



STATEMENT OF ACCOUNTS

Year ended 31 March 2004

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 2003/04.

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 out-turned within budget, has enhanced service quality in several areas and has avoided cuts in street level service standards. In addition to this, balances have been retained 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:

- Now the top performing Local Education Authority (independent audit)
- Overcame the logjam on York Central development which will now provide 3,000 new homes for York residents
- Record low numbers of unemployed
- York Pride campaign has produced a cleaner City and one where both business and the community are voluntarily taking more responsibility for improving standards
- Funding for central York Business Improvement District secured
- Barbican scheme piloted through difficult planning process
- Crime now falling (down 12% so far this year) underpinned by council innovations including 24 hour CCTV coverage, alleygating, target hardening fund, etc.
- “Bed blocking” eliminated by end of last financial year
- Most generous ever range of pensioners travel concessions introduced in April
- New forms of transport being trialled in the City (e.g. electric buses)
- Largest ever road resurfacing programme started.

York has achieved this despite having the 5th lowest level of government grant support in the country and the 10th lowest Council Tax.

Looking back at our first year of administration, I feel that we have made some significant progress in a number of important areas. However, much of this has been about establishing the right foundations on which to deliver better services in the areas that matter most to our residents.

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 is about making sure that residents are able to take pride in their own street, neighbourhood and city. This means making a real difference to the cleanliness and condition of our physical environment. The work we have already done in and around the city centre has been noticed, with customer satisfaction rising in areas of local cleanliness. However, we now need to start engaging residents at a local ward level, through the introduction of Community Pride.

INTRODUCTION BY THE LEADER

Progress on Safe City has been less extensive and this is an area where I would like to see significant improvement over the next 12 months. Safe City is about making people feel safer on the streets and in their homes. More specifically, it means visibly tackling anti-social behaviour such as criminal damage, graffiti and nuisance offences, in and around York. Anti-social behaviour affects and is affected by, our physical environment and improvements made here should have knock on effects for York Pride and making York a more pleasant place to work and live.

Raising customer satisfaction and perception

Although we measure a significant number of performance indicators across the Council, the ones that tell us whether our residents are feeling the improvement we deliver, are those that measure customer satisfaction and perception. Therefore, I'm particularly keen that these are considered along side the service improvement actions and targets we set and monitor.

Transforming York has already made some improvements to the way we plan and manage the Council's business. This year I'm particularly keen to improve the way we manage performance, not just around our priorities, but also at an Executive portfolio level. This will help better align responsibility to help tackle the areas that are most in need of improvement.

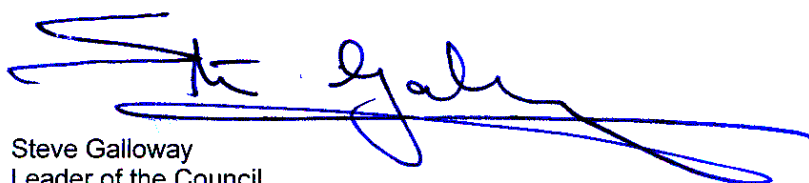
Resources

I feel it's important to invest in the well-being and development of our staff. Given that our human resource makes up nearly 80% of our total budget, it's evident that staff are crucial to delivering continuous improvement and raising customer satisfaction. At the same time, we are facing major financial challenges over the coming year. We are already the lowest spending unitary authority, and our forecast spend against funding gap is £9m for 2005/06 and £7m for 2006/07. This means we will have to manage our resources even more carefully if we are to reduce costs and deliver the necessary performance improvements.

Community Strategy

Finally, I want to highlight the importance of the new Community Strategy, which has been launched in July this year. This represents the long term aspirations of the city and has been produced through Without Walls, a Local Strategic Partnership which includes some of most influential organisations in the city. It's important that people have confidence in the long term future of the city and this will require us to make changes in the way we plan and deliver our services. Safer City is just one example of where we must work closely with our key partners if we are to effectively tackle anti-social behaviour and crime in the long term.

I look forward to working to ensure that we see the Council through the forthcoming challenges. I am confident that we can continue to deliver the improvements needed to make the City of York an excellent Council and one that we can all be proud of.



Steve Galloway
Leader of the Council

FOREWORD

Foreword by the Director of Resources

1. INTRODUCTION

The purpose of the foreword is to provide an easily understandable guide to the most significant matters reported in the City of York Council's Accounts. The pages which follow are the Council's final accounts for 2003/04 and comprise:

The Statement of Responsibilities

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

The Statement on 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 and North Yorkshire Police 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 Service Organisations Revenue and Appropriation Accounts

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

2. CONSOLIDATED REVENUE ACCOUNT

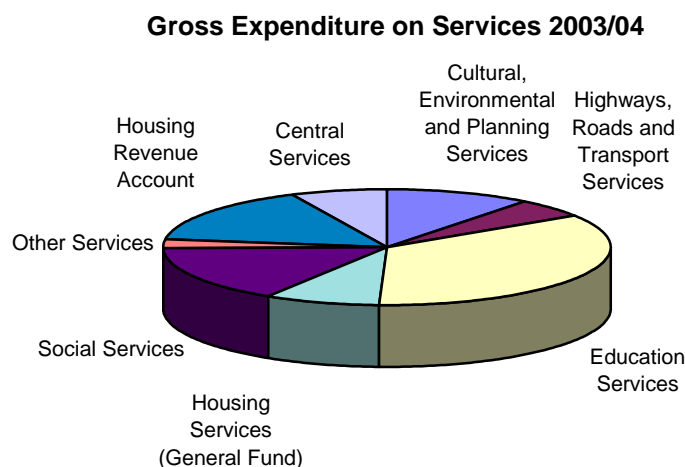
Despite continuing pressures on public sector expenditure, the Council has been able to maintain and improve Council services in a number of areas. Growth of £4.013m was approved in the 2003/04 budget process, although this was accompanied by savings of £3.397m.

