (2) | (53) |
| (42) | Haughton/Gardiner Trust Fund | 3 | (3) | (42) |
| (63) | Strensall & Towthorpe Village Trust | - | (3) | (66) |
| (65) | Other Funds | <u>21</u> | <u>(87)</u> | <u>(131)</u> |
| <u>(259)</u> | | <u>24</u> | <u>(97)</u> | <u>(332)</u> |

31. Yorwaste Limited

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% share-holding in the above company. The only other shareholder is North Yorkshire County Council. The Company's profit and loss account is not included as part of the Consolidated Revenue Account on page 24, however dividend income of £307k (£307k) is included as part of the Council's income for Cultural, Environmental and Planning Services. Similarly, the Company's assets and liabilities are not included in the Consolidated Balance Sheet. If the Company ceased to exist then the Council would have a 22.27% share in the end profits or losses.

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 | £13.1m |
| Loans to/(from) CYC | None |
| Profit for period to 31.3.06 | |
| (a) Before tax | £3.1m |
| (b) After tax | £2.1m |
| 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 £4.400m including Landfill Tax of £1.533m (£2.867m net of Landfill Tax), and at 31 March 2006 there was a creditor balance of £661k (£816k). In addition the Council provides services to Yorwaste Limited that totalled £1.506m (£1.630m) during the year. There was a debtor outstanding at 31 March 2006 of £51k (£165k).

NOTES TO THE CONSOLIDATED BALANCE SHEET

32. Euro

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

33. Post Balance Sheet Events

The government has designated the Council under section 52D(2)(a) of the Local Government and Finance Act 1992 for setting a Council Tax increase in 2006/07 above the level it deems acceptable. The Council issued a challenge to this, advising that the proposed change in Council Tax level would represent reduced expenditure of £285k, or 7p per week to the average taxpayer, and that additional costs for rebilling would cost a further £170k. Representatives of the Council met with government ministers. On 26 July 2006 the government confirmed that it would not 'cap' the 2006/07 council tax, i.e. would not require the Council to reduce the Council Tax for 2006/07, but the Council would be required to calculate any increase for the financial year 2007/08 from a lower base figure.

The Council amended its prudential indicator to allow it to invest for periods of greater than 364 days. Under these arrangements, and after considering the forecast for cash-flow and interest rates, the Council entered into a forward deal to invest £3m for 364 days from 8 September 2006.

CASH FLOW STATEMENT

| 2004/05 £(000) | | Note | 2005/06 £(000) | £(000) |
|-------------------|---|------|-------------------|-----------|
| | Revenue Activities | (1) | | |
| | Cash Outflow: | | | |
| | Cash paid to and on behalf | | | |
| 161,096 | of employees | | 167,794 | |
| 113,042 | Other operating cash payments | | 116,638 | |
| 24,092 | Housing Benefit paid out | | 25,226 | |
| 63,820 | NNDR payment to Pool | | 65,742 | |
| | Payments to the Capital | | | |
| 3,271 | Receipts Pool | | 2,063 | |
| 14,524 | Precepts paid | | 15,177 | |
| 379,845 | | | | 392,640 |
| | Cash Inflow: | | | |
| (26,457) | Rent (after rebates) | | (26,063) | |
| (61,999) | Council Tax income | | (65,954) | |
| (59,775) | Non-Domestic rate income | | (62,478) | |
| (50,943) | Receipt from NNDR Pool | | (61,026) | |
| (51,761) | Revenue Support Grant | | (47,840) | |
| (31,551) | DWP grants for rebates | | (32,605) | |
| (35,232) | Other government grants | (2) | (37,444) | |
| | Cash received for goods | | | |
| (19,617) | and services | | (20,360) | |
| (38,593) | Other operating cash income | | (45,719) | |
| (375,928) | | | | (399,489) |
| 3,917 | Revenue Activities Net Cash Flow | | | (6,849) |
| | Dividends from Joint Ventures and Associates | | | |
| | Cash Inflow: | | | |
| (307) | Dividends received | | (307) | (307) |
| | Returns on Investments and Servicing of Finance | | | |
| | Cash Outflow: | | | |
| 3,114 | Interest paid | | 3,569 | |
| | Interest on finance lease | | | |
| 160 | rental payments | | 91 | |
| 3,274 | | | 3,660 | |
| | Cash Inflow: | | | |
| (220) | Interest received | | (883) | |
| 3,054 | Return on Investments and Servicing of Finance Net Cash Flow | | | 2,777 |
| | Capital Activities | | | |
| | Cash Outflow: | | | |
| 33,050 | Purchase of fixed assets | (3) | 30,776 | |
| - | Purchase of long-term investments | (4) | - | |
| 3,530 | Other capital cash payments | (5) | 2,559 | |
| 36,580 | | | 33,335 | |
| | Cash Inflow: | | | |
| (11,161) | Sale of fixed assets | (6) | (3,098) | |
| (11,016) | Capital Grants received | (7) | (14,250) | |
| (1,509) | Other capital cash receipts | | (3,246) | |
| (70) | Sale of long-term investments | | - | |
| 12,824 | Capital Activities Net Cash Flow | | | 12,741 |
| 19,488 | Net Cash (Inflow)/Outflow before Financing | | | 8,362 |

