



# STATEMENT OF ACCOUNTS

Year ended 31 March 2005

Councillor S Galloway  
*Executive Leader*

S Wiles  
*Director of Resources*



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## INTRODUCTION BY THE LEADER



Welcome to the Statement of Accounts for City of York Council for 2004/05.

These accounts show that the Council has been successful in addressing the major financial issues that it faced this time last year. At that time residents were made aware that difficult decisions would have to be made and that some of them would be painful, involving either higher charges and/or 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 to this, 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. Examples include:

- Winner of a new national award (new Programme of the Year) in the annual ENCAMS People and Places Awards, which is run by the organisation behind the 'Keep Britain tidy' campaign.
- York came top in an assessment of all England's local authorities for promoting the use of cycling, and was voted 'favourite British city' in the Telegraph Travel Awards, ending London's six-year reign at the top.
- Launch of major new childcare initiative by establishing three neighbourhood nurseries in some of the city's most disadvantaged areas.
- Held a city-wide council tax consultation exercise as part of the budget process, and 54% of the responses opted for the 5% increase option.
- An annual review of transport in the city shows that we are on track to reduce congestion and boost public transport. The review showed that there was no growth in peak hour traffic levels since 1999. Much of this can be attributed to the success of Park and Ride, which has seen a 21% increase in passenger numbers over the last twelve months, breaking the 2 million level for the first time. There has also been a 50% increase in the number of bus passengers over the last four years.

We're closer now to having a City we can be proud of.

Locally this means:

- Work on replacing old schools is underway.
- Homes in the City are being modernised and the waiting list for new homes reduced.
- Carriageways and paths are being resurfaced in record numbers.

Across the City, the streets are cleaner, we are acknowledged to have one of the best Education systems in the region, unemployment is at a record low, travel concessions for the elderly and disabled have been substantially improved, while independent assessors have given the Council good marks for transport planning and Social Services.

York has achieved this despite having the 7th lowest level of government grant support in the country and the 10th lowest Council Tax.

### **Priorities for the Future**

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.

### **York Pride**

Anyone visiting York today will now see a much cleaner, more vibrant city than in the past. Resident satisfaction with cleanliness, both in the city centre and in suburban neighbourhoods, has improved significantly since 2003. York Pride is starting to make a real difference to the image of York and the quality of life of the people who live here.

## INTRODUCTION BY THE LEADER

One of our main aims, though, is to encourage citizens at a local level to get more involved in improving their own neighbourhoods. The recent launch of the Neighbourhood Pride Unit will play a pivotal role here and we are also hoping to build on the huge success of the Community Pride awards system which we launched with the help of the Yorkshire Evening Press in 2004.

All Council service teams must adopt a more integrated and inclusive approach to the way they both plan their activities and report progress on improvements. This will not be easy and it will require teams from different departments to work together to identify specific and targeted service improvement programmes at a ward level.

### Safe City

Despite a 22% reduction in crime during the last year, recent survey results tell us that residents feel community safety in York needs to improve.

It's encouraging to hear that people have become less concerned about going out alone, which may be as a result of our efforts to tackle anti-social behaviour across the city.

The increase in community support officers, community ranger patrols and use of anti-social behaviour orders seems to be yielding some results, but we have much more to do.

Violent crime continues to rise whilst car crime and burglaries decrease. I have asked the Safer City Strategy Group to start tackling these issues at the grass-roots level, ensuring that all service teams consider what role they can play in reducing crime, and increasing safety, in line with our Section 17 responsibilities.

### Resources

This was a difficult year in terms of making our budget balance. We managed to identify £6 million of savings even though we are still the lowest spending Unitary authority per head of population.

We are already one of the most efficient authorities in the country. However, to allow us to continue to keep our Council Tax levels low, and provide value for money for our customers, we must drive down costs still further by improving our efficiency. We must also do this while continuing to improve services.

*Our goal is no less than to have delighted customers.*

This means that, in future, we must focus on delivering what our customers want rather than what has always been provided.

As always, I look forward to working with you to see us through these forthcoming challenges. I'm confident that together we can deliver the improvements needed to make York an excellent authority which we can all be proud of.



Steve Galloway  
Leader of the Council

**Foreword by the Director of Resources**

**1. INTRODUCTION**

The purpose of the foreword is to provide an easily understandable guide to the most significant matters reported in City of York Council's Accounts. The pages which follow are the Council's final accounts for the year ending 31 March 2005, and 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 best appreciated if the policies followed in dealing with material items are explained.

**The Consolidated Revenue Account**

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

**The 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, Poll Tax and Non-Domestic Rating in aid of local services and shows how much monies have been distributed to the Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority.

**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.

## FOREWORD

### The Statement of Total Movements in Reserves

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

### The Direct Labour Organisation Revenue and Appropriation Accounts

Although the Local Government, Planning and Land Act 1980 and the Local Government Act 1988 under which these accounts are prepared were repealed in January 2000 the Council has decided to continue to report some of the services provided in line with the former requirements. There is an annual revenue account which shows the surplus or deficit for each activity.

## 2. CONSOLIDATED REVENUE ACCOUNT

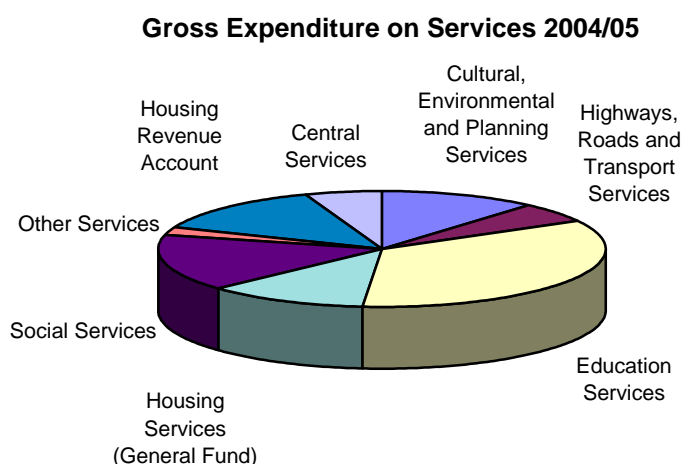
Despite continuing pressures on public sector expenditure, the Council has been able to maintain and improve Council services in a number of areas. Growth of £4.278m was approved in the 2004/05 budget process, although this was accompanied by savings of £3.639m.

The Council's General Fund budget for its own net expenditure was set at £157.401m, after the assumed use of £0.956m from reserves and general fund balances. To this sum the parish precepts added a further £0.486m.

During the year Members approved additional net expenditure totalling £2.115m, 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 2003/04 and the transfer of money to earmarked reserves for specified purposes. The revised budget before the use of balances was therefore £160.958m, with the use of reserves and balances amounting to £3.071m.

The out-turn position is net expenditure, including parish precepts, of £158.325m, an underspend of £2.633m. A large proportion of the net underspend is the result of one-off events that cannot be expected to recur in future financial years, e.g. backdated rate rebates (£1.518m). Of the remainder, Members have already agreed that £1.927m can be spent in 2005/06 to complete projects that could not be finalised in 2004/05.

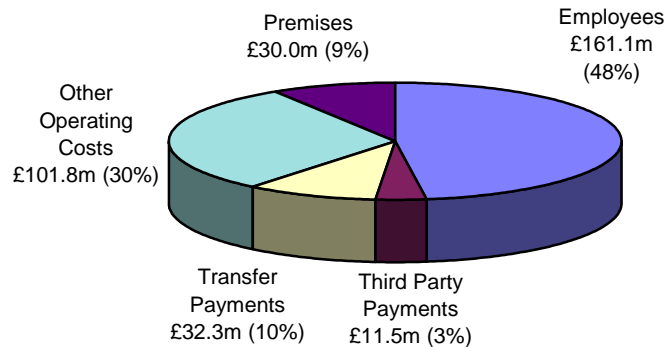
The Council's gross expenditure on services, as shown on the Consolidated Revenue Account on page 19, was £336.7m and the following diagrams show this on a service by service basis and by category of expenditure:





## FOREWORD

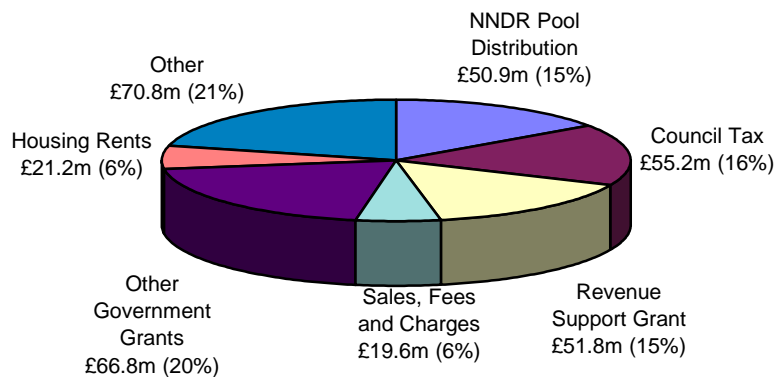
### How the Money Was Spent 2004/05



where 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.

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

### Funding of Gross Expenditure on Services



The previous diagram indicates General Fund income of £336.3m, £0.4m less than was needed to fund expenditure. The shortfall is funded from general fund balances, which now total £6.405m.

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. The implication of this on the Council is that the government will be 'clawing-back' almost £0.4m during 2005/06. Members included this reduced level of government support in 2005/06 in their 2005/06 budget process and have budgeted to fund this, and other non-recurring items of expenditure, by using £0.9m from general fund balances. In addition, the use of £1.927m to finance work which was budgeted to be completed in 2004/05 but which could not be completed in the year, with a further £0.2m for one-off expenditure items that have already occurred in 2005/06 have also been agreed.

The Council transferred £76.245m 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 £2.657m. 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 2004/05 this was a transfer to reserves of £430k, increasing the balances held to £5.242m. These balances can only be used by schools.

## FOREWORD

### 3. HOUSING REVENUE ACCOUNT (HRA)

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

From 1 April 2001 the Council has been required to have both a business plan in place under the HRA Resource Accounting regulations and 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 2004/05 revenue estimates were approved, rents were increased by £1.83 per week or 3.8%, 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). The payment for 2004/05 was estimated to be £5,209k compared to an actual at the year-end of £5,010k.

This variation together with those to other original budgets have resulted in a surplus on the HRA of £4,855k at the year-end, which is an increase of £3,641k from that originally budgeted for. The most significant variations have resulted from:

	£(000)
(i) Reduction on repairs and maintenance contract prices	382
(ii) Reduced charges from departmental and support services	322
(iii) Reduced cost of Sheltered Housing	35
(iv) Reduced cost of providing single homeless accommodation	8
(v) Increased cost of providing temporary accommodation	(7)
(vi) Reduced provision for bad debts	194
(vii) Reduced revenue funding of capital programme	1,718
(viii) Reduced expenditure on Rent Rebate Subsidy Limitation and reduced HRA subsidy payment	229
(ix) Increase in rental income from Council shops and houses	230
(x) Additional interest on working balances	235
(xi) Reduced capital charges	49
(xii) Increased income from leaseholder admin charges	49
(xiii) Reduction in caretaking costs	24
(xiv) Net effect of other minor variations	33
(xv) Increased income from services and charges	140
	<hr/>
	3,641

### 4. COLLECTION FUND

At 31 March 2005 the surplus on the Collection Fund is £408k although £84k of this is owed to the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority. In setting the 2005/06 Council Tax the Council's share of an estimated surplus was calculated as £300k, and the 2005/06 charge reflects the use of this sum to reduce the charge for the year. 95.1% of the total sum collectable for 2004/05 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 96.7% of the 2004/05 bills. Both of these are higher than in 2003/04 and show that the initial problems with the new computer system are being overcome. The system is now fully operational and the recovery levels are expected to return to their former levels during 2005/06.

**5. CHANGES IN ACCOUNTING POLICIES**

The CIPFA/LASAAC Joint Committee have determined that with effect from April 2004 local authorities will follow the discount rate recommended by Financial Reporting Standard 17 (FRS17). For 2004/05 onwards this means that the discount rate used to put a value on the liabilities of the Fund and to calculate the current service cost, is the AA corporate bond rate (5.4%) rather than 3.5% above inflation used in 2003/04 (i.e. 6.5%). The reduction in rate used has led to a large increase in current service costs and accrued liabilities in the year compared to those used/given for 2003/04. However, these changes, which are being brought in across all local authorities, bring the accounts into full compliance with FRS17. However, the decision on whether to include the FRS17 transactions in the HRA has been left to individual Council's. Our accounts now show the impact of FRS17 on the HRA.

The Prudential Code (under the Local Government Act 2003) has introduced a change in the analysis of operating leases. Some leases that were, correctly, formerly classified as operating leases have now to be shown in the Statement of Accounts as if they were finance leases. This has led to an increase in the value of tangible fixed assets, as the Code requires that these assets are accounted for as if they were owned by the Council, matched in the balance sheet by a deferred liability, to show the indebtedness to the leasing companies. The same Code has also introduced the requirement to finance capital expenditure on an accruals basis rather than on a cash basis. This means that for 2004/05 only there are two lots of capital accruals financed, those brought forward from 2003/04 (£1.4m) and those identified for 2004/05.

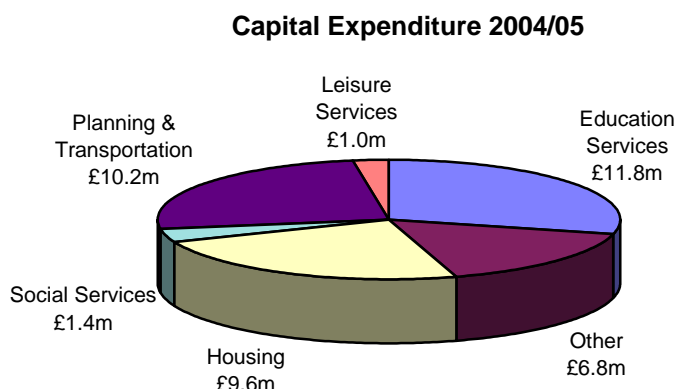
The new SORP has clarified the definition of non-operational assets, and the new analysis is shown in the accounts. At the same time a new heading of intangible fixed assets has been introduced, which has resulted in the withdrawal of deferred charges as a balance sheet item.

On accordance with Part 1 of the Local Government Act 2003 housing capital receipts are now subject to capital pooling arrangements from 1 April 2004. This is reflected in the accounts.

Finally, the introduction of a new subsidy arrangement for the HRA, following Part 1 of the Local Government Act 2003, has led to the cost of rent rebates now being a charge on the revenue account rather than on the HRA. This is a change from 1 April 2004 only. Prior year figures for the Consolidated Revenue Account and the Balance Sheet have been restated to provide directly comparable figures, where appropriate.