The Council's General Fund budget for its own net expenditure was set at £153.240m, after the assumed use of £1.711m from general fund balances. To this sum the parish precepts added a further £0.480m.

During the year Members approved additional net expenditure totalling £2.651m, 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 2002/03 and the transfer of money to earmarked reserves for specified purposes. The revised budget before the use of balances was therefore £157.602m, with the use of balances amounting to £4.362m.

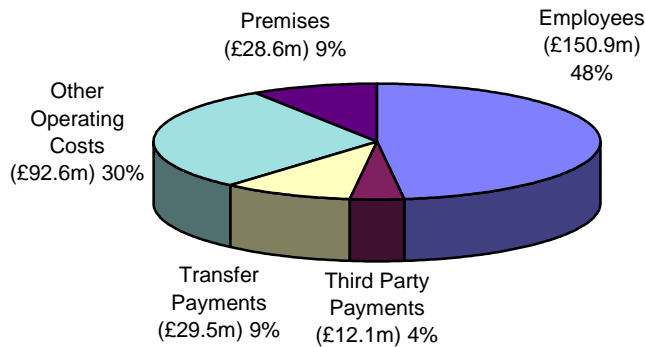
The out-turn position is net expenditure, including parish precepts, of £155.058m, an underspend of £3.025m. A large proportion of the net underspend is the result of one-off events that cannot be expected to recur in future financial years, e.g. backdated rate rebates (£1.274m), specific contingency provisions not being needed in full in the year (£653k) and the impact of needing to pay lower interest rates on borrowing and having higher average cash balances during the year (£336k). Of the remainder, Members have already agreed that £0.759m can be spent in 2004/05 to complete projects that could not be finalised in 2003/04.

The Council's gross expenditure on services, as shown on the Consolidated Revenue Account on page 19, was £313.7m and the following diagrams show this on a service by service basis and by category of expenditure:



FOREWORD

How the Money Was Spent 2003/04

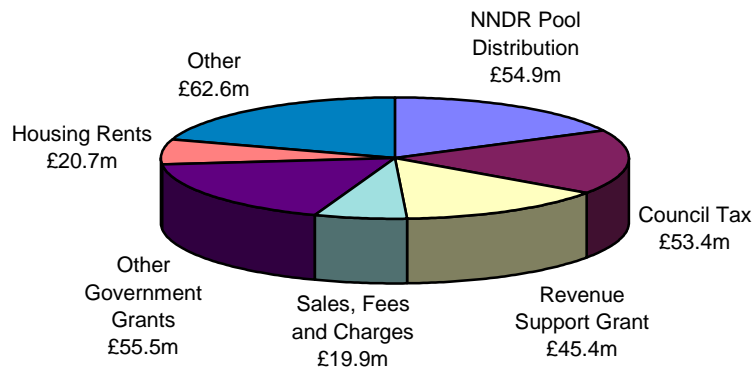


where employees costs include the full cost of employing all staff including teachers; third party payments include levies from the North Yorkshire Fire and Rescue Service, Environmental Agency and Internal Drainage Boards; and transfer payments relate principally to benefit payments and rent rebates.

Supporting People is the government's initiative to change the way support services were funded from April 2003. Funding routes via government agencies and Housing Benefit were removed and a Supporting People grant is paid to, and administered by, the Council. Three yearly reviews of all Supporting People services is required through the Supporting People strategy. During 2003/04 the Council spent £8.8m, received grant of £9.5m with a balance of £0.7m to carry forward into 2004/05.

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 £312.4m, £1.3m less than was needed to fund expenditure. The shortfall is funded from general fund balances, which now total £6.843m. Members have already budgeted to use £0.5m of these to balance the 2004/05 General Fund budget and £0.8m to finance work which was budgeted to be completed in 2003/04, but which could not be completed in the year, with a further £0.4m for one-off expenditure items that have already occurred in 2004/05.

The Council transferred £62.533m to schools via the Individual Schools budget (ISB), the Learning Skills Council (LSC) 6th form grant and Schools Standard Grant. In addition schools are also allowed to carry forward devolved capital and devolved standards fund money given to them by the government. Schools received £7.578m in these standards fund payments in 2003/04. 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 2003/04 this was a transfer from reserves of £255k, reducing the balances held to £4.812m. These balances can only be used by schools.

FOREWORD

3. HOUSING REVENUE ACCOUNT (HRA)

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

From 1 April 2001 the Council is required both to have business plans in place under the HRA Resource Accounting regulations and to report the HRA transactions in a 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 2003/04 revenue estimates were approved rents were increased by £1.45 per week or 3.11%, which was the government's guideline increase. The expenditure charged to the HRA for Housing Benefits was estimated to be £12.663m and the income from HRA subsidy was estimated to be £7.718m. Variations to these and other original budgets have resulted in a surplus of £3.017m at the year-end, which is an increase of £2.180m from that originally budgeted for. The most significant variations have resulted from:

	£(000)
(i) Reduction in the working balance brought forward from the previous year	(161)
(ii) Increase on repairs and maintenance contract prices	(301)
(iii) Reduced charges from departmental and support services	389
(iv) Reduced cost of Sheltered Housing	17
(v) Increased cost of providing single homeless accommodation	(57)
(vi) Increased cost of providing temporary accommodation	(9)
(vii) Increased provision for bad debts	(189)
(viii) Reduced revenue funding of capital programme	1,722
(ix) Reduced expenditure on Housing Benefits and reduced HRA subsidy	(278)
(x) Reduction in rental income from Council shops and houses	(465)
(xi) Additional interest on working balances and council house sales	51
(xii) Reduced capital charges	240
(xiii) Reduced cost of providing central warden service	23
(xiv) Net effect of other minor variations	40
(xv) Increased income from services and charges	1,158
	<u>2,180</u>

4. COLLECTION FUND

At 31 March 2004 the surplus on the Collection Fund is £1.283m although £203k of this is owed to the North Yorkshire Police Authority. In setting the 2004/05 Council Tax the Council's share of an estimated surplus was calculated as £1.040m, and the 2004/05 charge reflects the use of this sum to reduce the charge for the year. 93.5% of the total sum collectable for 2003/04 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 95.7% of the 2003/04 bills. Both of these were lower than in previous years due to the implementation during the year of a new computer system. The system is now fully operational and the recovery levels are expected to return to their former levels during 2004/05.

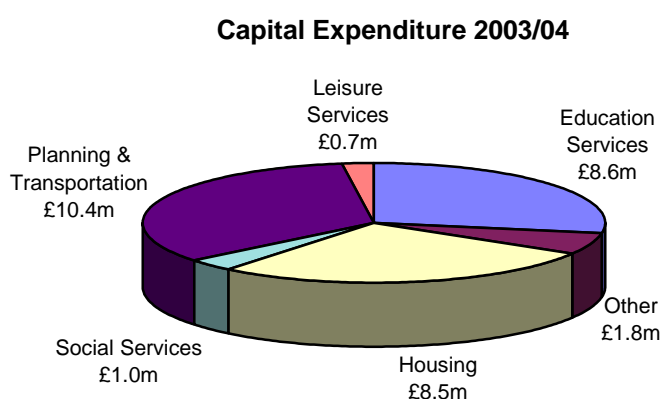
FOREWORD

5. CHANGES IN ACCOUNTING POLICIES

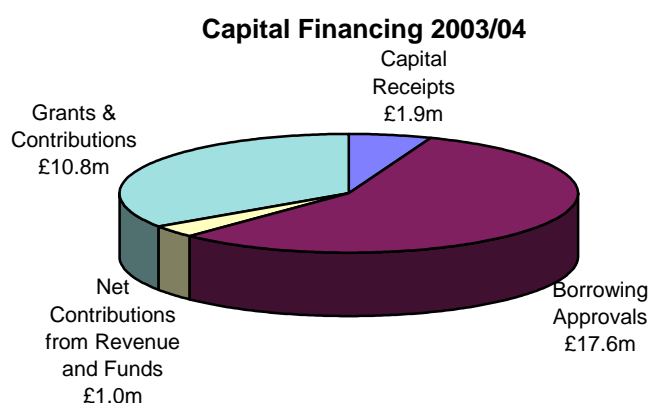
As set out in The Statement of Accounting Policies (policy number 5) the Council has fully implemented the pensions liability treatment under Financial Reporting Standard 17 (FRS17). This is a change from previous year's presentation, and the prior year figures for the Consolidated Revenue Account and the Balance Sheet have been restated to provide directly comparable figures.

6. CAPITAL EXPENDITURE

Total expenditure on capital schemes in 2003/04 was £31.0m gross (£25.7m) of which £1.4m (£1.7m) was accrued. The original budget for gross expenditure was £40.3m. However, due to re-programming some of the work, the final budget was £33.6m. There was therefore an underspend in the year of £2.6m, which will now be spent in 2004/05. An analysis of where the money was spent is shown diagrammatically below:



Funding for capital expenditure was raised to the value of £31.3m (which is the in year spend of £31.0m plus £1.7m for accruals for 2002/03 expenditure less £1.4m accruals for 2003/04). Funding for 2003/04 accruals will be raised in the 2004/05 financial year. An analysis of the sources of funding are shown diagrammatically below



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

- Modernising Council Housing (£4.1m)
- Local Transport Plan (£7m)
- NDS Condition Fund works on a variety of schools (£1.7m)
- Expenditure on the Fulford targeted capital project (£1.2m).

FOREWORD

7. SIGNIFICANT POINTS TO NOTE IN RESPECT OF THE BALANCE SHEET (Page 40)

There are two significant entries on the Council's Balance Sheet. The first is in relation to the increase in value of Fixed Assets (£101.2m), with a similar increase in the value of the Fixed Asset Restatement Reserve. This is mainly due to the desktop valuation of Council houses at 1 April 2004, when the value of the dwellings increased by £99.9m.

Pensions

FRS17 has been phased into local government accounts over the last two years, and 2003/04 is the first year that the full impact is seen. The requirements, as they affect the Balance Sheet, are that the future liabilities of the Council in respect of meeting employee-earned pension entitlements are now fully incorporated into the balance sheet. The position at 31 March 2004 is that the Council's share of the North Yorkshire Pension Fund's deficit is £60.650m, with a further liability of £4.728m for former teachers. This gives a total balance sheet entry of £65.378m. The deficit has been calculated by the Fund's actuaries based on assumptions about events and circumstances in the future.