CASH FLOW STATEMENT

| 2004/05 £(000) | | Note | 2005/06 £(000) | £(000) |
|-------------------|---|------------|-------------------|-----------------|
| | Management of Liquid Resources | (8) | | |
| - | Net (increase)/decrease in short term deposits | (9) | | - |
| - | Net (increase)/decrease in other liquid resources | (9) | | - |
| <u>(15,600)</u> | Short-Term Investments | (9) | | <u>5,450</u> |
| <u>(15,600)</u> | | | | <u>5,450</u> |
| | Financing | (8) | | |
| | Cash Outflow: | | | |
| - | Repayments of amounts borrowed | (9) | 4,000 | |
| <u>923</u> | Capital element of finance lease rental payments | (9) | <u>820</u> | |
| 923 | | | 4,820 | |
| | Cash Inflow: | | | |
| <u>(7,000)</u> | New loans raised | (9) | (17,000) | |
| <u>(6,077)</u> | | | | <u>(12,180)</u> |
| 2,189 | Increase/(Decrease) in cash | (9) & (10) | | (1,632) |
| <u>(19,488)</u> | | | | <u>(8,362)</u> |

NOTES TO THE CASH FLOW STATEMENT

1. 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) | £(000) |
|---|----------------|----------------|
| (Surplus)/Deficit per Consolidated Revenue Account | | 1,058 |
| Non-cash transactions | | |
| Provisions set aside | | |
| - Insurance Fund | (84) | |
| - Other Provisions | (67) | |
| - Bad/Doubtful Debts | (236) | |
| Contributions (to)/from reserves | | |
| - Collection Fund | 243 | |
| - HRA | (285) | |
| - MRR | 735 | |
| - Other Earmarked | <u>1,294</u> | <u>1,600</u> |
| | | 2,658 |
| Items on an accruals basis | | |
| Increase/(decrease) in stocks and works in progress | (76) | |
| Increase/(decrease) in debtors | (1,441) | |
| (Increase)/decrease in creditors | (1,317) | |
| Increase/(decrease) in prepayments | <u>-</u> | <u>(2,834)</u> |
| | | (176) |
| Items included in another classification in the Cash Flow Statement | | |
| Capital Activities | (3,384) | |
| Investment Income/Finance Leasing Payments | <u>(3,289)</u> | <u>(6,673)</u> |
| | | <u>(6,849)</u> |

2. Other Government Grants

The other revenue grants figure includes the following:

| | £(000) |
|---------------------------------|-----------------|
| Housing Benefits Administration | (802) |
| Schools Standard Support Grant | (2,852) |
| Education Standards Fund | (4,862) |
| Sure Start (Early Years) | (1,352) |
| Preserved Rights | (1,956) |
| Supporting People | (8,884) |
| Access and Systems Capacity | (1,738) |
| Residential Allowance | (544) |
| Teachers Pay Reform | (3,378) |
| Mental Health Grants | (474) |
| Other Miscellaneous | <u>(10,602)</u> |
| Total | <u>(37,444)</u> |

3. Purchase of Fixed Assets

This figure comes from Notes 2 and 3 to the Consolidated Balance Sheet, excluding internal salaries of £2.929m (£2.868m).

NOTES TO THE CASH FLOW STATEMENT

4. Purchase of Long-Term Investments

This is the purchase of new long-term investments; see also Note 6 to the Consolidated Balance Sheet.

5. Other Capital Cash Payments

This figure comes from Note 3 to the Consolidated Balance Sheet.