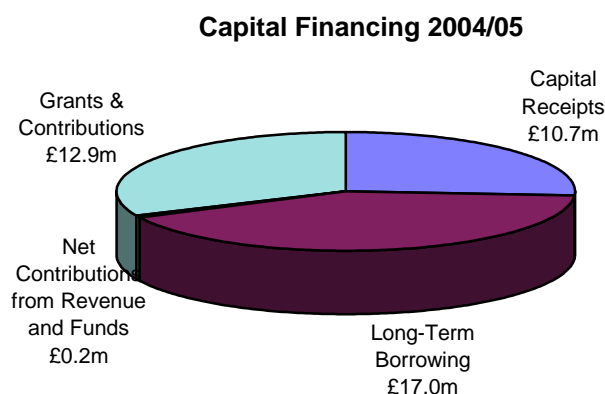
**6. CAPITAL EXPENDITURE**

Total expenditure on capital schemes in 2004/05 was £40.8m gross (£31.0m) of which £1.4m (£1.4m) was for accruals. The original budget for gross expenditure was £41.2m (£40.3m). However, due to re-programming some of the work, the final budget was £40.5m (£33.6m). An analysis of where the money was spent is shown diagrammatically below:



## FOREWORD

The introduction of the Prudential Code in the Local Government Act 2003 now requires funding to be made on an accruals basis not on a cash basis as advocated by the previous 1989 Act. Consequently two sets of accruals have been funded in 2004/05 - £1.4m brought forward from 2003/04 and £1.4m for 2004/05. An analysis of the sources of funding are shown diagrammatically below:



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

- Galtres Special School (£2.2m)
- Local Transport Plan (£7m)
- NDS Modernisation works on a variety of schools (£2.0m)
- Harewood Whin (£4.4m)
- Modernisation and Repairs to Council Properties (£3.5m).

### 7. SIGNIFICANT POINTS TO NOTE IN RESPECT OF THE BALANCE SHEET (Page 42)

There are four significant entries on the Council's Balance Sheet. The first is in relation to the increase in value of Fixed Assets (£61.8m), with a similar increase in the value of the Fixed Asset Restatement Account. This is mainly due to the desktop valuation of Council houses at 1 April 2004, when the value of the dwellings increased by £57.4m.

There is also an increase in the Council's share of the North Yorkshire Pension Fund's deficit from £65.378m to £103.783m. This increase has been calculated by the Fund's actuaries based on assumptions about events and circumstances in the future, and takes account of both the change in methodology required by CIPFA (see note 5 in the Statement of Accounting Policies) and the March 2004 revaluation of the Fund. It is matched by a reduction in the level of the pensions reserve.

Temporary investments have reduced in value by £15.6m which reflects the use of existing resources to fund the much higher capital programme the Council has delivered this year rather than borrowing. This decision was taken to enable the Council to wait until interest rates had fallen before entering into any long-term borrowing arrangements.

Finally the level of debtors has increased by £6.6m, of which £3.8m is income due to the Council from the government for the NNDR pooling arrangements. This debt has arisen due to the large level of refunds that had to be made by the Council to ratepayers, which the government will reimburse.

## FOREWORD

### 8. BORROWING FACILITIES AND CAPITAL BORROWING

The ability to borrow in 2004/05 was governed by the Local Government (Prudential Code for Capital Finance in Local Authorities) Act 2003 (formerly it was under the Local Government and Housing Act 1989, and subsequent Capital Regulations). 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 2004, full council approved the following indicators:

	£(000)
Authorised Limit	114,300
Operational Boundary	95,000

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 2004/05 the Council's long-term borrowing was as follows:

	£(000)
Opening Borrowing at 1 April	73,365
Borrowing to fund capital schemes	7,000
Loans maturing in the year	-
Additional borrowing to refinance maturing loans	-
Closing Borrowing at 31 March	<u>80,365</u>
Authorised Limit for 2004/05	114,300
Operational Boundary for 2004/05	95,000

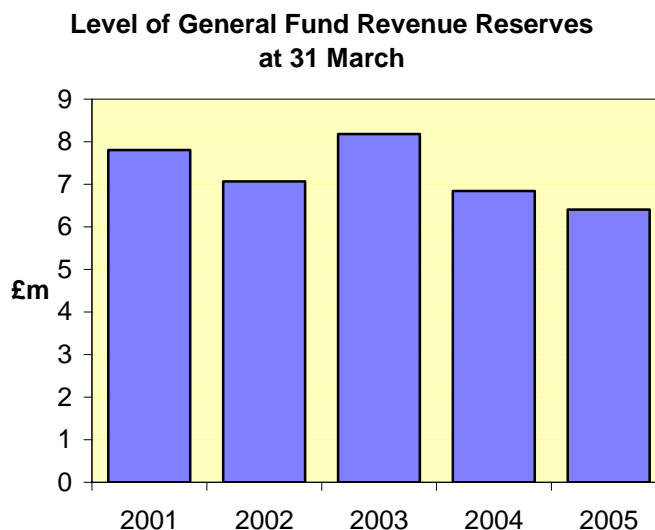
The Council drew down £7m of PWLB borrowing in December 2004 at a rate of 4.55% taking advantage of a 30-year low in PWLB interest rates. This took the Council's long-term debt to £80.4m. Consequently, the Council did not exceed either the Authorised Limit of £114.3m or the Operational Boundary of £95.0m. The average rate of interest on all long-term loans at 1 April 2004 was 4.86% and at 31 March 2005 was 4.85%.

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

At the completion of the audit of the 2003/04 accounts the revenue reserves stood at £28.7m, excluding the pensions reserve. The equivalent revenue resources at 31 March 2005 stand at £31.7m, including £5.2m for schools' accumulated reserves. It was expected that the overall level of revenue reserves would reduce by £4.4m during 2004/05, but in actual fact they increased by £2.6m. The main reasons that balances increased rather than reduced were: delays in planned expenditure on the general fund that will now be incurred in 2005/06, an increase in HRA balances because there was no need to make revenue contributions in 2004/05 although these will be needed in 2005/06 and additional income to the Council from refunds on NNDR paid in prior years due to backdated appeals being successful. 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 £6.0m of revenue reserves in 2005/06, including the use of reserves to cover the amount of Revenue Support Grant the government are 'clawing-back' from York to distribute to other Councils during 2005/06, as set out in paragraph 2.

## FOREWORD

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



As part of the introduction of the Comprehensive Performance Assessment (CPA) for local authorities there is now a formula to calculate a recommended minimum level of reserves each local authority should hold. Using this formula the total level of reserves for City of York Council should be no less than £5.2m. The actual level of reserves that can be taken into account when being compared to this recommended level amount to £8.2m at 31 March 2005, including the general fund reserve. However, the planned and projected usage of these reserves during 2005/06 will reduce this to £5.4m.

### 10. 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.
- 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.
- The Council's Corporate Objectives and 8 Corporate Aims (which support the achievement of the Community Strategy) and four Council priorities: York Pride, Safer City, Good Customer Access to Services and Transforming York, and the organisational review of the Council.

## FOREWORD

- 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 10th lowest nationally out of 352 billing authorities.
- Three-year funding settlements are to be introduced from 2006/07. This is intended to facilitate forward planning through the announcement of fixed 3-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 a target to produce £7.6m of efficiency savings in the period 2005/06 to 2007/08. It is expected that the Council will exceed its first year target, but has to develop strategies to deliver the full three-year target.
- There is considerable uncertainty over the impact of the current domestic property revaluation exercise which will be used as the base for council tax bills from April 2007. Allied to this is the Lyons Review which is considering how best to achieve balance in local government funding. Any changes to the current funding regime are expected to coincide with the introduction of the revised domestic property valuations in 2007.
- 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.

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

The Council signed a 30 year Public Private Partnership (PPP) contract with SewellPFI on 12 January 2005. The contract is to provide three new primary schools and one special school at three sites across the city. The DfES has awarded the Council £15.4m of PFI credits to help fund the costs of the project. The first school is expected to be open by September 2005, with all facilities fully operational by April 2006.

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

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





## STATEMENT OF ACCOUNTS





**Independent Auditors Report to City of York Council**

I have audited the statement of accounts on pages 1 to 82 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 13 to 18.

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

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

As described on page 5 the Chief Financial Officer, the Director of Resources, is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 6 to 12 reflect compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. 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 or to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

**Basis of audit opinion**

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

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

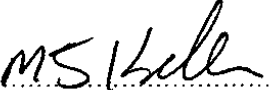
## DISTRICT AUDITOR'S REPORT

### Opinion

In my opinion the statement of accounts present fairly the financial position of the City of York Council as at 31 March 2005 and its income and expenditure for the year then ended.

### 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.

Signature:  Date: 28 October 2005

Name: Mark Kirkham, District Auditor

Kernel House, Killingbeck Drive, Killingbeck, Leeds LS14 6UF  
T 0113 251 7130 F 0113 251 7131 [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

## STATEMENT OF RESPONSIBILITIES

### The Council's Responsibilities

The Council is required:

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

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

to approve the Statement of Accounts.

### The Director of Resources' Responsibilities

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

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

selected suitable accounting policies and then applied them consistently;

made judgments and estimates that were reasonable and prudent;

complied with the Code of Practice;

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

The Director of Resources has also:

kept proper accounting records that were up to date;

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

### Certification of the Accounts

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2005 and its income and expenditure for the year ended 31 March 2005.

Signed S. Wiles  
S. Wiles CPFA  
Director of Resources

Dated 26/7/05

### Approval of the Accounts

The Statement of Accounts was approved by Council on 26 July 2005.

On behalf of the Council

Signed Janet Greenwood  
Cllr J. Greenwood  
Lord Mayor

Dated 26.7.05

## 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 2005 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, Procurement Regulations and Contract Standing Orders
- 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.

The Council's Constitution is currently being reviewed and updated. The financial regulations, procurement regulations and contract standing orders are also being updated in line with the changes in the Constitution.

### **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.

### **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 aims and objectives are reviewed annually and published in the Council Plan. During 2004/05 changes have been made to the process for prioritising corporate aims and objectives. The Council has also introduced revised service planning processes across all Directorates so as to improve the integration of planning, resource allocation and performance management.

### **Management and Decision Making Processes**

The Council has established a change management programme called Transforming York. The aim of the programme is to improve management and decision-making processes, including the systems required for effective business planning and performance management. The programme consists of five Transformation Projects, which are:

## STATEMENT ON INTERNAL CONTROL

- Vision
- People
- Decision Making
- Services
- Service Planning and Performance.

Each project has a number of identified actions and outcomes associated with it and a timetable for implementation.

Corporate management and leadership is now being 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 Responsible Financial Officer for the authority) 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 Head of Audit and Risk Management Services
- 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.

### **Risk Management**

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

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

The system of Risk Management includes 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 developing its risk management arrangements by implementing operational risk registers within each Directorate. Relevant staff within the Council have also received ongoing training, guidance and support in Risk Management principles.



## STATEMENT ON INTERNAL CONTROL

### **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 S151 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 has recognised the need to improve current performance management arrangements at the authority. The service planning process now incorporates full consideration of actual and planned performance. A computerised performance monitoring system has also recently been implemented to record actual performance and improve the quality of information available to service managers and other key stakeholders. Relevant staff are currently receiving training and guidance in the use of the system.

#### **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 a core group comprising officers with responsibility for governance within the Council. The group includes the Director of Resources (the S151 Officer) and the Heads of Finance, Legal Services (the Monitoring Officer), Performance Improvement and Audit and Risk Management. 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 S151 Officer and Monitoring Officer
- 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 2003/04 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. A formal core governance 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 S151 Officer, the Monitoring Officer and the Head of Audit and Risk Management. The action plan will be monitored on a quarterly basis by this core 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)
<b>Delegated Authority Scheme and Authorised Signatory Lists</b>			
There is a need to review and update the Council's delegated authority scheme and authorised signatory lists.	A new delegated authority scheme will be developed once the review of the Council's Constitution is complete. The authorised signatory lists will also updated in line with the scheme of delegation. The signatory lists will then be subject to an annual review.	March 2006	Corporate and Directorate Assurance Statements
<b>Risk Management</b>			
Although the Council has approved a Risk Management Strategy and now has good arrangements for identifying strategic risks there is still a need to develop systems for managing operational risks. There is also a need to raise awareness and communicate risk management policies and process to staff.	Service Managers will continue to be supported and encouraged to implement effective risk management arrangements including operational risk registers. A programme of training and guidance for relevant staff will be developed during 2005/06.	March 2006	2003 and 2004 Annual Audit and Inspection Letters (External Audit) * 2003/04 SIC * Corporate and Directorate Assurance Statements
<b>Business Continuity</b>			
Only limited progress has been made with the development of Council wide business continuity arrangements. There is also a need to prepare specific Business Continuity Plans at both corporate and Directorate levels, to ensure compliance with the Civil Contingencies Act.	An internal audit review of business continuity arrangements was completed in 2004/05. Following the audit an action plan was prepared. The Council is now considering how best to implement the action plan to ensure that effective processes can be developed and ensure compliance with the requirements of the Civil Contingencies Act, within the timescales allowed.	March 2006	2003/04 SIC * Corporate and Directorate Assurance Statements Internal Audit report on Business Continuity
<b>Overall Governance Framework</b>			
Although the Council has introduced a process to review the adequacy and effectiveness of its governance arrangements, there is a need to further develop this process. 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 the Council's complaints procedure.	The core governance group will undertake an ongoing review of governance arrangements and the implementation of the detailed governance action plan. The core group will meet at least quarterly to review progress. In addition, improvements have already been made to address a number of the specific control weaknesses identified.	December 2005	2004 Annual Audit and Inspection Letters (External Audit) * Corporate and Directorate Assurance Statements Monitoring Officer Disclosure Statement

## STATEMENT ON INTERNAL CONTROL

Control Issue	Action Taken or Proposed	Due Date	Source(s)
<b>Constitution</b>			
The Council's Constitution needs to be reviewed and updated.	The Constitution is currently being updated. The Financial and Contract Regulations are also being reviewed and updated in line with the new Constitution.	December 2005	Corporate and Directorate Assurance Statements
<b>Procurement Strategy</b>			
The Council currently does not have an approved Procurement Strategy.	The Council approved an outline strategy and 3 year procurement action plan in 2003. A draft detailed Procurement Strategy has now been prepared. Consultation on the draft Strategy is due to commence shortly and it is planned that the final version will be approved by December 2005.	December 2005	2003 and 2004 Annual Audit and Inspection Letters (External Audit) * 2003/04 SIC * Corporate and Directorate Assurance Statements
<b>Access to Services</b>			
During 2004/05 the Council withdrew from a partnership with a number of other local authorities and a private sector company for the delivery of electronic services and improved customer access. A Programme Board was then set up to plan and deliver the required improvements in access and to ensure the achievement of government targets for electronic service delivery. Although progress has been made in the development of these plans there is a need to ensure that the project objectives are realistic and achievable within the timescales set by Government.	A project board and programme (called 'easy@york') has been developed for the achievement of the national e-government targets. The initial project plan has been reviewed to ensure that the proposed changes in services can be delivered within the required timescales. Progress in delivering the programme is being monitored by the project board on a regular basis.	December 2005	2004 Annual Audit and Inspection Letters (External Audit) *
<b>Revenues and Benefits</b>			
There is a need to improve staff training in the use of the Council's revenues and benefits system. There is also a need to review and update the existing reconciliation controls associated with the system.	A formal training needs assessment will be introduced and a targeted programme of training will be developed. Improved guidance to staff will also be prepared. The reconciliation controls will be subject to a systematic review.	March 2006	Internal audit report on Sx3 BFI Inspection report *
<b>Best Value</b>			
Although the Council has made progress in developing arrangements to secure improvements in service delivery there is still a need to ensure that there is adequate evidence of best value.	Further progress will be made to ensure that the service improvement programme demonstrates best value.	March 2006	2004 Annual Audit and Inspection Letters (External Audit) *

**STATEMENT ON INTERNAL CONTROL**

Control Issue	Action Taken or Proposed	Due Date	Source(s)
<b>Health and Safety</b>			
The Council has a Health and Safety Team within the Human Resources Department which provides professional health and safety advice to all service areas. The RoSPA audit system is used within each Directorate to assess compliance with HSG65 at service level. 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. During the period the Council was served with three improvement notices which have all been complied with.	The Council's Health and Safety arrangements are being reviewed with a view to strengthening corporate commitment and ensure best practice.	March 2006	H&S Enforcement Notices
<b>Project Management</b>			
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. The resources to support key projects also remain limited.	Further progress will be made to develop the necessary skills and put in place a standard framework supported by appropriate training and guidance to relevant staff.	March 2006	2003 and 2004 Annual Audit and Inspection Letters (External Audit) * 2003/04 SIC *

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 Dated 26. 7. 05  
D. N. Atkinson  
Chief Executive

Signed [Signature] Dated 26/7/05  
Cllr S. F. Galloway  
Leader of the Council

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL

The accounts follow the appropriate accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2004: Statement of Recommended Practice (2004 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 at the end of the year.