8. BORROWING FACILITIES AND CAPITAL BORROWING

The ability to borrow in 2003/04 was governed by the Local Government and Housing Act 1989, and subsequent Capital Regulations issued from time to time (1990, 1995 and 1997). The Council may increase its total long term borrowing by no more than the Borrowing Approvals issued to it by central government. However, the amount borrowed can be any figure either at or less than this maximum.

Although the Council may borrow from a number of market institutions, the majority of money is borrowed from the Public Works Loans Board (PWLB). The amount that can be borrowed from the PWLB in any year is the estimate of capital approvals awarded and used, plus any sums required to refinance maturing PWLB loans, plus or minus an adjustment carried over from the previous year relating to the difference between estimated and actual borrowing approvals. For 2003/04 the PWLB quota calculation for the City of York Council was:

	£(000)
Actual utilisation of Borrowing Approvals Awarded	17,622
Allowance for refinancing of maturing PWLB loans	1,700
Previous year adjustment (brought forward)	1,816
Additional Quota awarded for Debt Restructure	-
Total Available PWLB Quota	<u>21,138</u>
Utilised Quota	13,000
Quota unborrowed at end of 2003/04	8,138

Three drawdowns against quota (new loans) of £5.0m, £4.0m and £4.0m were made to support in-year capital expenditure and take advantage of low interest rates. The average rate of interest on all long-term loans at 1 April 2003 was 5.03% and at 31 March 2004 was 4.86%.

A quota of £8.1m remained unborrowed at 31 March 2004. Unlike previous years, this quota may not be carried forward. The Prudential Code for Capital Finance in Local Authorities came into force on 1 April 2004. Under it, credit approvals no longer exist and local authorities are free to borrow as much as they like provided that it is prudent, affordable and sustainable. The government has said that it will support a certain level of borrowing through the Revenue Support Grant (RSG) and this is expected to be roughly equivalent to the previous level of credit approvals.

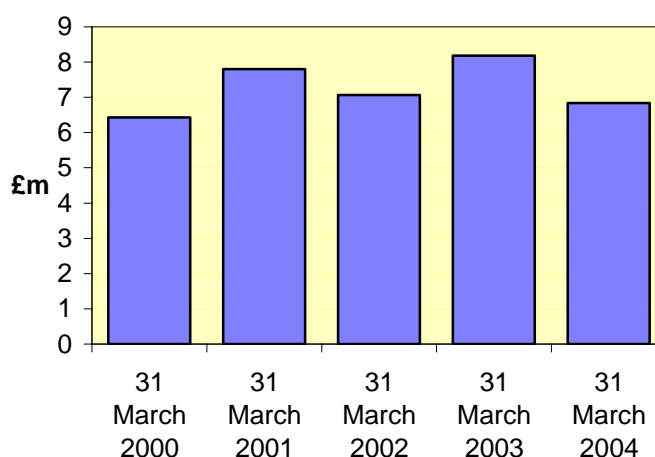
FOREWORD

9. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

At the completion of the audit of the 2002/03 accounts the revenue reserves stood at £31.5m. Revenue resources, excluding the Pensions reserve, at 31 March 2004 stand at £29.1m, including £4.8m for schools' accumulated reserves. It was expected that the overall level of revenue reserves would reduce by £4.6m during 2003/04, but in actual fact the reduction was only £2.4m. The main reasons that balances did not reduce as much as expected are: delays in planned expenditure on the general fund that will now be incurred in 2004/05, specific contingency provisions not required, net increase in interest earned and other non-recurring net savings. In compliance with the Education Reform Act 1988, individual school balances (ISB) will be carried forward into 2004/05. It is currently planned to use £3.6m of revenue reserves in 2004/05.

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.

Level of General Fund Revenue Reserves



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 £5.0m. The actual level of reserves that can be taken into account when being compared to this recommended level amount to £9.6m at 31 March 2004, including the general fund reserve. However, the planned and projected usage of these reserves during 2004/05 will reduce this to £7.0m.

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 Access to Services project.

FOREWORD

- Government decisions to change funding for service areas from specific annual grants to funding via the Formula Spending Share (FSS). In 2004/05 approximately £1.2m of Social Services grants moved into the FSS, whilst £2.0m was transferred out of FSS to other services, for the Environment Agency Levy and Council Tax and Housing benefits.
- The review of the Council's Corporate Objectives and establishment of 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.
- Transforming York aims to change the way the council does business, making it easier for staff across the Council to deliver improving high quality services to customers and achieve recognition as an 'excellent' Council. The Transforming York improvement programme was implemented as a 4 year change programmed to deliver organisational development. During 2003/04 the programme was developed by senior management and will now move into the delivery phase in 2004/05. The Programme is comprised of 5 elements: Transforming Vision, Transforming People Management, Transforming Decision Making, Transforming Service Planning and Performance, Transforming Service Improvement.
- 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.
- In the longer term the government's Balance of Funding Review could have a fundamental impact on the way in which local services are resourced for the future.

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.

Local Government Bill

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

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

Private Finance Initiatives (PFI)

The Council is working with the preferred bidder on the York Schools PFI scheme to provide three new primary schools and a special school at three sites across the city. The DfES have awarded the Council PFI credits of £15.4m in respect of these new schools, with financial close on the project scheduled for early December 2004. The new schools should all be fully operational by April 2006, in a 30 year Public Private Partnership (PPP) contract.

FOREWORD

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.

Fire Authority Precept

From 1 April 2004 the status of the North Yorkshire Fire and Rescue Authority (NYFRA) changed from being a ‘Combined Authority’, which levied a charge on North Yorkshire County Council and City of York Council, to a precepting authority. This means that York will no longer receive government support, nor have to make the levy payments, but will instead have to bill and collect precepts on behalf of the NYFRA.