6. Sale of Fixed Assets

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

7. Capital Grants Received

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

| | £(000) |
|--|-----------------|
| Sure Start Grant | (1,056) |
| Major Repairs Allowance | (5,157) |
| Education Devolved and Targeted Capital Grants | (3,345) |
| Education NDS Modernisation Grants | (2,380) |
| Other Miscellaneous | <u>(2,312)</u> |
| Total | <u>(14,250)</u> |

8. 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 Consolidated Balance Sheet.

| | Balance 1.4.05 £(000) | Balance 31.3.06 £(000) | Movement in Year £(000) |
|---------------------------------------|-----------------------------|------------------------------|-------------------------------|
| <i>Management of Liquid Resources</i> | | | |
| Temporary Investments | 12,650 | 18,100 | 5,450 |
| Temporary Loans | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>12,650</u> | <u>18,100</u> | <u>5,450</u> |
| <i>Financing</i> | | | |
| Long-Term loans due within 12 months | 4,000 | - | 4,000 |
| Long-Term Loans | <u>76,365</u> | <u>93,365</u> | <u>(17,000)</u> |
| | <u>80,365</u> | <u>93,365</u> | <u>(13,000)</u> |

9. Movement in Net Debt

The following shows the movement in net debt in the year:

| | Balance 1.4.05 £(000) | Balance 31.3.06 £(000) | Movement in Year £(000) |
|--------------------------|-----------------------------|------------------------------|-------------------------------|
| Cash-in-hand and at bank | 9,128 | 7,496 | (1,632) |
| Long-Term Loans | (80,365) | (93,365) | (13,000) |
| Temporary Loans | - | - | - |
| Temporary Investments | <u>12,650</u> | <u>18,100</u> | <u>5,450</u> |
| Total net debt | <u>(58,587)</u> | <u>(67,769)</u> | <u>(9,182)</u> |

| |
|---|
| NOTES TO THE CASH FLOW STATEMENT |
|---|

10. Movement in Cash

The following shows the movement in cash in the year:

| | Balance 1.4.05 £(000) | Balance 31.3.06 £(000) | Movement in Year £(000) |
|----------------------|-----------------------------|------------------------------|-------------------------------|
| Cash-in-hand | 62 | 61 | (1) |
| Schools Cash at Bank | 9,406 | 7,583 | (1,823) |
| Cash Overdrawn | <u>(340)</u> | <u>(148)</u> | <u>192</u> |
| | <u>9,128</u> | <u>7,496</u> | <u>(1,632)</u> |

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

| 2004/05 £(000) | | Note | 2005/06 £(000) | £(000) |
|-------------------|---|------|-------------------|------------------|
| | Movement in Revenue Resources | | | |
| | (Surplus)/deficit for the year in Fund balances | (1) | | |
| 438 | - General Fund | | 1,058 | |
| (1,838) | - Housing Revenue Account | | (284) | |
| 875 | - Collection Fund | | 242 | |
| (1,948) | Movements on earmarked revenue reserves | | 1,294 | |
| 2,984 | Appropriation from pensions reserve | | (139) | |
| <u>35,421</u> | Actuarial (gains)/losses relating to pensions | (2) | <u>5,190</u> | |
| | Total (increase)/decrease in revenue resources | | | 7,361 |
| <u>35,932</u> | | | | |
| | Movement in Realised Capital Resources | (3) | | |
| | (Increase)/decrease in usable capital receipts | | 1,870 | |
| 6,030 | (Increase)/decrease in unapplied capital grants and contributions | | <u>(487)</u> | |
| <u>399</u> | Total increase/(decrease) in realised capital resources | | | 1,383 |
| <u>6,429</u> | | | | |
| | Movement in Unrealised Value of Fixed Assets | (4) | | |
| | (Gains)/losses on revaluation of fixed assets | | <u>(17,322)</u> | |
| <u>(44,718)</u> | Total (increase)/decrease in unrealised value of fixed assets | | | (17,322) |
| <u>(44,718)</u> | | | | |
| | Value of Assets Sold, Decommissioned or Realised | (4) | | |
| | Value of assets sold, disposed of or decommissioned | | | 4,393 |
| <u>5,238</u> | | | | |
| | Movement in Amounts to be used to Finance Capital Investment | (5) | | |
| (27,810) | Capital receipts set aside | | (28,992) | |
| 19,417 | Revenue resources set aside | | 19,887 | |
| (1,775) | Movement on Government Grants deferred account | | (5,455) | |
| (888) | Movement on Developers Contributions deferred account | | (2,183) | |
| <u>(525)</u> | Movement on Major Repairs Reserve | (6) | <u>735</u> | |
| <u>(11,581)</u> | Total increase/(decrease) in amounts set aside to finance capital investment | | | (16,008) |
| <u>(8,700)</u> | Total recognised gains and losses | | | <u>(20,193)</u> |
| (567,644) | Total Equity at 1 April | | | (576,344) |
| <u>(8,700)</u> | In year activity | | | <u>(20,193)</u> |
| <u>(576,344)</u> | Total Equity at 31 March | | | <u>(596,537)</u> |