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

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

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

### 4. OVERHEADS

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

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

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

The basic principles and methods of charging agreed within this exercise have been used to allocate all support service costs in 2004/05, to ensure a complete charge for each service.

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

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

## STATEMENT OF ACCOUNTING POLICIES

### 5. PENSIONS (FRS 17)

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

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the North Yorkshire Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the County Fund's actuary, the last review being on 31 March 2004. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. One of the requirements of applying FRS17 to local authorities is that there should be no net difference in cost to the Council Tax payer. The following sets out how the costs are shown in the accounts.

- individual services are charged with those pension costs that relate to current service provision, as determined by the actuary using the rules imbedded in FRS17 as well as past service costs and any costs of curtailment
- the cost of interest on the deficit offset by the actuary's assessment of the expected return on assets is charged into the net operating expenditure section of the Consolidated Revenue Account
- the difference between the net cost of the above two transactions and the actual amount paid by the Council to the Pension Fund (as calculated by the actuary in the three yearly review) is transferred to/from the newly created Pensions Reserve.

The CIPFA/LASAAC Joint Committee have determined that for 2004/05, and future years, local authorities will follow the FRS17 discount rate for liabilities rather than the rate used the Government Actuary's Department and adopted by the Treasury for central government departments. This means that the discount rate is now the AA corporate bond rate (5.4%) rather than 3.5% above inflation.

The Code of Practice has been worded in such a way to leave it up to individual authorities to decide whether or not to show the FRS17 transactions on the HRA. These accounts have been prepared on the basis of showing the 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. This is an unfunded scheme administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employers' contribution rate. The Council is responsible for payments related to added years awarded and any pension increases on the added years as they occur.

### 6. GRANTS (SSAP 4)

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

### 7. FIXED ASSETS

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

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

## STATEMENT OF ACCOUNTING POLICIES

### 8. CAPITAL CHARGES TO REVENUE

Notional charges are made to revenue accounts (asset rentals). These are based on the current valuation of the asset and are calculated as follows:

- a) a notional interest charge using rates specified by Central Government. The rates for use by all local authorities for 2004/05 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 2004/05 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.

In order to avoid any impact on local taxation these are replaced in the Consolidated Revenue Account by actual interest plus depreciation via the Asset Management Revenue Account (AMRA). However, in accordance with the requirements of the Local Government and Housing Act (LGHA) 1989, the Authority is required to set aside a minimum revenue provision (MRP), calculated according to a specific formula, for the future repayment of debt. The method of calculating the MRP has been re-defined by the Local Government Act 2003, with effect from April 2004, and the new method is used in the 2004/05 accounts. Any difference between the depreciation charged and MRP must be transferred to/from the Capital Financing Account.

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.

### 9. 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 revenue 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.

### 10. PREMIUMS/DISCOUNTS

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

### 11. 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.

## STATEMENT OF ACCOUNTING POLICIES

### 12. LEASES (SSAP 21)

The Prudential Code has 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. 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 7 to Consolidated Revenue Account, page 22) and the reduction in outstanding liability reduces the deferred liability in the balance sheet.

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

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.

### 13. 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.

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

Stocks and stores are shown at lower of cost or net realisable value.

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

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

### 15. INVESTMENTS

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

### 16. PROVISIONS AND CONTINGENCIES (FRS 12)

Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are charged to the revenue account and are deducted or added to the carrying balance of the appropriate current asset or liability on the Balance Sheet. When expenditure is incurred to which the provision relates it is charged directly to the provision. The provisions held by the Council are detailed in note 12 to the Consolidated Balance Sheet (page 52). 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 8 to the Balance Sheet (page 49).

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 28 to the Balance Sheet (pages 57 to 58).

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.



## STATEMENT OF ACCOUNTING POLICIES

### 17. EARMARKED RESERVES

Amounts set aside for purposes falling outside the definition of provisions 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. When expenditure is incurred for which the reserve was created, the expenditure is charged to the service revenue account. The use of the reserve is credited in the appropriation section to finance the expenditure. The reserves held by the Council are detailed in notes 15, 20, 22 and 23 to the Balance Sheet (pages 53, 55 and 56). The major ones are:

The **Fixed Asset Restatement Account** was established as a consequence of implementing capital accounting requirements and represents the difference between historic cost and market value of the Council's fixed assets. This is not a cash backed reserve.

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) 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.

### 18. RELATED COMPANIES

#### York Enterprise Limited

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

#### Yorwaste Limited

The share-holding for this company was formerly 100% owned by North Yorkshire County Council. As a consequence of the local government review City of York Council now owns 22.27% of the share-holding. See also note 30 to the Consolidated Balance Sheet, page 59.

#### York Energy Savers

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

## STATEMENT OF ACCOUNTING POLICIES

### 19. 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 Prudential Code has required revised comparative figures for 2003/04 resulting from the change in definition of deferred charges, premiums/discounts and leasing transactions (see Accounting Policies numbers 9, 10 and 12). Notes to the Consolidated Revenue Account (note 2) and the Consolidated Balance Sheet (note 1) explain these changes and the impact on the Council's accounts are set out in summary in the following note.

### 20. PRIOR PERIOD ADJUSTMENT

These accounting policies represent a change to those applied in prior years in relation to leasing transactions and deferred charges, (including premiums/discounts). The requirement to reclassify some of the leases that were entered into as operating leases, but which have been reclassified as finance leases has had an effect on both the revenue account and the balance sheet. For the revenue account the interest element of the rental payments has to be shown as a cost to the Asset Management Revenue Account rather than a service cost. For the balance sheet the value of the assets have to be included in the balance sheet under tangible fixed assets, matched by a deferred liability so that the amount due to be paid to the leasing companies is identified.

For deferred charges, which formerly incorporated premiums/discounts transactions and the debt outstanding on a loan taken out as part of the local government reorganisation in 1996 as well as other items of capital grants, previous policy was to show these transactions on the balance sheet as a composite item. The new policy is that premiums/discounts are shown separately on the balance sheet as deferred assets or deferred liabilities. The debt outstanding for the local government review has been taken out of the balance sheet by utilising sums from the Capital Financing Account, in accordance with the Code of Practice. For items which can still properly be classified as deferred charges there is a note to the balance sheet which shows the transactions in the year, but as these are all charged to the revenue accounts there is no entry on the balance sheet.

These change have had the following effects on the results of the prior period:

- a) in the revenue account the overall amount to be met from government grants and local taxation has remained unchanged, but the costs disclosed for individual services are £149k (0.08%) lower after the removal of the interest element of the redesignated operating leases, but the net operating expenditure remains the same.
- b) the requirement to put all these transactions on the balance sheet has reduced the reported net worth of the Council for 2003/04 by 0.3% from £569.192m to £567.644m.

## CONSOLIDATED REVENUE ACCOUNT

2003/04 Net Expenditure £(000)	Note	Gross Expenditure £(000)	2004/05 Income £(000)	Net Expenditure £(000)
	(1)			
	(2)			
	General Fund Services			
8,437	Central Services	18,987	16,903	2,084
23,682	Cultural, Environmental and Planning Services	38,124	12,208	25,916
81,299	Education Services	115,774	30,958	84,816
8,250	Highways, Roads and Transport Services	18,921	9,015	9,906
4,433	Housing Services (General Fund)	39,201	35,826	3,375
34,792	Social Services	53,688	16,251	37,437
562	Court Services	617	-	617
6,487	Corporate and Democratic Core	6,354	496	5,858
684	Non-Distributed Costs	318	-	318
(1,274)	Exceptional Items	323	3,019	(2,696)
<u>167,352</u>	<b>Net Cost of General Fund Services</b>	<u>292,307</u>	<u>124,676</u>	<u>167,631</u>
15,037	Housing Revenue Account	44,423	28,380	16,043
<u>182,389</u>	<b>Net Cost of Services</b>	<u>336,730</u>	<u>153,056</u>	<u>183,674</u>
480	Precepts paid to Parish Councils			486
455	Net (surplus)/deficit on trading operations	(4)		214
(1,674)	Interest Receivable/Investment Income	(5)		(1,339)
(307)	Dividends from Companies			(307)
	Contribution to Housing Pooled Capital			
-	Receipts	(6)		3,271
(19,999)	Asset Management Revenue Account	(7)		(21,872)
3,931	Net Pensions cost	(8)		3,389
<u>165,275</u>	<b>Net Operating Expenditure</b>			<u>167,516</u>
	<b>Appropriations</b>			
737	Capital expenditure financed from revenue (Surplus)/deficit transferred (from)/to HRA balances			213
802	Contribution to/(from) provisions	(9)		1,838
(1,333)	Contribution to/(from) reserves	(10)		1,948
(99)	Contribution to/(from) MRR	(11)		525
(8,151)	Contribution to/(from) CFA	(12)		(9,388)
-	Transfer from Usable Capital Receipts	(6)		(3,271)
(2,169)	Contribution to/(from) Pensions Reserve	(8)		(2,984)
<u>155,058</u>	<b>Amount to be met from Government Grant and Local Taxpayers</b>			<u>158,325</u>
(51,905)	Demand on Collection Fund			(54,144)
(1,527)	Collection Fund transfer for the surplus at previous 31 March			(1,040)
(45,361)	Government Grants			(51,761)
(54,927)	Distribution from the Non-Domestic Rate Pool			(50,942)
<u>1,338</u>	<b>(Surplus)/Deficit for the Year</b>			<u>438</u>
	<b>GENERAL FUND BALANCE</b>			
(8,181)	Balance at 1st April			(6,843)
-	Net transfer (to)/from other earmarked reserves			-
1,338	(Surplus)/Deficit for the Year			438
<u>(6,843)</u>	<b>Balance at 31st March</b>			<u>(6,405)</u>
	<b>LMS RESERVES</b>			
(5,067)	Balance at 1st April			(4,812)
255	(Surplus)/Deficit for the Year			(430)
<u>(4,812)</u>	<b>Balance at 31st March</b>			<u>(5,242)</u>

Signed S. Wiles  
S. Wiles CPFA  
Director of Resources

Dated 26/7/05

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. Discontinued Services / Continuing Operations

On 1 April 2004 the North Yorkshire Fire and Rescue Authority changed from a levying body to a precepting body. At the same time the Council ceased paying a levy to the Environmental Agency. The levies (£6.530m in 2003/04 included in the Central Services line) are no longer charged to the Council's accounts. There was an appropriate reduction in government support, with a net reduction in the Council's costs of £3.722m. There will be a further change during 2005/06 as the government has determined that from 1 April the operational costs of the Magistrates service will be transferred from local to central government. In future the cost of Court services will be reduced to only include the ongoing cost of prior years capital debt repayment. All other operations are categorised as continuing operations.

### 2. Restated Opening Balances for 2003/04

The introduction of the Prudential Code and the new SORP have led to some operating leases needing to be treated as if they were finance leases in the accounts. This means that the interest element of the lease payment should not be charged to the service area, but should be shown as a cost against the AMRA. The change has been incorporated into the Council's accounts in 2004/05. In order to give comparative figures the 2003/04 consolidated revenue account figures have been restated as follows:

2003/04 Net Expenditure £(000)		2003/04 Adjustment £(000)	2003/04 Net Expenditure £(000)
	General Fund Services		
8,543	Central Services	(106)	8,437
23,725	Cultural, Environmental and Planning Services	(43)	23,682
81,299	Education Services	-	81,299
8,250	Highways, Roads and Transport Services	-	8,250
4,433	Housing Services (General Fund)	-	4,433
34,792	Social Services	-	34,792
562	Court Services	-	562
6,487	Corporate and Democratic Core	-	6,487
684	Non-Distributed Costs	-	684
(1,274)	Exceptional Items	-	(1,274)
167,501	<b>Net Cost of General Fund Services</b>	(149)	167,352
15,037	Housing Revenue Account	-	15,037
182,538	<b>Net Cost of Services</b>	(149)	182,389
480	Precepts paid to Parish Councils	-	480
455	Net (surplus)/deficit on trading operations	-	455
(1,674)	Interest Receivable/Investment Income	-	(1,674)
(307)	Dividends from Companies	-	(307)
(20,148)	Asset Management Revenue Account	149	(19,999)
3,931	Net Pensions cost	-	3,931
165,275	<b>Net Operating Expenditure</b>	-	165,275

### 3. Exceptional Item

The Council has had appeals against the rating valuations assigned to some of its properties outstanding from the 1990 revaluation list. Some of these were finally settled during 2003/04 and others during 2004/05. The net income, after allowing for the costs of justifying and submitting the claims, is £1,518k (£1,274k). 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. 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 capital reserve and that transaction is included in the appropriation section of the statement.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 4. Trading Accounts including Direct Labour Organisations (DLO) 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, 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 following table shows those operations included below the net cost of services.

2003/04			2004/05			
Turnover (Income) £(000)	Expend- iture £(000)	(Surplus)/ Deficit £(000)		Turnover (Income) £(000)	Expend- iture £(000)	(Surplus)/ Deficit £(000)
<b>(Surplus)/Deficit from Trading Operations</b>						
5,732	5,842	110	Building Maintenance	5,764	5,975	211
4,870	4,598	(272)	Civil Engineering	5,959	5,862	(97)
2,569	2,674	105	Refuse Collection	2,724	2,721	(3)
2,848	2,834	(14)	Street Scene	3,138	3,120	(18)
2,967	3,151	184	Cleaning of Public Buildings	3,146	3,329	183
776	853	77	Vehicle Maintenance	875	892	17
1,239	1,123	(116)	Commercial Waste	1,320	1,198	(122)
500	461	(39)	Waste Management	663	681	18
2,566	2,596	30	Transport Operating	2,773	2,776	3
2,612	2,856	244	Leisure Management	-	-	-
189	257	68	Oaklands Leisure Centre	-	-	-
-	78	78	Quality Assurance costs	-	22	22
<u>26,868</u>	<u>27,323</u>	<u>455</u>	<b>Total</b>	<u>26,362</u>	<u>26,576</u>	<u>214</u>

In addition to the £214k (£455k) total net deficit on DLO £7k (£7k) has been transferred to earmarked reserves. These costs have been funded using £34k (£178k) of DSO reserves with the remaining £187k (£284k) being met by the General Fund. Further details are provided on pages 69 and 70. The former TLM trading operations have been transferred to the client department and are no longer operating as a trading operation. Their costs are included within the cultural, environmental and planning services line of the revenue account.