Environmental Agency Levy

From 1 April 2004 the funding position for the Environmental Agency changes. Previously local authorities received Revenue Support Grant and had to pay a levy to the Agency. From 2004/05 onwards the Agency receives direct government funding and does not have to levy on local councils. There is a small residuary levy (£35k) on City of York Council.

STATEMENT OF ACCOUNTS



Independent Auditor's Report To The City of York Council

I have audited the statement of accounts on pages 1 to 64 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 the 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 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 2003. 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 reflects 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. I am also not required to form an opinion on the effectiveness of the council's corporate governance procedures or its risk and control procedures. 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 2004 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: 30 November 2004

Name: Mark Kirkham

Kernel House, Killingbeck Drive, Killingbeck, Leeds LS14 6UF
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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 2004 and its income and expenditure for the year ended 31 March 2004.

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

Dated *20/7/04*

Signed *Janet A. Looker*
Cllr J.M. Looker
Lord Mayor

Dated *29/7/04*

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. To achieve this, the framework document recommends that all local authorities should develop a local code of corporate governance, comprising the following elements:

- Community Focus
- Service Deliver Arrangements
- Structures and Processes
- Risk Management and Internal Control
- Standards of Conduct.

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. This has been in place within the Council for the year ended 31 March 2004 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:

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
- 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.

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. In addition, 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 process has identified the Council's corporate aims together with a number of associated objectives. In May 2004, the corporate aims and objectives were reviewed so as to ensure that they continue to meet the needs of the community. The Council is currently linking its planning and performance management processes across all Directorates to provide a fully integrated planning and performance management regime.

Management and Decision Making Processes

The Council has established a new 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:

- 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. The Best Value Review Programme has been suspended whilst the Transforming York programme is delivered.

STATEMENT ON INTERNAL CONTROL

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 S151 Officer
- The Monitoring Officer
- The District Auditor and other external inspection agencies
- The Head of Audit and Risk Management Services
- Finance officers and other relevant service managers.

In addition a specific report is produced on an annual basis detailing compliance with the Council's Financial and Contract Procedure Rules.

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 has been extended during 2003/04 to include project and partnership risks, in accordance with best practice in local government. The Council has agreed to further develop the existing arrangements by implementing operational risk registers within each Directorate and to link the corporate risk register to the budget allocation process. Relevant staff within the Council have received training and guidance in Risk Management principles.

Internal Audit & 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.

STATEMENT ON INTERNAL CONTROL

Performance Management

The Council has recognised the need to improve current performance management arrangements at the authority. Consideration is currently being given to the most appropriate systems and processes necessary to enable the Council to develop fully integrated planning and performance management arrangements. One of the initiatives currently under consideration is to implement a computerised performance monitoring system to record actual performance and improve the quality of information available to service managers and other key stakeholders.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the Council's systems of internal control has been undertaken. This review has included consideration of:

- reports received from the District Auditor and other inspection agencies
- the results of internal audit and fraud investigation work
- the views of senior managers, including the S151 Officer and the Monitoring Officer
- the work of the Risk Management team in compiling the Council's Strategic Risk Register
- outcomes of service improvement reviews and performance management processes.

In addition, the Executive and Scrutiny Panels consider corporate governance issues as they arise throughout the year and agree recommendations for improvement as necessary.

In common with many other local authorities, current arrangements at the Council are not sufficient to complete the kind of comprehensive review needed to support the preparation of a full SIC disclosure as required by the Accounts and Audit Regulations 2003. The Council has therefore produced an interim statement (see note 1) along with a targeted action plan to ensure that full compliance will be achieved for the 2004/05 accounting year. The action plan incorporates:

- further improvements to the management and delivery of corporate compliance services including internal audit & fraud, central procurement, risk management and insurances following the creation of the Audit & Risk Management Division in autumn 2003
- developing more robust arrangements for reporting compliance issues and audit findings and conclusions to Chief Officers and Members for consideration and action
- the on-going development of Risk Management processes throughout the Council and the implementation of operational risk registers within each Directorate.

The Statement for 2004/05 will provide details of the work completed against this action plan.

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.

STATEMENT ON INTERNAL CONTROL

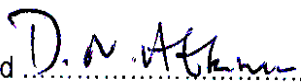
Control Issue	Action Taken or Proposed	Responsibility	Due Date
Corporate Procurement Arrangements			
There is insufficient capacity to develop strategic procurement practices and ensure compliance with legislative requirements and best practice.	A new corporate procurement team was established in late 2003 to help address this issue. A key part of its role is to set out a comprehensive Procurement Strategy and related policy framework for the Council and promote compliance with procurement regulations across the authority. Guidelines and best practice are being developed and will be disseminated to appropriate purchasing officers throughout the Council and the necessary training and support provided. A 3 year action plan setting out the key tasks and priorities for the new team has been approved by Members and this is now being implemented.	The Director of Resources	3 year action plan (1/4/04 to 31/3/07)
Procurement Practice			
Procurement practice across the organisation is variable risking non-compliance with financial regulations, legislation and EU Directives. There is a danger that the Council may not realise best value for money is not necessarily achieved when goods and services are purchased.	A corporate contracts register is being prepared. Training and guidance to staff involved in procurement throughout the Council will be subject to an annual training programme and needs assessment. Compliance will be actively monitored by the Procurement Team and checked as a matter of standard procedure through the annual audit programme.	The Director of Resources	Contracts Register to be in place by 31/12/04. Annual training programmes to be scoped and implemented with effect from 1/4/05
Partnerships			
The capacity within the Council to properly support partnerships is limited. There were also concerns about the adequacy and consistency of corporate governance arrangements within partnerships.	Corporate governance arrangements will be reviewed and revised where necessary.	The Deputy Chief Executive	31/3/05
Project Management			
In house management skills and capacity are limited as are the resources available to support key projects.	Project management skills will be developed. Future key projects will be properly resourced.	All Directors	31/3/05