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. (Surplus)/Deficit in Fund Balances

The Council has a general revenue reserve that was established to support all Council services and is maintained at a level that is considered prudent by the Council. In addition there are other specific earmarked reserves. The details of the movement in the year on these reserves is set out below:

| | General Fund Balances £(000) | HRA Balance £(000) | Collection Fund Balance £(000) | Earmarked Revenue Reserves £(000) | Pensions Reserve £(000) |
|---|---------------------------------------|--------------------------|---|--|-------------------------------|
| (Surplus)/deficit for 2005/06 | 1,058 | (284) | 242 | 1,294 | - |
| Appropriation to/from revenue | - | - | - | - | (139) |
| Actuarial gains and losses relating to pensions | - | - | - | - | 5,190 |
| Total movement in revenue resources | 1,058 | (284) | 242 | 1,294 | 5,051 |
| Opening balance at 1 April | <u>(6,405)</u> | <u>(4,855)</u> | <u>(408)</u> | <u>(18,731)</u> | <u>103,783</u> |
| Closing balance at 31 March | <u>(5,347)</u> | <u>(5,139)</u> | <u>(166)</u> | <u>(17,437)</u> | <u>108,834</u> |

Details of the earmarked revenue reserves are shown in note 11 to the consolidated revenue account on page 30.

2. Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the pensions reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of liabilities at 31 March. The following two tables show the position for York for the North Yorkshire Pension Fund and the unfunded teachers pensions.

| | Local Government Pension Scheme | | | | | | | |
|---|---------------------------------|------|-----------------|-----|---------------|------|--------------|-----|
| | 2002/03 | | 2003/04 | | 2004/05 | | 2005/06 | |
| | £(000) | % | £(000) | % | £(000) | % | £(000) | % |
| Differences between expected and actual return on assets | 34,844 | 20.7 | (18,365) | 9.9 | (10,433) | 4.4 | (21,429) | 7.3 |
| Differences between actuarial assumptions about liabilities and actual experience | - | - | - | - | 45,278 | 18.8 | 25,901 | 8.8 |
| Changes in the demographic and financial assumptions used to estimate liabilities | - | - | - | - | - | - | - | - |
| Increase/(Decrease) in Liabilities | <u>34,844</u> | | <u>(18,365)</u> | | <u>34,845</u> | | <u>4,472</u> | |

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

Actuarial Gains and Losses cont'd

| | Unfunded Teachers Pensions | | | | | | | |
|---|----------------------------|---|----------|---|------------|------|------------|-----|
| | 2002/03 | | 2003/04 | | 2004/05 | | 2005/06 | |
| | £(000) | % | £(000) | % | £(000) | % | £(000) | % |
| Differences between expected and actual return on assets | - | - | - | - | (83) | 1.4 | 441 | 5.5 |
| Differences between actuarial assumptions about liabilities and actual experience | - | - | - | - | 659 | 11.3 | 277 | 3.5 |
| Changes in the demographic and financial assumptions used to estimate liabilities | - | - | - | - | - | - | - | - |
| Increase/(Decrease) in Liabilities | <u>-</u> | | <u>-</u> | | <u>576</u> | | <u>718</u> | |

3. Realised Capital Resources

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

| | Unapplied Capital Receipts £(000) | Unapplied Capital Grants £(000) | Unapplied Capital Contributions £(000) |
|--|--|--|---|
| Movements in realised capital resources | | | |
| Amounts receivable | (5,124) | (14,250) | (3,246) |
| Amount payable to the housing capital receipts pool | 2,026 | - | - |
| Amounts applied to finance new capital investment | <u>4,968</u> | <u>13,763</u> | <u>3,246</u> |
| Total (increase)/decrease in realised capital resources | 1,870 | (487) | - |
| Opening balance at 1 April | <u>(1,926)</u> | <u>(62)</u> | - |
| Closing balance at 31 March | <u>(56)</u> | <u>(549)</u> | NIL |