The Council also generates surpluses and deficits from other trading accounts included within the service expenditure. The details are as follows:

2003/04			2004/05			
Turnover (Income) £(000)	Expend- iture £(000)	(Surplus)/ Deficit £(000)		Turnover (Income) £(000)	Expend- iture £(000)	(Surplus)/ Deficit £(000)
<b>Significant Trading Services included in Net Cost of Services</b>						
2,246	1,854	(392)	Commercial Property	2,314	2,028	(286)
584	390	(194)	Markets	592	428	(164)
5,495	1,879	(3,616)	Car Parks	5,955	2,248	(3,707)
967	267	(700)	Crematorium	977	302	(675)
642	301	(341)	Building Control (chargeable element)	723	403	(320)
1,747	1,643	(104)	Engineering Consultancy	1,879	1,701	(178)
1,524	1,449	(75)	Building Services	1,732	1,650	(82)
1,247	1,305	58	York Training Centre	1,332	1,357	25
<u>14,452</u>	<u>9,088</u>	<u>(5,364)</u>	<b>Total</b>	<u>15,504</u>	<u>10,117</u>	<u>(5,387)</u>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### Trading Accounts including Direct Labour Organisations (DLO) Turnover and Profit cont'd

The income on commercial property is principally rental income, and the surplus/(deficit) includes asset rental charges of £1.509m (£1.398m). Markets income is principally from Newgate market tolls and from other markets, and the surplus is net of asset rental charges of £121k (£116k). 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 £418k (£322k) 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 £30k (£30k). Building Control is, by statute, split into two elements. The full statement on the trading activity is shown in note 18, but only the chargeable element needs to be shown under the BVACOP requirements.

The main sources of income for Engineering Consultancy and Building Services are fees charged to the Council's capital programme and to 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 £25k (£58k) represents 2% of turnover.

#### 5. Interest and Investment Income and Expenditure

Included in the revenue accounts is a net return on investments of £1.316m (£1.639m) which comprises interest income of £1.339m (£1.674m) and the costs of associated fees and charges of £0.023m (£0.035m). There was no investment income.

#### 6. Contribution to Housing Pooled Capital Receipts

From 2004/05 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.

#### 7. 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:

2003/04 £(000)		2004/05 £(000)	£(000)
	<b>Expenditure</b>		
3,869	External Interest	4,007	
94	Debt Management Charges	90	
	Depreciation Charge		
7,751	Housing Revenue Account	8,609	
<u>3,743</u>	Non-Housing Revenue Account	<u>4,349</u>	
<u>15,457</u>			17,055
	<b>Income</b>		
	Capital Charges made to Service Accounts		
(21,325)	Housing Revenue Account	(23,675)	
(13,854)	Non-Housing Revenue Account	(14,913)	
(1)	Notional interest on stock balances for DSO accounts	(1)	
<u>(276)</u>	Transfer from govt grants/developers contribs deferred	<u>(338)</u>	
<u>(35,456)</u>			(38,927)
<u>(19,999)</u>	Net (over)/under charge to services		<u>(21,872)</u>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 8. 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.

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 5 on page 14. The information below relates to the cost of pension arrangements borne by this Council and included in the revenue accounts.

#### Teachers

In 2004/05 the Council paid £5.816m (£5.649m) 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 £455k (£425k) 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:

2003/04		2004/05	
£(000)		£(000)	£(000)
	<b>Net Cost of Services</b>		
6,938	Current service cost	9,668	
818	Past service cost	735	
284	Curtailement Cost	159	
8,040			10,562
	<b>Net Operating Expenditure</b>		
10,528	Interest cost	12,189	
(6,597)	Expected return on assets in the scheme	(8,800)	
3,931			3,389
	<b>Appropriations</b>		
(2,169)	Contribution to/(from) Pensions Reserve		(2,984)
9,802	Actual amount charged against Council Tax for Pensions in the year		10,967

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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

Note 11 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures above 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.

#### 9. Provisions

The contributions to provisions include both sums to increase the level of provision for bad/doubtful debts and the creation of a new provision to provide for potential liabilities the Council may face (see also note 12 to the Consolidated Balance Sheet).

#### 10. Reserves

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

2003/04		Net Movement	2004/05
£(000)		£(000)	£(000)
(322)	DLO & DSO Reserve	34	(288)
(1,214)	Investment Reserves	6	(1,208)
(4,812)	Education Delegated School Reserves	(430)	(5,242)
(1,774)	Venture Fund	306	(1,468)
(2,633)	Developers Contributions' Unapplied	(137)	(2,770)
(4,401)	Miscellaneous	(549)	(4,950)
(1,627)	Capital Reserve	(1,178)	(2,805)
<u>(16,783)</u>		<u>(1,948)</u>	<u>(18,731)</u>

Further information on the movements on these reserves is shown in notes 21 and 23 to the Consolidated Balance Sheet on pages 55 and 56.

#### 11. 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.

2003/04		Net Movement	2004/05
£(000)		£(000)	£(000)
(782)	Major Repairs Reserve	(525)	(1,307)
<u>(782)</u>		<u>(525)</u>	<u>(1,307)</u>

Further information on the movements on this reserve is shown in note 14 to the Housing Revenue Account on page 36.



## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 12. Capital Financing Account

The Asset Management Revenue Account (note 7) 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. The figures for 2003/04 have been re-stated to show the effect of the change in treatment re the operating versus finance leasing changes.

2003/04 £(000)		2004/05 £(000)	£(000)
(7,938)	Depreciation/Impairment	(9,282)	
<u>276</u>	less govt grants/developers contribs deferred	<u>338</u>	
(7,662)			<u>(8,944)</u>
1,398	Minimum Revenue Provision		2,056
<u>(6,264)</u>	Excess of depreciation/impairment over MRP		<u>(6,888)</u>
(2,820)	Deferred Charges expenditure		(3,423)
933	Principal element of finance leases		923
<u>(8,151)</u>	Appropriation to/(from) Capital Financing Account		<u>(9,388)</u>

### 13. 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 2004/05, including the amortisation for the Local Government Reorganisation in 1996, is £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 2004/05 to £2.056m (£1.398m). The following table shows the transactions in the year:

2003/04 £(000)		2004/05 £(000)	£(000)
226	Housing Revenue Account (2%)	-	
<u>1,385</u>	Other Services (General Fund) (4%)	<u>2,038</u>	
1,611			<u>2,038</u>
684	Add: Amortisation of Local Government Re-organisation		684
<u>2,295</u>			<u>2,722</u>
(897)	Less: Commutation adjustment		(666)
<u>1,398</u>	Total for Year		<u>2,056</u>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 14. 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 LGA2000 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 2003 estimate of the population of the Authority's area. The Council calculates its Section 137 limit as £696k and the expenditure listed below was incurred under the powers conferred by this section. The expenditure shown is net of any relevant income.

2003/04 £(000)		2004/05 £(000)
341	Voluntary Sector Grants	389
341		389

### 15. 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 2004/05 was £1.6m (£1.6m) and £488k (£nil) respectively.

A pooled budget was created during 2003/04 for the provision of Social Care Community Equipment to customers in the Selby and York Primary Care Trust. The gross cost of the service in that year was £56k with contributions of £11k from North Yorkshire County Council. There were no further pooled budgets in 2004/05, but these are to be considered by the Council in future years.

### 16. 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 2004/05 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 (£1.3m) income out of the total DLO turnover of £26.4m (£26.9m).

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 £39k (£32k) in 2004/05. In addition income of £nil (£9k) was received from fees charged to Yorkshire Water Authority by Environmental Services in respect of work undertaken.

### 17. 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:

2003/04 £(000)		2004/05 £(000)
650	Staff Advertising	512
567	Advertising & Publicity Costs	578
604	Marketing and Communications Group	703
1,821		1,793

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

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 18. 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 2003/04 £(000)		Chargeable £(000)	Non- Chargeable £(000)	Total 2004/05 £(000)
	<b>Expenditure</b>			
274	Employee Expenses	240	80	320
9	Premises	7	1	8
13	Transport	14	2	16
13	Supplies and Services	30	2	32
	Central and support services			
121	charges	112	20	132
<u>430</u>	<b>Total Expenditure</b>	<u>403</u>	<u>105</u>	<u>508</u>
	<b>Income</b>			
(642)	Building Regulation Charges	(723)	-	(723)
(29)	Miscellaneous Income	-	(4)	(4)
<u>(671)</u>	<b>Total Income</b>	<u>(723)</u>	<u>(4)</u>	<u>(727)</u>
<u>(241)</u>	<b>(Surplus)/Deficit for the year</b>	<u>(320)</u>	<u>101</u>	<u>(219)</u>

### 19. Long-Term Contracts

The Council is committed to making payments for the provision of care and support contracts estimated at £1.3m (£2.664m) per annum. The actual level of payments will depend on the service required. The contracts expire between July 2006 and March 2008.

Supporting People is the government's initiative to change the way support services were funded from April 2003. As the administering authority for Supporting People the Council is committed to payments to service providers estimated at £5.8m 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.

### 20. Employees' Emoluments

The Accounts and Audit Regulations 1996 require the disclosure of officers' emoluments (Reg. 6(2)). There were 53 (46) employees, including head-teachers and deputy head-teachers, whose total emoluments were above £50k per annum. The numbers in different bands are shown below.

2003/04			Salary Range £(000)	2004/05	
Number of employees Teachers	Officers	Number of employees Teachers		Officers	
18	15	19	50 - 60	15	
3	3	8	60 - 70	4	
-	-	1	70 - 80	-	
-	6	-	80 - 90	1	
-	-	-	90 - 100	4	
-	1	-	100 - 110	1	

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 21. 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 2004/05 will be released to the press during the summer and will identify that the Council spent £564k (£551k) on members' allowances, an increase of £13k on 2003/04. 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.

2003/04 Number of Members	Allowance Band £(000)	2004/05 Number of Members
21	5 - 10	22
15	10 - 15	14
9	15 - 20	9
1	20 - 25	1
1	25 - 30	-
-	30 - 35	1
47		47

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

The Council has to contribute to the cost of providing Magistrates Services throughout the administrative area of North Yorkshire. The contribution is included in the Consolidated Revenue Account in the Court Services total and is £270k (£254k). 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 (£8k).

In 2003/04 the Council was a constituent member of the North Yorkshire Fire and Rescue Authority (NYFRA) and as such was responsible for meeting its proportion of the cost of the service. This was £5.781m, included in the Central Services total on the Consolidated Revenue Account. From 1 April 2004 the NYFRA became a precepting body and no longer levies a charge on the Council.

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 £663k (£554k). Contributions from North Yorkshire County Council and Selby and York Primary Care Trust totalled £273k (£151k).

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 in 2004/05 is £195k (£7k) which is matched by grant.

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 2005 is expenditure of £324k (£124k), grant income of £297k (£149k) and a balance brought forward of £25k (£nil), leaving a deficit of £2k (surplus of £25k) 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.

**23. Partnership Arrangements**

The Area Child Protection Committee develops, monitors and reviews local child protection policies and had gross costs of £81k (£75k) and received contributions totalling £36k (£28.7k) 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 in 2004/05 was £202k (£208k).

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 in 2004/05 was £110k (£119k).

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 £490k (£388k), which is matched by an equivalent grant.

The Council contributed £nil (£50k) to the North Yorkshire Partnership that is delivering the County wide Access To Services Project. The partnership originally consisted of nine Local Authorities who each contributed the same amount. During 2004/05 this partnership was wound down and the Council received £14k as a refund and interest on previous years' contributions.

The Lifelong Learning Partnership is a high level strategy body of organisations that deliver lifelong learning across the city. This 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 comes from the Learning and Skills Council (£59k) plus a £15k City of York Council contribution.

A new York Central Steering Board has been set up to oversee the development of York Central at a strategic level - the partners being 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 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 your people on the basis of a funded contract

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 24. Private Finance Initiatives (PFI)

The arrangement where the North Yorkshire Fire and Rescue Authority levied the Council for the cost of the PFI scheme for the provision of a new training establishment and the Council received its' share of the government funding direct have ceased now that the NYFRA is no longer a levying body on the Council. They now include the net cost, including the government funding, in their precept. The cost included in the revenue accounts of CYC in 2003/04 was £27.8k net.

The Council signed a 30 year Schools PFI contract on 12 January 2005. The scheme is to replace three primary schools and one special school at three sites across the city. The DfES have awarded the Council PFI credits of £15.4m in respect of the new schools. The first school is due to be operational in September 2005, and all new facilities will be fully operational by April 2006.

During 2004/05 the Council incurred costs relating to the provision of consultancy services and project management on the project. Total costs of £552k were incurred and charged to the revenue account.

### 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 of the operating leases entered into by the Council are now treated 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 in 2004/05 were £1,082k charged to the revenue account as £159k finance cost (charged to the AMRA) and £923k relating to the write-down of the obligations to the lessor.

### 26. Operating Leases

The Council uses certain vehicles, plant and equipment financed through operating leases and the rentals payable under these arrangements in 2004/05 were £821k.

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 £2,446k is included in the revenue accounts of the appropriate services, namely central and cultural, environmental and planning services.

### 27. Audit Costs

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

2003/04 £(000)		2004/05 £(000)
110	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	111
148	Fees payable to the Audit Commission in respect of statutory inspection	149
100	Fees payable to the Audit Commission for the certification of grant claims and returns	76
-	Fees payable in respect of other services provided by the appointed auditor	-
<u>358</u>		<u>336</u>

### 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.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 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 2004/05 were as follows:

	Receipts £(000)	Payments £(000)
Central Government		
Revenue Grants	(118,544)	8,440
Capital Grants	(11,016)	-
National Non-Domestic Rating Pool - payment into the Pool of rating income collected and receipt of redistributed Pool	(50,942)	58,348
North Yorkshire Police Authority - precept and payment of share of the Collection Fund surplus	-	11,037
North Yorkshire Police Authority - precept	-	3,195
Precept payments to Parish Councils	-	486
Levy payment to Environmental Agency	-	35
Levy payments to Drainage Boards	-	503
CYCs share of the cost of providing the following services run by other bodies:		
Magistrates	-	333
Probation	-	7
North Yorkshire Pension Fund - payment of employer's superannuation contributions in respect of employees	-	10,512
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	(4,147)	1,630
Yorkshire Purchasing Organisation - CYC are members of this consortium, which uses its purchasing powers to obtain better discounts on supplies	(124)	875
Joint arrangements between Social Services and Selby and York PCT Services for people with learning difficulties	(1,622)	-
Joint arrangements between Social Services and North Yorkshire County Council for people with learning difficulties	(488)	-
Youth Offending Team		
Selby and York Primary Care Trust	(33)	-
North Yorkshire Police	(52)	-
North Yorkshire County Council - Probation Services	(26)	-
Employees - car loans made under the Council's scheme	(298)	183
City of York Councillors		
One Councillor is an equity partner in a firm of solicitors in York. The total paid to the partnership during the year amounted to	-	9

## HOUSING REVENUE ACCOUNT

2003/04 £(000)		Note	2004/05 £(000)
	<b>Expenditure</b>		
	Housing Repairs		
4,507	Responsive	(3)	4,315
599	Programmed		792
	Supervision and Management		
3,723	General		4,095
2,440	Special Services		1,922
128	Rents, Rates, Taxes and Other Charges		181
11,880	Rent Rebates	(4)	-
-	Subsidy Limitation Transfer fo General Fund	(5)	210
637	Provision for Bad or Doubtful Debts	(6)	128
-	Sums Directed by the Secretary of State	(7)	5,010
	Capital Charges		
13,573	Cost of Capital Charge	(8)	15,311
7,751	Depreciation	(9)	8,609
28	Debt Management Expenses		23
<u>45,266</u>	<b>Total Expenditure</b>		<u>40,596</u>
	<b>Income</b>		
(20,738)	Gross Rents	(10)	(21,209)
(493)	Other Rents from Land and Buildings		(512)
(1,165)	Charges for Services and Facilities		(928)
(1,259)	Contributions Towards Expenditure		(1,069)
(6,657)	Housing Revenue Account Subsidy	(7)	-
(129)	Other Government Grants		(129)
(31)	Transfer from General Fund	(11)	(27)
<u>(30,472)</u>	<b>Total Income</b>		<u>(23,874)</u>
14,794	<b>Net Cost of Services</b>		16,722
	<b>Other Operating Costs</b>		
	Net HRA expenditure/(income) on Asset		
(12,845)	Management Revenue Account	(12)	(14,436)
538	Amortised premiums/discounts		465
	Interest receivable		
(17)	Mortgage interest		(15)
(140)	Interest on notional cash balances		(294)
92	Net Pensions cost	(13)	112
<u>2,422</u>	<b>Net Operating Expenditure</b>		<u>2,554</u>
	<b>Appropriations</b>		
354	Housing set aside		-
-	Capital expenditure financed from revenue		44
-	Usable capital receipts for Right to Buy administration		-
(3,538)	Contribution to/(from) MRR	(14)	(4,348)
-	Contribution to/(from) reserves		-
(40)	Contribution to/(from) Pensions Reserve	(13)	(88)
<u>(802)</u>	<b>(Surplus)/Deficit for the year</b>		<u>(1,838)</u>
	<b>HOUSING REVENUE RESERVE</b>		
(2,215)	Balance at beginning of year		(3,017)
(802)	(Surplus)/Deficit for the year		(1,838)
<u>(3,017)</u>	Balance at end of year		<u>(4,855)</u>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Legislative Background

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. The HRA shows the cost of the Council's activities as social landlord: expenditure on maintenance, capital financing costs and administration, and how these are met by rents, other income and government subsidy. There is also a statutory requirement to show revenue financing of any HRA capital expenditure within the account. The Local Government and Housing Act 1989 sets out the framework for ring-fencing the HRA, preventing subsidisation of rents from general income of councils.