STATEMENT ON INTERNAL CONTROL

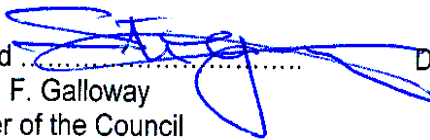
Control Issue	Action Taken or Proposed	Responsibility	Due Date
Internal Audit			
There is insufficient capacity within the Internal Audit function and hence the risk that the audit plan will not be fulfilled. There were also concerns about the status of Internal Audit within the Council.	New management arrangements have been put in place and working practices improved. Risk based planning processes have been developed in accordance with the best practice and a five year strategic audit plan. Completion of the annual audit plan will monitored on a regular basis and progress reported to Members bi-annually. The visibility and profile of Internal Audit findings and recommendations will be raised through Council EMAPs and Resources Scrutiny Board that has been chosen to act as the <i>de facto</i> Audit Committee.	The Director of Resources	30/9/04
Risk Management			
Risk management processes are not sufficiently embedded within the Council.	Service managers will continue to be supported and encouraged to develop effective risk management practices locally based on best practice advice and guidance provided by the Council's corporate Risk Manager. Operational risks will be identified and recorded within Directorate Risk Registers as a key part of rolling out the second phase of Risk Management arrangements at the Council during 2004/05.	All Directors	31/3/05
Contingency Planning			
Business continuity planning is inadequate.	Contingency planning arrangements will be reviewed.	All Directors	31/3/05
Performance Management			
The quality of performance information continues to be variable. There is a concern to ensure performance management processes are sufficiently embedded within the Council.	A new computerised system is in the process of being implemented. Relevant service managers will receive training on its use and new reporting requirements.	The Deputy Chief Executive	31/12/04

STATEMENT ON INTERNAL CONTROL

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

Signed 
D. N. Atkinson
Chief Executive

Dated 29th July 04

Signed 
Cllr S. F. Galloway
Leader of the Council

Dated 20th July 2004

Note 1 to the Statement of Internal Control

The Code of Practice published by CIPFA recognises that local authorities will not necessarily be in a position to obtain the necessary assurances required to support the publication of a full Statement of Internal Control for the accounting year 2003/04. Where possible, authorities should however produce an interim statement. The arrangements currently in place within the Council to undertake a review of internal controls are not considered to be sufficiently comprehensive. In common with many other local authorities, the Council has therefore prepared an interim statement.

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 2003: Statement of Recommended Practice (2003 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 2003/04, 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 2001. 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.

There is a departure from FRS17 in that the discount rate adopted for liabilities has been determined by the CIPFA/LASAAC Joint Committee at 3.5% over and above inflation rather than the AA corporate bond rate recommended by FRS17. The rate set by CIPFA has been chosen to promote comparability across the public sector and to align it with the rate set by the Government Actuary's Department and adopted by the Treasury for central government departments. The rate will be reviewed in 2004.

There is currently some debate on whether the costing changes inherent in FRS17 can be applied to the Housing Revenue Account (HRA), as legally there can be no cross-subsidy between the HRA and the Council's General Fund. Until clear agreement is reached these accounts have been prepared on the basis that the HRA continues to make the same contribution as before, with any accounting difference from implementing FRS17 being met by Non-Distributed Costs.

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

6. GRANTS (SSAP 4)

Revenue grants are credited to income in the same period as the related expenditure is charged. Grants and contributions relating to fixed assets are credited to the government grants and developers' contributions deferred accounts and released to the asset management revenue account in line with the depreciation of the asset. Where an asset is not depreciated the grant or contribution is transferred to the Capital Financing Reserve. 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 2003/04 were 3.5% for operational and non-operational assets and 4.625% 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 2003/04 this charge is calculated using the straight-line basis with no residual value.

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

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

9. DEBT REDEMPTION POLICY

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

10. DEFERRED CHARGES AND PREMIUMS/DISCOUNTS

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

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

11. LEASES (SSAP 21)

The Council currently has no finance leases, but if it had, rental payments under finance leases would be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge would be costed to revenue (via the Asset Management Revenue Account (AMRA) - see note 7 to Consolidated Revenue Account, page 24) and the reduction in outstanding liability would reduce the deferred liability in the balance sheet.

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

STATEMENT OF ACCOUNTING POLICIES

12. CAPITAL RECEIPTS

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

13. STOCKS AND WORK IN PROGRESS (SSAP 9)

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

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

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

14. INVESTMENTS

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

15. PROVISIONS AND CONTINGENCIES (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. 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 45).

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.

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 26 to the Balance Sheet (pages 53 to 54).

Contingent gains are not accrued for within the financial statements.

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

16. EARMARKED RESERVES

Amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves. In line with the SORP 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, 21 and 22 to the Balance Sheet (pages 49 and 52). The major ones are:

STATEMENT OF ACCOUNTING POLICIES

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

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.

17. RELATED COMPANIES

York Enterprise Limited

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

Yorwaste Limited

The share-holding for this company was formerly 100% owned by North Yorkshire County Council. As a consequence of the local government review City of York Council now owns 22.27% of the share-holding. See also note 27 to the Consolidated Balance Sheet, page 54.