4. Assets Sold, Decommissioned or Realised

The movement in the unrealised value of fixed assets and the value of assets sold, disposed of or decommissioned is obtained from analysing the Fixed Asset Restatement Account.

| | Fixed Asset Restatement Account £(000) |
|--|---|
| Movements in unrealised value of fixed assets | |
| (Gains)/losses on revaluation of fixed assets | <u>(17,322)</u> |
| Total (increase)/decrease in unrealised capital resources | (17,322) |
| Value of assets sold, disposed of or decommissioned | |
| Amounts written off fixed asset balances for disposals | <u>4,393</u> |
| Total movement on reserve | (12,929) |
| Opening balance at 1 April | <u>(494,916)</u> |
| Closing balance at 31 March | <u>(507,845)</u> |

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

5. Amounts To Be Used To Finance Capital Investment

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

| | Capital Financing Account £(000) | Government Grants Deferred £(000) | Developers' Contributions Deferred £(000) | TOTAL £(000) |
|---|---|--|--|-----------------|
| Movements in amounts set aside to finance capital expenditure | | | | |
| Capital receipts set aside | | | | |
| - reserved receipts | (5,791) | - | - | |
| - usable receipts applied | <u>(23,201)</u> | <u>-</u> | <u>-</u> | |
| Total capital receipts set aside | <u>(28,992)</u> | <u>-</u> | <u>-</u> | (28,992) |
| Revenue resources set aside | | | | |
| - capital expenditure financed from revenue | (3,859) | - | - | |
| - reconciling amount for provisions for loan repayment | <u>23,746</u> | <u>-</u> | <u>-</u> | |
| Total revenue resources set aside | <u>19,887</u> | <u>-</u> | <u>-</u> | 19,887 |
| Grants applied to capital investment | - | (5,767) | | |
| Contribns applied to capital investment | | | (2,266) | |
| Applied to AMRA | <u>-</u> | <u>312</u> | <u>83</u> | |
| Movement on Grants and Developers Contributions Deferred | <u>-</u> | <u>(5,455)</u> | <u>(2,183)</u> | <u>(7,638)</u> |
| Total (increase)/decrease in amounts set aside to finance capital investment | | | | (16,743) |
| Total movement on reserve | (9,105) | (5,455) | (2,183) | |
| Opening balance at 1 April | <u>(141,281)</u> | <u>(7,205)</u> | <u>(3,031)</u> | |
| Closing balance at 31 March | <u>(150,386)</u> | <u>(12,660)</u> | <u>(5,214)</u> | |

6. Major Repairs Reserve

Details of the movement on this reserve are given in note 12 to the Housing Revenue Account on pages 41 and 42.

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.

Asset Management Revenue Account (AMRA)

The AMRA is maintained in line with current capital accounting requirements. Depreciation and external interest charges on loans are charged to the account and capital charges are credited to the accounts. The balance on the account is transferred to the Consolidated Revenue Account.

Assets Under Construction

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

Appropriation of Land or Buildings

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

Asset

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

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 Financing 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.

Consolidated Balance Sheet

This shows a summary of the overall financial position of the Council at the end of the financial year.

Consolidated Revenue Account

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

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.

GLOSSARY

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.

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 Charges

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

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.

GLOSSARY

Deferred Liabilities

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

Defined Benefit Pension Scheme

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

Defined Contribution Pension Scheme

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

Depreciation

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

Direct Labour Organisation (DLO)

An organisation which consists of workers directly employed by the Authority to carry out specified tasks. Such organisations are also known as Direct Service Organisations (DSO). In York the work is undertaken under the name of Commercial Services.

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.

GLOSSARY

Fees and Charges

Income arising from the provision of services.

Financial Reporting Standards (FRSs)

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

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 Asset Restatement Account

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

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.

Forward Deal

A transaction consisting of lending an amount of money to a bank or building society at a specified future date with repayment of principal and interest to occur at another specified future date.

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.

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.

GLOSSARY

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.

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.

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 Suzan Hemingway, Head of Legal, Civic and Democratic Services.

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Non-Operational Assets

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

Operational Assets

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

Operational Boundary

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

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.

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).

GLOSSARY

Prior Year Adjustments (or Prior Period Adjustments)

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

Provisions

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

Prudence

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

Prudential Indicators

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

Public Works Loan Board (PWLB)

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

Realisable Value

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

Related Party

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

Reserves

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

Residual Value

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

Retirement Benefits

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

GLOSSARY

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 Support Grant (RSG)

A general central government grant paid to the Consolidated Revenue 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 Simon Wiles, 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.