### 2. Restated Accounts for 2003/04 to give comparators for the FRS17 Transactions

The following changes have been made to the 2003/04 figures

2003/04		2003/04	
£(000)		Adjustment £(000)	Restated £(000)
3,761	Supervision and Management - General	(38)	3,723
2,454	Supervision and Management - Special Services	(14)	2,440
-	Net Pensions cost	92	92
-	Contribution to/(from) Pensions Reserve	(40)	(40)
<u>6,215</u>	<b>Net Cost</b>	<u>-</u>	<u>6,215</u>

### 3. Responsive Repairs

The responsive and void repair service is provided by Commercial Services. During 2004/05 it has been agreed to implement a partnering agreement between Commercial Services and Community Services for the provision of this service. This agreement will be implemented during 2005/06.

### 4. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. Mandatory rebates were previously included as part of the calculation of the HRA Subsidy (see note 6). From 1 April 2004 all Housing Benefits are now part of the general fund.

### 5. Subsidy Limitation Transfer to General Fund

Under the Rent Rebate Subsidy Limitation York loses subsidy of £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 allows the HRA to contribute the equivalent of the cost to the General Fund in 2004/05, which will reduce to 50% funding in 2005/06. The general fund will have to bear the full cost from 2006/07 onwards.

### 6. Provision for Bad/Doubtful Debts

A provision was made in 2004/05 for bad and doubtful debts in accordance with the HRA (Arrears of Rent and Charges) Directions 1990. During 2004/05 rent arrears as a proportion of gross rent income have decreased from 10.19% of the amount due to 8.79%. The rent arrears figures are as follows:

2003/04			2004/05
£(000)			£(000)
1,351	Arrears at 31 March	-	1,026
847		-	904
114	Amounts Written Off during the Year		233
431	Increased/(Reduced) Provision during the Year		106
1,660	Provision for Bad and Doubtful Debts		1,533

## NOTES TO THE HOUSING REVENUE ACCOUNT

### Provision for Bad/Doubtful Debts cont'd

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

2003/04 %	Dwelling rent arrears as a % of gross rent debit	2004/05 %
6.27	- Current tenants	4.67
<u>3.92</u>	- Former tenants	<u>4.12</u>
<u>10.19</u>		<u>8.79</u>

A bad/doubtful debt provision was made in 2004/05 for debts outstanding on rechargeable repairs. The arrears figures are as follows:

2003/04 £(000)		2004/05 £(000)
102	Arrears at 31 March	84
38	Amounts Written Off during the Year	34
70	Increased/(Reduced) Provision during the Year	22
62	Provision for Bad and Doubtful Debts	50

In addition, in 2003/04, provision of £136k was made for housing benefits bad debts. As a result of the changes to the rebate system shown in note 3 this provision has also transferred to the general fund.

### 7. 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:

2003/04 £(000)		2004/05 £(000)
	<u>Expenditure</u>	
8,338	Management and Maintenance	8,951
11,736	Rent Rebates	-
1,758	Capital Financing Charges	1,512
-	Other Items	1
<u>4,213</u>	MRA	<u>4,261</u>
<u>26,045</u>		<u>14,725</u>
	<u>Income</u>	
(19,367)	Rent Income	(19,717)
<u>(21)</u>	Interest	<u>(18)</u>
<u>(19,388)</u>		<u>(19,735)</u>
<u>6,657</u>	Total HRA subsidy receivable/(payable)	<u>(5,010)</u>

### 8. 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 for 2004/05 this amount was £15.311m (£13.573m).

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 9. 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:

2003/04		2004/05
£(000)		£(000)
7,623	Dwellings	8,481
-	Other Land and Buildings	-
<u>128</u>	Non-operational property	<u>128</u>
<u>7,751</u>		<u>8,609</u>

### 10. Gross Rents

Gross rent income is the total amount due for the year after allowance for voids of £272k (£333k) which represents 1.23% (1.52%) of the gross rent income including charges for services. Average rents in March 2004 were £48.02 (£46.61) a week. The average increase of £1.83 (£1.45) in April 2004 was an increase of 3.8% (3.11%).

The Council was responsible for managing 8,125 dwellings at 31 March 2005. Included within this total are 119 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	552	660	750	1,963
Medium Rise Flats	4	3	847	768	1,622
Houses and Bungalows	<u>16</u>	<u>2,174</u>	<u>1,567</u>	<u>783</u>	<u>4,540</u>
	<u>21</u>	<u>2,729</u>	<u>3,074</u>	<u>2,301</u>	<u>8,125</u>

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

2003/04		Houses/ Bungalows	2004/05 Flats	Total
Total	<b>Operational Stock</b>			
8,406	Balance at 1 April	4,609	3,615	8,224
(128)	Sales	(51)	(14)	(65)
(25)	Demolitions	(18)	(16)	(34)
-	Dwellings declared surplus	-	-	-
-	Dwellings reprovided with Housing	-	-	-
(4)	Association	-	-	-
-	Re-categorisation	-	-	-
(25)	To General Fund	-	-	-
-	To HRA non-housing stock	-	-	-
<u>8,224</u>	Balance at 31 March	<u>4,540</u>	<u>3,585</u>	<u>8,125</u>

### 11. 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

### 12. 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:

2003/04 £(000)		2004/05 £(000)
(13,573)	Capital Asset Charges accounting adjustment	(15,065)
<u>728</u>	HRA contribution towards debt financing and management costs	<u>629</u>
<u>(12,845)</u>		<u>(14,436)</u>

### 13. FRS17 Transactions for the HRA

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

2003/04 £(000)		2004/05 £(000)	2004/05 £(000)
	<b>Net Cost of Services</b>		
173	Current service cost	347	
2	Past service cost	1	
<u>7</u>	Curtailment Cost	<u>6</u>	
182			354
	<b>Net Operating Expenditure</b>		
257	Interest cost	428	
<u>(165)</u>	Expected return on assets in the scheme	<u>(316)</u>	
92			112
	<b>Appropriations</b>		
(40)	Contribution to/(from) Pensions Reserve		(88)
<u>234</u>	Actual amount charged against the HRA for Pensions		<u>378</u>

### 14. 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. 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. The following table shows the transfer to the HRA in the year.

2003/04 £(000)		2004/05 £(000)
(128)	Depreciation on other HRA assets	(128)
<u>(3,410)</u>	Depreciation on dwellings higher than MRA	<u>(4,220)</u>
<u>(3,538)</u>	Total Transfer from MRR	<u>(4,348)</u>

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:

2003/04 £(000)		2004/05 £(000)
(881)	Balance at 1 April	(782)
(7,623)	Depreciation on HRA dwellings	(8,481)
(278)	Depreciation on other HRA assets	(128)
3,538	Transfer to HRA during the financial year	4,348
<u>4,462</u>	Capital expenditure on houses within the HRA charged to the reserve	<u>3,736</u>
<u>(782)</u>	Balance at 31 March	<u>(1,307)</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 15. 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 are 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 31.3.04	374,331	7,515	-	21	32	381,899
Less: accumulated depreciation/ impairment	<u>(7,623)</u>	<u>(381)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,004)</u>
Net Book Value of Assets at 31.3.04	366,708	7,134	-	21	32	373,895
<u>Movement in 2004/05</u>						
Category Adjustment	1	-	-	-	-	1
Additions/Enhancements	7,432	-	-	-	-	7,432
Disposals - Gross book value	(4,258)	-	-	-	-	(4,258)
Accum. Deprecn	-	-	-	-	-	-
Revaluations	42,272	-	-	-	-	42,272
Accum. Deprecn	7,623	-	-	-	-	7,623
Depreciation	(8,481)	(126)	-	(1)	-	(8,608)
Impairment	-	-	-	-	-	-
Net Book Value of Assets at 31.3.05	<u>411,297</u>	<u>7,008</u>	<u>-</u>	<u>20</u>	<u>32</u>	<u>418,357</u>
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	<u>411,297</u>	<u>7,008</u>	<u>-</u>	<u>20</u>	<u>32</u>	<u>418,357</u>
	Investment Properties £(000)	Assets under Construct'n £(000)	Surplus Assets £(000)	TOTAL Non-Oper Assets £(000)		
Value at 31.3.04	39	-	-	39		
Less: accumulated depreciation/ impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,004)</u>	
Net Book Value of Assets at 31.3.04	39	-	-	39	373,934	
<u>Movement in 2004/05</u>						
Category Adjustment	-	-	-	-	1	
Additions/Enhancements	-	-	-	-	7,432	
Disposals - Gross book value	-	-	-	-	(4,258)	
Accum. Deprecn	-	-	-	-	-	
Revaluations	-	-	-	-	42,272	
Accum. Deprecn	-	-	-	-	7,623	
Depreciation	-	-	-	-	(8,608)	
Impairment	-	-	-	-	-	
Net Book Value of Assets at 31.3.05	<u>39</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>418,396</u>	
Value at 31.3.05	39	-	-	39	427,385	
Less: accumulated depreciation/ impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,989)</u>	
Net Book Value of Assets at 31.3.05	<u>39</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>418,396</u>	

The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 16. Vacant Possession Value of Council Dwellings

In accordance with the Office of the Deputy Prime Minister's guidance, council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. As a consequence the Council recognises council dwellings at a value of £411.297m (£366.708m) on the balance sheet. At vacant possession the same dwellings would have a value of £753.350m (£676.350m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £342.053m (£309.642m).

### 17. Summary of Capital Expenditure and Financing

As set out in the Accounting Policies financing of capital has changed from a cash basis to an accrual basis with effect from 1 April 2004. The expenditure to be financed in 2004/05 is therefore the expenditure in the year (£7.432m) plus the accruals brought forward from 2003/04 (£0.444m), a total of £7.876m (£6.461m). The analysis of the expenditure and the sources of financing used are set out in the following table:

2003/04		Dwellings	2004/05 Infra- structure	Equipment	Total
Total £(000)		£(000)	£(000)	£(000)	£(000)
<u>6,461</u>	<b>Total capital expenditure</b>	<u>7,876</u>	-	-	<u>7,876</u>
	<b>Financing</b>				
(810)	Borrowing	(1,353)	-	-	(1,353)
(1,339)	Capital Receipts	(2,743)	-	-	(2,743)
(4,312)	Grants	(3,736)	-	-	(3,736)
-	Revenue Contributions	(44)	-	-	(44)
<u>(6,461)</u>		<u>(7,876)</u>	-	-	<u>(7,876)</u>

### 18. 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 non-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:

2003/04		Council Dwellings	Land	Total
Total £(000)		£(000)	£(000)	£(000)
(7,245)	Sales proceeds	(4,257)	(619)	(4,876)
68	less: administrative costs	70	-	70
<u>(7,177)</u>	Net proceeds	<u>(4,187)</u>	(619)	<u>(4,806)</u>
(76)	Right to buy discount repaid	(134)	-	(134)
<u>(74)</u>	Mortgage principal repaid	<u>(42)</u>	-	<u>(42)</u>
<u>(7,327)</u>		<u>(4,363)</u>	<u>(619)</u>	<u>(4,982)</u>
	of which:			
(2,071)	Usable			(1,711)
<u>(5,256)</u>	Reserved			<u>(3,271)</u>
<u>(7,327)</u>				<u>(4,982)</u>

## COLLECTION FUND

2003/04 £(000)	<b>INCOME AND EXPENDITURE ACCOUNT</b>	Note	£(000)	2004/05 £(000)
	<b>Expenditure</b>			
	Precepts and Demands			
9,729	North Yorkshire Police Authority		10,842	
-	North Yorkshire Fire and Rescue Authority		3,195	
<u>51,905</u>	City of York Council		<u>54,144</u>	<u>68,181</u>
<u>61,634</u>				
	Business Rates			
61,565	Payment to National Pool		58,348	
<u>276</u>	Costs of Collection		<u>281</u>	<u>58,629</u>
<u>61,841</u>				
	Council Tax Provision for uncollectable accounts and outstanding appeals			720
360	Contribution from previous years'			
	Collection Fund surpluses			
171	North Yorkshire Police Authority			195
<u>1,527</u>	City of York Council			<u>1,040</u>
<u>125,533</u>	<b>Total Expenditure</b>			<u>128,765</u>
	<b>Income</b>			
(57,023)	Council Tax Income	(2)		(62,309)
	Transfer from General Fund:			
(5,827)	Council Tax Benefit			(6,952)
<u>(61,841)</u>	Income from business ratepayers	(3)		<u>(58,629)</u>
<u>(124,691)</u>	<b>Total Income</b>			<u>(127,890)</u>
<u>842</u>	<b>(Surplus)/Deficit for the year</b>			<u>875</u>
	 <b>COLLECTION FUND BALANCE</b>			
(2,125)	Balance at beginning of year			(1,283)
<u>842</u>	(Surplus)/Deficit for the year			<u>875</u>
<u>(1,283)</u>	Balance at end of year			<u>(408)</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 (CYC) and major precepting (NYPA and NYFRA) authorities.

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

### 2. Council Tax

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

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

This gives the tax base for the Council.

The valuation bands, the Band D equivalent figures originally estimated and the year-end figures for 2004/05 and the 2004/05 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	3.72	5.09	£599.16
A	up to	£40,000	6/9	5,495.67	5,609.09	£718.99
B	£40,000 to	£52,000	7/9	15,167.96	15,401.94	£838.82
C	£52,000 to	£68,000	8/9	18,509.21	18,807.93	£958.65
D	£68,000 to	£88,000	9/9	10,281.40	10,505.42	£1,078.48
E	£88,000 to	£120,000	11/9	7,532.86	7,570.59	£1,318.14
F	£120,000 to	£160,000	13/9	3,981.31	4,036.06	£1,557.80
G	£160,000 to	£320,000	15/9	2,136.94	2,175.02	£1,797.47
H	over	£320,000	18/9	110.84	109.75	£2,156.96
<b>TOTAL</b>				<b>63,219.91</b>	<b>64,220.89</b>	

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

	£(000)
Charge ( 64,220.89 x £1,078.48 )	(69,261)
which comprises	
Income due from Chargepayers	(62,309)
Council Tax Benefit	(6,952)



## NOTES TO THE COLLECTION FUND

### 3. Income From Business Rates

Under the arrangements for business rates, the Council collects NNDR for its area based on the local rateable value multiplied by a uniform rate. The rateable value at 31 March 2005 was 161,947,589 (165,667,881) and the rate for 2004/05 was 45.6p (44.4p).

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:

2003/04		2004/05
£(000)		£(000)
(73,557)	Rates payable for year ( 161,947,589 x 45.6 p)	(73,848)
4,718	Less: Transitional Relief and part occupancy	4,294
3,928	Charitable Relief	3,943
2,889	Adjustments re previous years rates	6,509
181	Other adjustments including making provision for bad debts and interest payments made	473
<u>11,716</u>		<u>15,219</u>
<u>(61,841)</u>		<u>(58,629)</u>

### 4. Community Charge

The transactions for the community charge have to be accounted for separately to those for the Council Tax. Any surplus or deficit that arises on Community Charge transactions belongs entirely to City of York Council. 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 £300. The Council has already agreed to use the remaining small balance on the account to subsidise council tax bills in 2005/06.

## CONSOLIDATED BALANCE SHEET

31 March 2004 £(000)		Note	31 March 2005 £(000)	£(000)
<b>LONG-TERM ASSETS</b>				
682,008	Tangible Fixed Assets	(2)		743,863
30,459	Deferred Assets	(5)		29,002
1,221	Long - Term Investments	(6)		1,215
757	Long - Term Debtors	(7)		611
<u>714,445</u>	<b>LONG - TERM ASSETS</b>			<u>774,691</u>
<b>CURRENT ASSETS</b>				
28,250	Temporary Investments		12,650	
289	Stocks		318	
374	Work in Progress		181	
17,893	Debtors	(8)	24,513	
60	Cash in Hand		62	
8,363	Schools Cash at Bank		9,406	
<u>55,229</u>			<u>47,130</u>	
<b>CURRENT LIABILITIES</b>				
-	Long - Term Loans due within 12 months	(9)	4,000	
-	Temporary Loans	(9)	-	
31,129	Creditors	(10)	31,497	
1,484	Cash Overdrawn		340	
<u>22,616</u>	<b>NET CURRENT ASSETS</b>			<u>11,293</u>
<u>737,061</u>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>785,984</u>
<b>LONG TERM LIABILITIES</b>				
73,365	Long - Term Loans	(9)	76,365	
65,378	Pensions Liability	(11)	103,783	
1,779	Provisions	(12)	2,807	
28,619	Deferred Liabilities	(13)	26,432	
276	Deferred Credits	(14)	253	
<u>169,417</u>			<u>209,640</u>	
<u>567,644</u>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<u>576,344</u>
<b>CAPITAL RESERVES</b>				
455,436	Fixed Asset Restatement Account	(15)	494,916	
5,430	Government Grants Deferred Account	(16)	7,205	
2,143	Developers Contributions Deferred Account	(16)	3,031	
132,888	Capital Financing Account	(17)	141,281	
461	Capital Grants Unapplied	(18)	62	
7,956	Usable Capital Receipts	(19)	1,926	
<b>REVENUE RESERVES</b>				
6,843	General Fund Reserve		6,405	
3,017	Housing Revenue Account Reserve		4,855	
782	Major Repairs Reserve	(20)	1,307	
322	DLO Reserve	(21)	288	
1,283	Collection Fund Reserve		408	
(65,378)	Pensions Reserve	(22)	(103,783)	
16,461	Earmarked Reserves	(23)	18,443	
<u>567,644</u>	<b>TOTAL EQUITY</b>			<u>576,344</u>

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

Dated ..... *26/7/05* .....

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. Restated Comparative Figures for 2003/04

There are two changes in accounting policy in 2004/05 which require the opening balance sheet position to be restated so that a truly comparative position is given. The first is the reclassification of some operating leases as finance leases to comply with SSAP21. The second is the reclassification of deferred charges into intangible fixed assets, deferred assets, deferred liabilities and direct funding from the Capital Financing Account. These changes are set out in the following table:

Balance at 31.3.04 £(000)		Adjustment £(000)	Balance at 31.3.04 £(000)
	Increase the value of the tangible assets and deferred liabilities for those operating leased items that have now to be classed as finance leases.		
	<b>Long Term Assets</b>		
679,395	Tangible Fixed Assets (vehicles, plant, etc.)	2,613	682,008
	<b>Long-Term Liabilities</b>		
25,701	Deferred Liability	2,613 #	28,314
	Reclassify deferred charges into deferred assets, deferred liabilities and fund the remaining local government review expenditure from the Capital Financing Account.		
	<b>Long Term Assets</b>		
6,001	Deferred Charges	(6,001)	-
25,701	Deferred Assets (formerly prepayments)	4,758	30,459
	<b>Long-Term Liabilities</b>		
28,314 #	Deferred Liabilities (# adjusted opening balance above)	305	28,619
	<b>Capital Reserves</b>		
134,436	Capital Financing Account	(1,548)	132,888

### 2. Tangible Fixed Assets

Tangible fixed assets are separated into two different types - operation and non-operational. 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 31.3.04	374,331	225,692	10,678	44,383	122	655,206
Less: accumulated depreciation/ impairment	<u>(7,623)</u>	<u>(4,893)</u>	<u>(5,351)</u>	<u>(3,547)</u>	-	<u>(21,414)</u>
Net Book Value of Assets at 31.3.04	366,708	220,799	5,327	40,836	122	633,792
<b>Movement in 2004/05</b>						
Category Adjustment	1	1,253	(1)	793	-	2,046
Additions/Enhancements	7,432	6,218	606	7,168	523	21,947
Disposals - Gross book value	(4,258)	(730)	-	-	-	(4,988)
Accum. Deprecn	-	-	-	-	-	-
Revaluations	42,272	(1,116)	120	3,713	(523)	44,466
Accum. Deprecn	7,623	28	-	-	-	7,651
Depreciation	(8,481)	(1,974)	(1,722)	(1,330)	-	(13,507)
Impairment	-	-	-	-	-	-
Net Book Value of Assets at 31.3.05	<u>411,297</u>	<u>224,478</u>	<u>4,330</u>	<u>51,180</u>	<u>122</u>	<u>691,407</u>
Value at 31.3.05	419,778	231,317	11,403	56,057	122	718,677
Less: accumulated depreciation/ impairment	<u>(8,481)</u>	<u>(6,839)</u>	<u>(7,073)</u>	<u>(4,877)</u>	-	<u>(27,270)</u>
Net Book Value of Assets at 31.3.05	<u>411,297</u>	<u>224,478</u>	<u>4,330</u>	<u>51,180</u>	<u>122</u>	<u>691,407</u>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Tangible Fixed Assets cont'd

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

	Investment Properties £(000)	Assets under Construct'n £(000)	Surplus Assets £(000)	TOTAL Non-Oper Assets £(000)	TOTAL All Assets £(000)
Value at 31.3.04	39,277	9,029	-	48,306	703,512
Less: accumulated depreciation/ impairment	(90)	-	-	(90)	(21,504)
Net Book Value of Assets at 31.3.04	39,187	9,029	-	48,216	682,008
<u>Movement in 2004/05</u>					
Category Adjustment	(3,353)	1,307	-	(2,046)	-
Additions/Enhancements	4,406	9,565	-	13,971	35,918
Disposals - Gross book value	(250)	-	-	(250)	(5,238)
Accum. Deprecn	-	-	-	-	-
Revaluations	94	(7,494)	-	(7,400)	37,066
Accum. Deprecn	-	-	-	-	7,651
Depreciation	(35)	-	-	(35)	(13,542)
Impairment	-	-	-	-	-
Net Book Value of Assets at 31.3.05	40,049	12,407	-	52,456	743,863
Value at 31.3.05	40,174	12,407	-	52,581	771,258
Less: accumulated depreciation/ impairment	(125)	-	-	(125)	(27,395)
Net Book Value of Assets at 31.3.05	40,049	12,407	-	52,456	743,863

The figure for 'Additions' shown in the column 'Total All Assets' above is the total value of expenditure in the year on tangible fixed assets. Only a proportion of the expenditure either increases the value of the asset or is for a new asset, the remainder is either expenditure classified as work in progress, £9.565m (£9.029m) or expenditure of a capital nature but which does not enhance the value of the asset, £11.254m (£10.029m). The requirements of the Code of Practice are that work in progress is shown as non-operational assets, but that the expenditure which does not enhance the value of the asset is not included in the balance sheet under the heading tangible fixed assets, but is shown as a transfer to the Fixed Asset Restatement Account (FARA) (see note 15 on page 53). This latter adjustment is included in the line described as revaluations. This transfer leaves expenditure of £15.099m (£18.106m) in the year that increases the value of tangible fixed assets.

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

	£(000)
Highways footpaths/various infrastructure schemes	7,008
Purchase of land at Harewood Whin	4,406
Various expenditure on schools	2,347
Other smaller schemes	<u>1,338</u>
Expenditure that increases value of assets	15,099
Assets under construction	<u>9,565</u>
	<u>24,664</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)
65 Council Dwellings	(4,258)
Chapelfields Youth Centre	(395)
De Grey House	(335)
De Grey Rooms	<u>(250)</u>
	<u>(5,238)</u>

Included amongst the assets owned by the Council at 31 March 2005 are the following:

Council Dwellings:	Other Buildings:	
3,585 Flats	Bar Walls	1 Art Gallery
4,540 Houses and Bungalows	Mansion House	7 Community Centres
	7 Administrative Buildings	2 Sports Pavilions
Land:	186 Commercial Properties	3 Sports Centres
756 km Road	1 Open Air Market	16 Off Street Car Parks
977 km Footpath	1 Theatre	2 Coach Parks
16 Allotment Sites (1,152 plots)	1 Crematorium	1 Sports Stadium
11 Public Parks (approx 74 acres)	11 Toilet blocks	7 Play Areas
3 Travellers Sites	2 Swimming Pools	
3 Equipped Farms	7 Museums	
	69 Schools	
Vehicles:	15 Residential Homes	
12 Miscellaneous Vehicles	7 Day Centres	
	10 Libraries	
	11 Youth Centres	
	4 Waste Disposal/Civic Amenity Sites	

Valuations on all major Council assets are required to be carried out at least every 5 years and at 31 March 2005 no valuations are greater than five years old. Major assets valued during 2004/05 include Union Terrace car park, Clarendon House and some land holdings. 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.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Tangible Fixed Assets cont'd

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	-	8,067	3,002	36,149	-	47,218
Current Value in:						
Current year	44,589	3,679	746	10,344	-	59,358
Previous year	85,442	1,941	582	4,533	-	92,498
2 years ago	281,266	29,468	-	154	90	310,978
3 years ago	-	158,007	-	-	-	158,007
4 years ago	-	23,316	-	-	32	23,348
<b>Total</b>	<b>411,297</b>	<b>224,478</b>	<b>4,330</b>	<b>51,180</b>	<b>122</b>	<b>691,407</b>

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	3,492	-	-	3,492	50,710
Current Value in:					
Current year	4,251	9,564	-	13,815	73,173
Previous year	6,253	2,493	-	8,746	101,244
2 years ago	3,415	350	-	3,765	314,743
3 years ago	4,299	-	-	4,299	162,306
4 years ago	18,339	-	-	18,339	41,687
<b>Total</b>	<b>40,049</b>	<b>12,407</b>	<b>-</b>	<b>52,456</b>	<b>743,863</b>

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

	2005/06 £(000)	2006/07 £(000)	2007/08 £(000)	Later £(000)
Education Services	11,822	9,427	6,690	772
Environment and Sustainability Services	2,448	-	-	-
Housing Services	10,808	7,661	7,732	5,967
Leisure and Heritage Services	4,240	4,700	3,830	3,813
Economic Development	90	-	-	-
Planning and Transportation Services	11,653	8,333	7,833	6,783
Resources	974	200	-	-
Chief Executive's Department	955	202	202	202
Social Services	1,164	205	205	205
<b>Total Capital Programme</b>	<b>44,154</b>	<b>30,728</b>	<b>26,492</b>	<b>17,742</b>

At 31 March 2005 gross capital expenditure commitments were over £6.4m, the most significant of which were Applefields School (£0.8m), transportation expenditure (£1.3m) and NDS Modernisation (£0.8m).

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 3. 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 1.4.04		Expenditure During Year	Written off to Revenue in Year	Balance at 31.3.05
£(000)		£(000)	£(000)	£(000)
-	Public Service Agreements	450	(450)	-
-	Improvement Grants	1,611	(1,611)	-
-	Other Grants	1,469	(1,469)	-
<u>-</u>		<u>3,530</u>	<u>(3,530)</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 is to be used over the length of the projects. The figures above represent the expenditure incurred during the current financial year.

### 4. 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.

2003/04 £(000)		2004/05 £(000)
	<b>Expenditure in year</b>	
18,718	Operational Assets	21,947
9,417	Non-operational Assets	13,971
2,820	Intangible Assets	3,530
300	Net accruals to be financed in 2003/04	-
-	Accruals for 2003/04 to be financed in 2004/05	1,339
	<b>Sources of Finance</b>	
-	Borrowing Approvals	-
(10,793)	Grants and Contributions	(12,922)
(1,824)	Capital Receipts	(10,684)
(892)	Internal Funds and Provisions	-
(129)	Revenue Contributions	(1,390)
(1,398)	Minimum Revenue Provision	(2,056)
(5,256)	Reserved Receipts	-
<u>10,963</u>	<b>Movement in Year</b>	<u>13,735</u>
<u>48,184</u>	Opening balance at 1 April	<u>59,147</u>
<u>59,147</u>	Closing balance at 31 March	<u>72,882</u>
	<b>Explanation of Movements in Year</b>	
17,617	Increase in underlying need to borrow (supported by Government financial assistance)	10,885
-	Increase in underlying need to borrow (unsupported by Government financial assistance)	4,906
(5,256)	Reserved Receipts	-
(1,398)	Minimum Revenue Provision	(2,056)
<u>10,963</u>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>13,735</u>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 5. Deferred Assets

During 1999/00 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. The figure in the balance sheet represents the amount of prepayment remaining to be written down.

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 1.4.04		Expenditure During Year	Written off to Revenue in Year	Balance at 31.3.05
£(000)		£(000)	£(000)	£(000)
25,701	Prepayment	-	(1,224)	24,477
<u>4,758</u>	Loan Restructuring Premiums	<u>-</u>	<u>(233)</u>	<u>4,525</u>
<u>30,459</u>		<u>-</u>	<u>(1,457)</u>	<u>29,002</u>

### 6. 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 share-holding in Careers Company (£6,400) was sold during 2004/05 for £96k, net of costs, because the company was dissolved and has become a lead/host body partnership with North Yorkshire County Council. 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.