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.

Trust Funds

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

GLOSSARY

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.

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.

INDEX

| | PAGE | | PAGE |
|---|-------------|--|-----------------|
| A | | F | |
| Agency Services | 31 | Finance Leases | 35, 59, 64 |
| Asset Management Revenue Account | 28 | Fixed Assets (Tangible) | 49 - 53 |
| Audit Costs | 35 | Fixed Asset Restatement Account | 60 |
| Authorised Limit | xi | Foreword | v - xv |
| | | Future Developments | xiv - xv |
| B | | G | |
| Balance Sheet (Consolidated) | 48 - 67 | Glossary | 77 - 87 |
| Building Control Trading Account | 32 | Government Grants Deferred | 60 |
| C | | H | |
| Capital Financing Account | 30, 61 | Housing Revenue Account | 37 - 44 |
| Capital Grants Unapplied | 61 | Housing Revenue Account - G.F. Contribution | 40 |
| Cash Flow Statement | 68 - 72 | | |
| Certification of the Accounts | 5 | I | |
| Collection Fund - Income and Expenditure Account | 45 - 47 | Income from Business Rates | 47 |
| Commercial Services Reserve | 62 | Insurance Fund | 63 |
| Commercial Services Turnover and Profit | 26 - 27 | Intangible Fixed Assets | 49 |
| Community Charge | 47 | Interest & Investment Income | 28 |
| Consolidated Revenue Account | 24 - 36 | Introduction by the Leader | iii - iv |
| Contingent Liabilities | 65 | J | |
| Continuing Operations | 25 | Joint Committees and Joint Bodies | 34 |
| Contribution to Housing Pooled Capital Receipts | 28 | | |
| Council Tax | 46 | L | |
| Creditors | 57 | Landfill Allowance Trading Scheme | 25 |
| D | | Loans Outstanding | 56 |
| Debtors | 56 | Loans Restructuring Discounts | 59 |
| Deferred Assets | 55 | Loans Restructuring Premiums | 55 |
| Deferred Charges | 54 | Local Authority (Goods and Services) Act 1970 | 32 |
| Deferred Credits | 60 | Long - Term Contracts | 33 |
| Deferred Liabilities | 59 | Long - Term Debtors | 55 |
| Developers' Contributions Deferred | 60 | Long - Term Investments | 55 |
| Discontinued Services | 25 | | |
| District Auditor's Report | 1 - 4 | M | |
| E | | Major Repairs Reserve | 30, 41 - 42, 62 |
| Earmarked Reserves | 63 | Members' Allowances | 33 |
| Employees' Emoluments | 33 | Minimum Revenue Provision | 31 |
| Exceptional Items | 26 | | |
| Euro | 67 | | |

INDEX

| | PAGE | | PAGE |
|-----------------------------------|-------------|-------------------------|-------------|
| N | | | |
| Net Assets Employed (Analysis of) | 63 | Usable Capital Receipts | 62 |
| O | | | |
| Operating Leases | 35, 64 | Yorwaste Limited | 66 |
| Operational Boundary | xi | | |
| P | | | |
| Partnerships | 34 - 35 | | |
| Pensions and Net Pensions | | | |
| Liability Movement in year | 28 - 29 | | |
| Pensions Liability | 57 - 59 | | |
| Pensions Reserve | 62 | | |
| Pooled Budgets | 31 | | |
| Post Balance Sheet Events | 67 | | |
| Prepayment | 55 | | |
| Private Finance Initiatives | 25 | | |
| Provision for Bad/Doubtful Debts | 56 | | |
| Provisions | 29, 59 | | |
| Publicity | 32 | | |
| R | | | |
| Related Parties | 36 | | |
| Reserves | 30 | | |
| Restated Comparative Opening | | | |
| Balance Sheet | 49 | | |
| S | | | |
| Section 137 Expenditure | 31 | | |
| Sources of Finance | 54 | | |
| Statement of Accounting Policies | 14 - 23 | | |
| Statement of Responsibilities | 5 | | |
| Statement of Total Movements in | | | |
| Reserves | 73 - 76 | | |
| Statement on Internal Control | 6 - 13 | | |
| T | | | |
| Tangible Fixed Assets | 49 - 53 | | |
| Trading Accounts | 26 - 27 | | |
| Transferred Assets (1996) 59 | | | |
| Transport Act 2000 | 36 | | |
| Trust Funds | 65 - 66 | | |