### 7. 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. They are analysed as follows:

Balance at 1.4.04		Expenditure During Year	Income Received in Year	Balance at 31.3.05
£(000)		£(000)	£(000)	£(000)
492	Employee Loans	180	(301)	371
211	Council House Mortgages	-	(19)	192
15	Housing Act Advances	-	(1)	14
<u>39</u>	Other	<u>5</u>	<u>(10)</u>	<u>34</u>
<u>757</u>		<u>185</u>	<u>(331)</u>	<u>611</u>



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 8. Debtors

This figure has been netted down by £7.892m (£6.692m) 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 1.4.04 £(000)		Balance at 31.3.05 £(000)
	<b>Taxpayers</b>	
5,472	Council Tax	6,399
3,515	NNDR	3,688
	<b>Central Government</b>	
1,043	Government Departments	4,450
825	Customs and Excise	428
-	NNDR Pool	3,786
	<b>Other</b>	
2,198	Housing Rents	1,930
1,752	Housing Benefits	1,750
9,780	Other Debtors	9,974
<u>24,585</u>		<u>32,405</u>
	<b>Provision for Bad and Doubtful Debts</b>	
(3,133)	Collection Fund	(4,088)
(1,660)	Housing Rents	(1,533)
(1,127)	Housing Benefits	(1,362)
(772)	Other	(909)
<u>(6,692)</u>		<u>(7,892)</u>
<u>17,893</u>	<b>Total Debtors</b>	<u>24,513</u>

### 9. Loans Outstanding

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

As at 1.4.04 £(000)		Interest Rates Payable	As at 31.3.05 £(000)
	<b>Total Outstanding</b>		
63,365	Public Works Loan Board	3.80% to 4.875%	70,365
-	CLF Municipal Bank		-
10,000	Royal Exchange Trust Co Ltd	7.155% to 7.155%	10,000
-	Local Bonds		-
-	Short Term Loans		-
<u>73,365</u>	Total		<u>80,365</u>
	<b>Analysis of loans by maturity:</b>		
-	Maturing within one year		4,000
4,000	Maturing in 1 - 2 years		-
5,000	Maturing in 2 - 5 years		9,000
8,000	Maturing in 5 - 10 years		4,000
56,365	Maturing in more than 10 years		63,365
<u>73,365</u>	Total		<u>80,365</u>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 10. Creditors

The creditors figure can be analysed as follows:

Balance at 1.4.04 £(000)		Balance at 31.3.05 £(000)
	<b>Taxpayers</b>	
1,558	Council Tax	1,454
6	Poll Tax	5
2,302	NNDR	3,668
	<b>Central Government</b>	
2,850	Government Departments	2,172
2,630	Inland Revenue	2,837
567	Business Rates Owed	-
	<b>Other</b>	
251	Housing Rents	154
20,965	Other Creditors	21,207
<u>31,129</u>	<b>Total Creditors</b>	<u>31,497</u>

### 11. Pensions Liability

As explained in note 8 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:

31.3.04 £(000)		31.3.05 £(000)
189,435	Estimated share of liabilities in scheme	246,987
(124,057)	Estimated share of assets in scheme	(143,204)
<u>65,378</u>	Council's net liability	<u>103,783</u>

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £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 31.3.04		As at 31.3.05
% pa		% pa
2.80	Rate of Inflation	2.90
4.30	Rate of increase in salaries	4.65
2.80	Rate of increase in pensions	2.90
6.30	Rate for discounting scheme liabilities	5.40

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 31.3.04			As at 31.3.05	
£(000)	%		£(000)	%
95,896	77.3	Equities	110,266	77.0
15,135	12.2	Government Bonds	16,612	11.6
7,071	5.7	Other Bonds	8,879	6.2
-	-	Property	-	-
5,955	4.8	Other	7,447	5.2
<u>124,057</u>	<u>100.0</u>		<u>143,204</u>	<u>100.0</u>

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

As at 31.3.04		As at 31.3.05
% pa		% pa
7.50	Equities	7.50
4.70	Government Bonds	4.70
5.50	Other Bonds	5.40
6.50	Property	6.50
4.00	Other	4.75

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

2003/04		2004/05
£(000)		£(000)
81,574	Net pensions liability at 1 April	65,378
	Movement in year	
6,938	Current service cost	9,668
(9,802)	Employer contributions (including unfunded retirement benefits)	(10,967)
1,102	Past service cost/curtailment costs	894
10,528	Interest costs	12,189
(6,597)	Expected return on assets in the scheme	(8,800)
(18,365)	Actuarial (Gain)/Loss	35,421
<u>65,378</u>	Net pensions liability at 31 March	<u>103,783</u>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 12. Provisions

The following table summarises the Provisions held:

Balance at 1.4.04 £(000)		Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.05 £(000)
(1,456)	Insurance Fund - General	1,104	(798)	(1,150)
(323)	Miscellaneous	66	(1,400)	(1,657)
<u>(1,779)</u>		<u>1,170</u>	<u>(2,198)</u>	<u>(2,807)</u>

The general insurance provision is held to meet future potential liabilities in respect of claims outstanding but not received covering a period of several years. The size of the provision is based on information supplied by the Council's insurers. The miscellaneous provisions held are for potential payments to employees dependant upon the outcome of current and possible future legal action, a sum to provide funds that may arise as a consequence of the closure of the special schools in York as well as a small provision for outstanding appeals against the banding for Council Tax purposes. The employees' provision includes a sum for claims for part-time employees who, in the past, were denied access to the North Yorkshire Pension Fund. A number of claims have been lodged with the Employment Tribunal that the affected people were not informed when the Pension Fund rules were changed to admit part-time staff. The outcome of these cases is as yet unknown. If the claims are accepted the Council will be potentially liable for the cost of the pension benefits which were denied to these employees. However, the liability for a proportion of these claims, if accepted, may fall to North Yorkshire County Council, but this Council will be liable for any valid claims from the Museum's Trust. These costs cannot accurately be measured at this time.

### 13. 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 5 on page 48.

In addition, there are liabilities for discounts received from restructuring long-term debt 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 1.4.04 £(000)		Expenditure During Year £(000)	Written off to Revenue in Year £(000)	Balance at 31.3.05 £(000)
(25,701)	1996 Transferred Assets	-	1,224	(24,477)
(305)	Loan Restructuring Discounts	-	40	(265)
(2,613)	Finance Leases	923	-	(1,690)
<u>(28,619)</u>		<u>923</u>	<u>1,264</u>	<u>(26,432)</u>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 14. Deferred Credits

These are amounts receivable in respect of the sale of assets where the monies due will be received in instalments over an agreed period of time. They arise principally from mortgages on sales of council houses.

### 15. 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 reserve is adjusted to reflect writing out the net book value of assets disposed of and capital expenditure that has not resulted in an increase in asset values.

2003/04				2004/05		
General Fund Services £(000)	Housing Revenue Account £(000)	Total £(000)		General Fund Services £(000)	Housing Revenue Account £(000)	Total £(000)
(218,430)	(152,679)	(371,109)	<b>Balance at 1 April</b>	(222,624)	(232,812)	(455,436)
<u>(10,372)</u>	<u>(93,496)</u>	<u>(103,868)</u>	(Surplus)/Deficit on	<u>(6,077)</u>	<u>(49,895)</u>	<u>(55,972)</u>
(228,802)	(246,175)	(474,977)	revaluation of fixed assets	(228,701)	(282,707)	(511,408)
			Less: Disposal of fixed			
<u>2,536</u>	<u>6,976</u>	<u>9,512</u>	assets	<u>980</u>	<u>4,258</u>	<u>5,238</u>
(226,266)	(239,199)	(465,465)	Less: Expenditure in year	(227,721)	(278,449)	(506,170)
			which does not increase			
<u>3,642</u>	<u>6,387</u>	<u>10,029</u>	value of assets	<u>3,822</u>	<u>7,432</u>	<u>11,254</u>
(222,624)	(232,812)	(455,436)	<b>Balance at 31 March</b>	(223,899)	(271,017)	(494,916)

### 16. 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 1.4.04		Receipts During Year	Transfer to AMRA in Year	Balance at 31.3.05
£(000)		£(000)	£(000)	£(000)
(5,430)	Deferred Government Grants	(2,053)	278	(7,205)
<u>(2,143)</u>	Deferred Developers Contributions	<u>(948)</u>	<u>60</u>	<u>(3,031)</u>
(7,573)		(3,001)	338	(10,236)

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 17. 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. The entry 'prudent charge for finance leases' has been introduced as a consequence of the change in definition of some leases to finance leases. It is offset by an increase in the value of the transfer to CRA figure for 2003/04.

2003/04		2004/05
£(000)		£(000)
(129,612)	<b>Balance at 1st April</b>	(132,888)
(4,741)	Add: Capital Receipts set aside in year	(3,300)
(1,398)	Set aside in year	(2,056)
(933)	Prudential charge for finance leases	(923)
(136,684)		(139,167)
(1,824)	Add: Capital Financing in year	
(10,793)	- Usable Capital Receipts	(10,684)
-	- Grants & Contributions	(9,623)
(129)	- Revenue Contributions - Housing	(44)
(892)	- Revenue Contributions - Other Departments	(169)
(1,224)	- Contributions from internal funds	-
(14,862)	- Other Authority Debt Repayment	(1,224)
(151,546)		(21,744)
10,482	Less: Expenditure in year	
2	Transfer to CRA	12,367
1,506	Application for Housing Loans	1
223	Transfer to Deferred Capital Grants	2,053
4,213	Transfer to Deferred Developers	
2,232	Contributions	948
18,658	Transfer to Major Repairs Reserve	4,261
(132,888)	Repayment of LGR SCA	-
		19,630
	<b>Balance at 31st March</b>	(141,281)

The three items above identified as 'set aside in year', 'prudent charge for finance leases' and 'transfer to CRA' are shown as a net figure on the Consolidated Revenue Account as contribution from Capital Financing Account.

### 18. 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

### 19. Usable Capital Receipts

Under statute it is 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.

2003/04		2004/05
£(000)		£(000)
(4,364)	Balance at 1 April	(7,956)
(10,672)	Receipts in year from sale of assets	(7,226)
515	Receipts in year from other bodies	(664)
-	Receipts in year from sale of shares	(64)
<u>(14,521)</u>		<u>(15,910)</u>
4,741	Less: reserved proportion	3,300
<u>(9,780)</u>	Available Usable Receipts	<u>(12,610)</u>
1,824	Receipts applied during the year	10,684
<u>(7,956)</u>	Usable Capital Receipts Unapplied at 31 March	<u>(1,926)</u>

### 20. 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 14 to the Housing Revenue Account on page 36.

Balance at		Expenditure	Income	Balance at
1.4.04		During Year	During Year	31.3.05
£(000)		£(000)	£(000)	£(000)
<u>(782)</u>	Major Repairs Reserve	<u>8,084</u>	<u>(8,609)</u>	<u>(1,307)</u>
<u>(782)</u>	Total	<u>8,084</u>	<u>(8,609)</u>	<u>(1,307)</u>

### 21. DLO Reserve

The following summarises the movement in the Direct Labour Organisation Reserve. The detail of the surpluses and deficits on the individual trading accounts are shown in more detail on pages 69 and 70.

Balance at		(Surplus)/	Transfer to/	Balance at
1.4.04		Deficit in	(from) Reserves	31.3.05
£(000)		Year	& General Fund	£(000)
£(000)		£(000)	£(000)	£(000)
<u>(322)</u>	DLO Reserve	<u>214</u>	<u>(180)</u>	<u>(288)</u>
<u>(322)</u>	Total	<u>214</u>	<u>(180)</u>	<u>(288)</u>

### 22. 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

### 23. Earmarked Reserves

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

Balance at 1.4.04 £(000)	Account	Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.05 £(000)
<b>Reserves</b>				
(1,214)	Investment Reserves	6	-	(1,208)
(4,812)	Education Delegated School Reserves	82	(512)	(5,242)
(1,774)	Venture Fund	677	(371)	(1,468)
(2,633)	Developers Contributions Unapplied	667	(804)	(2,770)
(4,401)	Miscellaneous	2,341	(2,890)	(4,950)
<u>(14,834)</u>		<u>3,773</u>	<u>(4,577)</u>	<u>(15,638)</u>
(1,627)	<b>Capital Reserve</b>	-	(1,178)	(2,805)
<u>(16,461)</u>		<u>3,773</u>	<u>(5,755)</u>	<u>(18,443)</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 8 (9) schools with deficit rather than surplus balances at a total deficit of £869k (£666k).

### 24. 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 2005 the reserves stood at £1.001m (£1.318m).

### 25. 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 1.4.04 £(000)		Balance at 31.3.05 £(000)
291,141	General Fund	258,312
276,005	Housing Revenue Account	317,561
498	Direct Service Organisations	471
<u>567,644</u>		<u>576,344</u>

### 26. 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.

2003/04 £(000)		2004/05 £(000)
2,506	Value at 1 April	2,613
1,040	Additions	-
-	Revaluations	-
(933)	Depreciation	(923)
-	Disposals	-
<u>2,613</u>	Value at 31 March	<u>1,690</u>



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Finance Leases cont'd

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 1.4.04 £(000)	Year	Balance at 31.3.05 £(000)
923	2004/05	-
656	2005/06	656
347	2006/07	347
232	2007/08	232
32	2008/09	32
28	2009/10	28
<u>2,218</u>		<u>1,295</u>

### 27. Operating Leases

The Council is committed to make lease payments totalling £2.198m (£1.637m) as shown below:

Balance at 1.4.04 £(000)	Year	Balance at 31.3.05 £(000)
470	2004/05	-
442	2005/06	746
411	2006/07	715
212	2007/08	514
61	2008/09	182
41	2009/10	41
<u>1,637</u>		<u>2,198</u>

With regard to the Council's activity as lessor (landlord), the gross value of assets held for use under operating leases was £60.897m at 31 March 2005. The depreciation charged on these properties in 2004/05 was £1.522m.

### 28. 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).

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Contingent Liabilities cont'd

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. In the Council's view the likelihood of such payments becoming due is still a possibility and not a probability, but the position will be kept under review.

### 29. Trust Funds

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

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

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

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

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

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

Balance at 1.4.04 £(000)		Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.05 £(000)
(18)	James Cox Automoton Clock	-	(1)	(19)
(18)	Edmund Wilson Trust	-	(1)	(19)
(49)	Ismay Trust	-	(2)	(51)
(42)	Haughton/Gardiner Trust Fund	2	(2)	(42)
(60)	Strensall & Towthorpe Village Trust	-	(3)	(63)
(67)	Other Funds	34	(32)	(65)
(254)		36	(41)	(259)

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 30. 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 19, 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.

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	£12.4m
Loans to/(from) CYC	None
Profit for period to 31.3.05	
(a) Before tax	£2.7m
(b) After tax	£1.9m
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 £4.147m including Landfill Tax of £1.432m (£2.715m net of Landfill Tax), and at 31 March 2005 there was a creditor balance of £816k (£585k). In addition the Council provides services to Yorwaste Limited that totalled £1.630m (£397k) during 2004/05. There was a debtor outstanding at 31 March 2005 of £165k (£65k).

### 31. 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.

### 32. Post Balance Sheet Events

The Council dwellings held by the Housing Revenue Account are revalued annually on 1 April. The increase in value on 1 April 2005 was £30.85m.

With effect from 1 April 2005 the government has determined that the operational costs of the Magistrates service will be transferred from local government to the Department for Constitutional Affairs. The costs to be borne by City of York Council in future will only be the ongoing cost of prior years capital debt repayment.

In August 2005 Her Majesty's Revenue and Customs issued a formal ruling on the tax and national insurance contribution treatment of certain compensation payments in relation to settlement of pay claims. The impact of this is set out in the section on contingent liabilities.

## CASH FLOW STATEMENT

2003/04 £(000)	Note	2004/05 £(000)	£(000)
	<b>Revenue Activities</b>		
	Cash Outflow:		
	Cash paid to and on behalf		
150,898	of employees	161,096	
89,876	Other operating cash payments	113,042	
11,134	Housing Benefit paid out	24,092	
63,565	NNDR payment to Pool	63,820	
-	Payments to the Capital		
-	Receipts Pool	3,271	
<u>10,209</u>	Precepts paid	<u>14,524</u>	
<u>325,682</u>			379,845
	Cash Inflow:		
(12,634)	Rent (after rebates)	(26,457)	
(55,372)	Council Tax income	(61,999)	
(60,336)	Non-Domestic rate income	(59,775)	
(54,927)	Receipt from NNDR Pool	(50,943)	
(45,361)	Revenue Support Grant	(51,761)	
(16,004)	DWP grants for rebates	(31,551)	
(39,537)	Other government grants	(35,232)	
(19,864)	Cash received for goods		
(30,337)	and services	(19,617)	
<u>(334,372)</u>	Other operating cash income	<u>(38,593)</u>	
<u>(8,690)</u>			<u>(375,928)</u>
	<b>Revenue Activities Net Cash Flow</b>		<u>3,917</u>
	<b>Dividends from Joint Ventures and Associates</b>		
	Cash Inflow:		
<u>(307)</u>	Dividends received	<u>(307)</u>	<u>(307)</u>
	<b>Returns on Investments and Servicing of Finance</b>		
	Cash Outflow:		
2,879	Interest paid	3,114	
149	Interest on finance lease		
<u>3,028</u>	rental payments	<u>160</u>	
		3,274	
	Cash Inflow:		
(615)	Interest received	(220)	
<u>2,413</u>			
	<b>Return on Investments and Servicing of Finance Net Cash Flow</b>		<u>3,054</u>
	<b>Capital Activities</b>		
	Cash Outflow:		
25,585	Purchase of fixed assets	(3) 33,050	
-	Purchase of long-term investments	(4) -	
<u>2,820</u>	Other capital cash payments	(5) <u>3,530</u>	
28,405		36,580	
	Cash Inflow:		
(9,800)	Sale of fixed assets	(6) (11,161)	
(9,363)	Capital Grants received	(7) (11,016)	
(736)	Other capital cash receipts	(1,509)	
-	Sale of long-term investments	(70)	
<u>8,506</u>			
	<b>Capital Activities Net Cash Flow</b>		<u>12,824</u>
<u>1,922</u>	<b>Net Cash (Inflow)/Outflow before Financing</b>		<u>19,488</u>

## CASH FLOW STATEMENT

2003/04 £(000)		Note	2004/05 £(000)	£(000)
	<b>Management of Liquid Resources</b>	(8)		
-	Net (increase)/decrease in short term deposits	(9)		-
-	Net (increase)/decrease in other liquid resources	(9)		-
<u>3,470</u>	Short-Term Investments	(9)		<u>(15,600)</u>
<u>3,470</u>				<u>(15,600)</u>
	<b>Financing</b>	(8)		
	Cash Outflow:			
14,900	Repayments of amounts borrowed	(9)	-	
<u>933</u>	Capital element of finance lease rental payments	(9)	<u>923</u>	
15,833			923	
	Cash Inflow:			
<u>(26,200)</u>	New loans raised	(9)	(7,000)	<u>(6,077)</u>
<u>(10,367)</u>				<u>(6,077)</u>
4,975	<b>Increase/(Decrease) in cash</b>	(9) & (10)		2,189
<u>(1,922)</u>				<u>(19,488)</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		438
Non-cash transactions		
Provisions set aside		
- Insurance Fund	(305)	
- Other Provisions	(723)	
- Bad/Doubtful Debts	(1,201)	
Contributions (to)/from reserves		
- Collection Fund	875	
- HRA	(1,838)	
- MRR	(525)	
- Other Earmarked	(1,948)	(5,665)
		(5,227)
Items on an accruals basis		
Increase/(decrease) in stocks and works in progress	(162)	
Increase/(decrease) in debtors	7,820	
(Increase)/decrease in creditors	(368)	
Increase/(decrease) in prepayments	-	7,290
		2,063
Items included in another classification in the Cash Flow Statement		
Capital Activities	5,524	
Investment Income/Finance Leasing Payments	(3,670)	1,854
		3,917

### 2. Other Government Grants

The other revenue grants figure includes the following:

	£(000)
Housing Benefits Administration	(802)
Schools Standard Support Grant	(2,717)
Education Standards Fund	(5,401)
Sure Start (Early Years)	(958)
Preserved Rights	(2,564)
Supporting People	(8,900)
Learning and Skills Council	(5,066)
Access and Systems Capacity	(1,463)
Residential Allowance	(1,094)
Teachers Pay Reform	(3,905)
Mental Health Grants	(493)
Other Miscellaneous	(1,869)
Total	(35,232)

### 3. Purchase of Fixed Assets

This figure comes from Note 2 to the Consolidated Balance Sheet, excluding internal salaries of £2.868m.

### 4. Purchase of Long-Term Investments

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

## NOTES TO THE CASH FLOW STATEMENT

### 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)
Disabled Facilities Grant	(375)
Major Repairs Allowance	(3,736)
Education Devolved and Condition Grants	(2,115)
Education NDS Modernisation Grants	(1,615)
Other Miscellaneous	(3,175)
<b>Total</b>	<b><u>(11,016)</u></b>

### 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 1.4.04 £(000)	Balance 31.3.05 £(000)	Movement in Year £(000)
<i>Management of Liquid Resources</i>			
Temporary Investments	28,250	12,650	(15,600)
Temporary Loans	-	-	-
	<u>28,250</u>	<u>12,650</u>	<u>(15,600)</u>
<i>Financing</i>			
Long-Term loans due within 12 months	-	4,000	(4,000)
Long-Term Loans	73,365	76,365	(3,000)
	<u>73,365</u>	<u>80,365</u>	<u>(7,000)</u>

### 9. Movement in Net Debt

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

	Balance 1.4.04 £(000)	Balance 31.3.05 £(000)	Movement in Year £(000)
Cash-in-hand and at bank	6,939	9,128	2,189
Long-Term Loans	(73,365)	(80,365)	(7,000)
Temporary Loans	-	-	-
Temporary Investments	28,250	12,650	(15,600)
<b>Total net debt</b>	<b><u>(38,176)</u></b>	<b><u>(58,587)</u></b>	<b><u>(20,411)</u></b>

<b>NOTES TO THE CASH FLOW STATEMENT</b>
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**10. Movement in Cash**

The following shows the movement in cash in the year:

	Balance 1.4.04 £(000)	Balance 31.3.05 £(000)	Movement in Year £(000)
Cash-in-hand	60	62	2
Schools Cash at Bank	8,363	9,406	1,043
Cash Overdrawn	(1,484)	(340)	1,144
	6,939	9,128	2,189



## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2003/04 £(000)	Note	2004/05 £(000)      £(000)	
		<b>Movement in Revenue Resources</b>	
		(Surplus)/deficit for the year in Fund balances	
	(1)		
1,338		438	
(802)		(1,838)	
842		875	
1,333		(1,948)	
2,169		2,984	
<u>(18,365)</u>	(2)	<u>35,421</u>	
		<b>Total (increase)/decrease in revenue resources</b>	
<u>(13,485)</u>			35,932
		<b>Movement in Realised Capital Resources</b>	
	(3)	(Increase)/decrease in usable capital receipts	
(3,592)		6,030	
		(Increase)/decrease in unapplied capital grants and contributions	
<u>694</u>		<u>399</u>	
		<b>Total increase/(decrease) in realised capital resources</b>	
<u>(2,898)</u>			6,429
		<b>Movement in Unrealised Value of Fixed Assets</b>	
	(4)	(Gains)/losses on revaluation of fixed assets	
<u>(93,839)</u>		<u>(44,718)</u>	
		<b>Total (increase)/decrease in unrealised value of fixed assets</b>	
<u>(93,839)</u>			(44,718)
		<b>Value of Assets Sold, Decommissioned or Realised</b>	
	(4)	<b>Value of assets sold, disposed of or decommissioned</b>	
<u>9,512</u>			5,238
		<b>Movement in Amounts to be used to Finance Capital Investment</b>	
	(5)	Capital receipts set aside	
(20,913)		(27,810)	
17,637		19,417	
(1,288)		(1,775)	
(166)		(888)	
<u>99</u>	(6)	<u>(525)</u>	
		<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	
<u>(4,631)</u>			(11,581)
<u>(105,341)</u>			<u>(8,700)</u>
		<b>Total recognised gains and losses</b>	
(462,303)			(567,644)
<u>(105,341)</u>			<u>(8,700)</u>
<u>(567,644)</u>			<u>(576,344)</u>
		<b>Total Equity at 1 April</b>	
		In year activity	
		<b>Total Equity at 31 March</b>	

## 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 2004/05	438	(1,838)	875	(1,948)	-
Appropriation to/from revenue	-	-	-	-	2,984
Actuarial gains and losses relating to pensions	-	-	-	-	35,421
<b>Total movement in revenue resources</b>	<b>438</b>	<b>(1,838)</b>	<b>875</b>	<b>(1,948)</b>	<b>38,405</b>
Opening balance at 1 April	(6,843)	(3,017)	(1,283)	(16,783)	65,378
Closing balance at 31 March	(6,405)	(4,855)	(408)	(18,731)	103,783

Details of the earmarked revenue reserves are shown in note 10 to the consolidated revenue account on page 24.

### 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	
	£(000)	%	£(000)	%	£(000)	%
Differences between expected and actual return on assets	34,844	20.7	(18,365)	9.9	(10,433)	4.4
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	45,278	18.8
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>	

## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

### Actuarial Gains and Losses cont'd

	Unfunded Teachers Pensions					
	2002/03		2003/04		2004/05	
	£(000)	%	£(000)	%	£(000)	%
Differences between expected and actual return on assets	-	-	-	-	(83)	1.4
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	659	11.3
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-	-	-	-
Increase/(Decrease) in Liabilities	<u>-</u>		<u>-</u>		<u>576</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)
<b>Movements in realised capital resources</b>			
Amounts receivable	(4,654)	(9,508)	(1,508)
Amounts applied to finance new capital investment	<u>10,684</u>	<u>9,907</u>	<u>1,508</u>
<b>Total increase/(decrease) in realised capital resources</b>	<b>6,030</b>	<b>399</b>	<b>-</b>
Opening balance at 1 April	<u>(7,956)</u>	<u>(461)</u>	<u>-</u>
Closing balance at 31 March	<u>(1,926)</u>	<u>(62)</u>	<u>NIL</u>

### 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)
<b>Movements in unrealised value of fixed assets</b>	
(Gains)/losses on revaluation of fixed assets	<u>(44,718)</u>
<b>Total increase/(decrease) in unrealised capital resources</b>	<b>(44,718)</b>
<b>Value of assets sold, disposed of or decommissioned</b>	
Amounts written off fixed asset balances for disposals	<u>5,238</u>
<b>Total movement on reserve</b>	<b>(39,480)</b>
Opening balance at 1 April	<u>(455,436)</u>
Closing balance at 31 March	<u>(494,916)</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)
<b>Movements in amounts set aside to finance capital expenditure</b>				
Capital receipts set aside				
- reserved receipts	(6,279)	-	-	
- usable receipts applied	(21,531)	-	-	
<b>Total capital receipts set aside</b>	<b>(27,810)</b>	<b>-</b>	<b>-</b>	<b>(27,810)</b>
Revenue resources set aside				
- capital expenditure financed from revenue	(213)	-	-	
- reconciling amount for provisions for loan repayment	19,630	-	-	
<b>Total revenue resources set aside</b>	<b>19,417</b>	<b>-</b>	<b>-</b>	<b>19,417</b>
Grants applied to capital investment	-	(2,053)		
Contribns applied to capital investment			(948)	
Applied to AMRA	-	278	60	
<b>Movement on Grants and Developers Contributions Deferred</b>	<b>-</b>	<b>(1,775)</b>	<b>(888)</b>	<b>(2,663)</b>
<b>Total (increase)/decrease in amounts set aside to finance capital investment</b>	<b>(8,393)</b>	<b>(1,775)</b>	<b>(888)</b>	<b>(11,056)</b>
<b>Total movement on reserve</b>	<b>(8,393)</b>	<b>(1,775)</b>	<b>(888)</b>	
Opening balance at 1 April	(132,888)	(5,430)	(2,143)	
Closing balance at 31 March	(141,281)	(7,205)	(3,031)	

### 6. Major Repairs Reserve

Details of the movement on this reserve are given in note 14 to the Housing Revenue Account on page 36.



## NOTES TO THE DIRECT SERVICE ORGANISATION ACCOUNTS

### 1. **Legislative Background**

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

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

### 2. **Building Maintenance**

This section has made a deficit of £211k against a turnover of £5.8m. The level of work from the internal housing contract was as expected for the year, however insufficient additional external income was earned to offset historic contract inflation, leading to a loss on the account.

### 3. **Civil Engineering**

This section has made a profit of £97k against a turnover of £5.9m. The workflow into the Civils section from the highways maintenance contract was ahead for the year, in part due to the extreme winter weather experienced in March. Expansion of the external customer base of the drainage section has added to the success of this account.

### 4. **Other Sections**

These sections have made a net deficit of £78k against a turnover of £14.6m. The deficit is largely due to the cleaning contracts where high levels of vacancies have led to additional overtime being worked and the use of agency staff in order to maintain the levels of the service.

### 5. **Leisure Management**

The closure of the Barbican Centre has led to the decision to re-absorb these functions within the Leisure and Heritage portfolio revenue account. The costs are therefore included in the Consolidated Revenue Account in that area.

### 6. **Quality Assurance costs**

Members approved expenditure of up to £100k to develop the structure of the DLO to become a Quality assured provider. Of this sum, £78k was spent in 2003/04 with the remaining £22k being spent in 2004/05. 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.

## 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.

### **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.

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

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

### **Asset**

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

### **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.

## GLOSSARY

### **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).

### **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.



## GLOSSARY

### **Community Assets**

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

### **Community Charge**

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

### **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.

### **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.

## GLOSSARY

### **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.

### **Curtailement**

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 of 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 Credits**

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

### **Deferred Debtors**

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

### **Deferred Liabilities**

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

### **Defined Benefit Pension Scheme**

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

### **Defined Contribution Pension Scheme**

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

## GLOSSARY

### **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).

### **Emoluments**

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

### **Exceptional Items**

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

### **Expected Rate of Return on Pension Assets**

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

### **Extraordinary Items**

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

### **Fees and Charges**

Income arising from the provision of services.

### **Financial 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.

## GLOSSARY

### **Fixed Assets**

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

### **General Fund**

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

### **Going Concern**

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

### **Government Grants**

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

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

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Fixed Asset**

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

### **Interest Cost**

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

### **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 on 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.

## GLOSSARY

### **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.

### **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 Civic Democratic & Legal 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 investments 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.

## GLOSSARY

### **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).

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

Those material adjustment 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.

## GLOSSARY

### **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.

### **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.

## **GLOSSARY**

### **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 and 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 Asset**

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.

### **Unapportionable Central Overheads**

These are overheads for 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.



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