York Energy Savers

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

18. COMPARATIVE FIGURES

Comparative figures for the previous financial year are either shown in the left hand column or in brackets after the current year figure. The full implementation of FRS17 (see Accounting Policy number 5) has led to revised comparative figures for 2002/03 being required. 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.

19. PRIOR PERIOD ADJUSTMENT

These accounting policies represent a change to those applied in prior years in relation to pension liabilities. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

STATEMENT OF ACCOUNTING POLICIES

The change has had the following effects on the results of the prior and current periods:

- a) the overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 1.0% (1.1%) lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 1.3% higher (0.5% lower) than it would otherwise have been.
- b) the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the Council by 10.3% from £634.570m to £569.192m (15.1% from £544.073m to £462.303m).

CONSOLIDATED REVENUE ACCOUNT

2002/03 Restated £(000)	Note	Gross Expenditure £(000)	2003/04 Income £(000)	Net Expenditure £(000)
	(1)			
	(2)			
7,947	General Fund Services			
24,001	Central Services	22,220	13,677	8,543
76,843	Cultural, Environmental and Planning Services	33,329	9,604	23,725
8,230	Education Services	109,407	28,108	81,299
3,896	Highways, Roads and Transport Services	15,967	7,717	8,250
31,336	Housing Services (General Fund)	26,093	21,660	4,433
555	Social Services	49,265	14,473	34,792
6,206	Court Services	562	-	562
9	Corporate and Democratic Core	6,525	38	6,487
-	Non-Distributed Costs	684	-	684
-	Exceptional Items	-	1,274	(1,274)
<u>159,023</u>	Net Cost of General Fund Services	<u>264,052</u>	<u>96,551</u>	<u>167,501</u>
14,897	Housing Revenue Account	49,692	34,655	15,037
<u>173,920</u>	Net Cost of Services	<u>313,744</u>	<u>131,206</u>	<u>182,538</u>
433	Precepts paid to Parish Councils			480
(69)	Net (surplus)/deficit on trading operations			455
(1,456)	Interest Receivable/Investment Income			(1,674)
(292)	Dividends from Companies			(307)
(31,378)	Asset Management Revenue Account			(20,148)
1,150	Net Pensions cost			3,931
<u>142,308</u>	Net Operating Expenditure			<u>165,275</u>
	Appropriations			
1,510	Capital expenditure financed from revenue			737
358	Surplus/(deficit) transferred to/(from) HRA			802
9	balances			(4)
(868)	Contribution to/(from) provisions			(1,432)
(4,074)	Contribution to/(from) reserves	(8)		(8,151)
788	Contribution to/(from) CFR	(9)		(2,169)
	Contribution to/(from) Pensions Reserve	(4)		
<u>140,031</u>	Amount to be met from Government Grant and Local Taxpayers			<u>155,058</u>
(48,852)	Demand on Collection Fund			(51,905)
(1,241)	Collection Fund transfer for the surplus at previous 31 March			(1,527)
(35,889)	Government Grants			(45,361)
(55,160)	Distribution from the Non-Domestic Rate Pool			(54,927)
<u>(1,111)</u>	(Surplus)/Deficit for the Year			<u>1,338</u>
	GENERAL FUND BALANCE			
7,070	Balance at 1st April			8,181
-	Net transfer (to)/from other earmarked reserves			-
<u>1,111</u>	Surplus/(Deficit) for the Year			<u>(1,338)</u>
<u>8,181</u>	Balance at 31st March			<u>6,843</u>
	LMS RESERVES			
5,666	Balance at 1st April			5,067
(599)	Surplus/(Deficit) for the Year			(255)
<u>5,067</u>	Balance at 31st March			<u>4,812</u>

Signed S. Wiles
S. Wiles CPFA
Director of Resources

Dated 22/7/04

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Discontinued Services / Continuing Operations

On 1 August 2002 the Museums service was transferred to a charitable trust. The Council is no longer responsible for the management of the service, but provides the same amount of revenue support to the Trust. On 1 April 2004 the North Yorkshire Fire and Rescue Authority changes from a levying body to a precepting body. At the same time the Council will cease paying a levy to the Environmental Agency. The levies (£6.530m included in the Central Services line) will no longer be charged to the Council's accounts. There will be an appropriate reduction in government support, with a net reduction in the Council's costs of £3.722m. All other operations are categorised as continuing operations.

2. Restated Opening Balances to Reflect Full Implementation of FRS 17

The former policy, in accordance with BVACOP, was to recognise liabilities for retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has been incorporated into the Council's accounts in 2003/04. In order to give comparative figures the 2002/03 consolidated revenue account figures have been restated as follows:

2002/03 Net Expenditure £(000)		2003/04 Adjustment £(000)	Net Expenditure £(000)
	General Fund Services		
7,837	Central Services	110	7,947
23,943	Cultural, Environmental and Planning Services	58	24,001
77,095	Education Services	(252)	76,843
8,200	Highways, Roads and Transport Services	30	8,230
3,901	Housing Services (General Fund)	(5)	3,896
31,198	Social Services	138	31,336
555	Court Services	-	555
6,189	Corporate and Democratic Core	17	6,206
2,043	Unapportionable Central Overheads	(2,043)	-
-	Non-Distributed Costs	9	9
160,961	Net Cost of General Fund Services	(1,938)	159,023
14,897	Housing Revenue Account	-	14,897
175,858	Net Cost of Services	(1,938)	173,920
433	Precepts paid to Parish Councils	-	433
(69)	Net (surplus)/deficit on trading operations	-	(69)
(1,456)	Interest Receivable/Investment Income	-	(1,456)
(292)	Dividends from Companies	-	(292)
(31,378)	Asset Management Revenue Account	-	(31,378)
-	Net Pensions cost	1,150	1,150
143,096	Net Operating Expenditure	(788)	142,308
	Appropriations		
1,510	Capital expenditure financed from revenue	-	1,510
358	Surplus/(deficit) transferred to/(from) HRA	-	358
9	Contribution to/(from) provisions	-	9
(868)	Contribution to/(from) reserves	-	(868)
(4,074)	Contribution to/(from) CFR	-	(4,074)
-	Contribution to/(from) Pensions Reserve	788	788
140,031	Amount to be met from Government Grant and Local Taxpayers	-	140,031

NOTES TO THE CONSOLIDATED 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 1.1% lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 0.5% lower before making the contribution to the pensions reserve. The changes on the net cost of services have been to replace the service cost calculated in accordance with BVACOP with the current service cost under the FRS17 rules. The remainder of the amendments are as set out in note 4.

3. Exceptional Item

The Council has had appeals against the rating valuations assigned to some of its properties outstanding from the 1990 revaluation list. These were finally settled during 2003/04, with the income shown being the amount of the refunds received for prior years payments.

4. Pensions and Net Pensions Liability Movement in Year

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

The Council participates in two schemes, the North Yorkshire Pension Fund and the Teachers Scheme. The liability for payment of pensions under the Teachers Pension scheme rests with the Department for Education, and it is therefore classed as a multi-employer defined benefit scheme for which the liabilities of individual employers cannot be separated. This means that it is treated in the same way as a defined contribution scheme. No additional disclosures are required. However, there are some payments that are funded by the Council rather than the Teachers Pension fund. Where added benefits have been offered outside the scheme costs they are the liability of the Council. 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 2003/04 the Council paid £5.649m (£3.363m) to the Teachers Pensions Agency in respect of teachers' pensions costs, which represents 13.5% (8.35%) 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 £425k in respect of added years' payments, which, as explained above, 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:

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

2002/03 £(000)		2003/04 £(000)	£(000)
	Net Cost of Services		
6,234	Current service cost	6,938	
19	Past service cost	818	
-	Curtailment Cost	284	
6,253			8,040
	Net Operating Expenditure		
9,672	Interest cost	10,528	
(8,522)	Expected return on assets in the scheme	(6,597)	
1,150			3,931
	Appropriations		
788	Contribution to/(from) Pensions Reserve		(2,169)
	Actual amount charged against Council Tax for		
8,191	Pensions in the year		9,802

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.

5. Trading Accounts including Direct Services Organisations (DSO) 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.

Turnover (Income) £(000)	2002/03 Expend- iture £(000)	(Surplus)/ Deficit £(000)		Turnover (Income) £(000)	2003/04 Expend- iture £(000)	(Surplus)/ Deficit £(000)
			(Surplus)/Deficit from Trading Operations			
5,170	5,107	(63)	Building Maintenance	5,732	5,842	110
4,819	4,626	(193)	Civil Engineering	4,870	4,598	(272)
2,425	2,513	88	Refuse Collection	2,569	2,674	105
2,735	2,802	67	Street Scene	2,848	2,834	(14)
2,853	2,887	34	Cleaning of Public Buildings	2,967	3,151	184
930	950	20	Vehicle Maintenance	776	853	77
1,116	1,037	(79)	Commercial Waste	1,239	1,123	(116)
142	145	3	Waste Management	500	461	(39)
2,383	2,261	(122)	Transport Operating	2,566	2,596	30
2,669	2,712	43	Leisure Management	2,612	2,856	244
187	244	57	Oaklands Leisure Centre	189	257	68
-	-	-	Quality Assurance costs	-	78	78
1,413	1,489	76	Housing Management	-	-	-
26,842	26,773	(69)	Total	26,868	27,323	455

Of the £455k (£145k) total net deficit (surplus) on DLO and TLM £7k has been transferred to earmarked reserves, £178k has been funded from DSO reserves with the remaining £284k being met by the General Fund. The Housing Management contract reached the end of its trading existence during 2002/03. Further details are provided on pages 63 and 64.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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

2002/03			2003/04			
Turnover (Income) £(000)	Expend- iture £(000)	(Surplus)/ Deficit £(000)		Turnover (Income) £(000)	Expend- iture £(000)	(Surplus)/ Deficit £(000)
Significant Trading Services included in Net Cost of Services						
2,462	3,056	594	Commercial Property	2,246	1,854	(392)
562	467	(95)	Markets	584	390	(194)
5,293	2,289	(3,004)	Car Parks	5,495	1,879	(3,616)
726	1,150	424	Museums	-	-	-
935	295	(640)	Crematorium	967	267	(700)
			Building Control (chargeable element)			
630	255	(375)		642	301	(341)
1,391	1,411	20	Engineering Consultancy	1,747	1,643	(104)
1,347	1,197	(150)	Building Services	1,524	1,449	(75)
1,086	1,065	(21)	York Training Centre	1,247	1,305	58
<u>14,432</u>	<u>11,185</u>	<u>(3,247)</u>	Total	<u>14,452</u>	<u>9,088</u>	<u>(5,364)</u>

The income on commercial property is principally rental income, and the surplus/(deficit) includes asset rental charges of £1.398m (£2.308m). Markets income is principally from Newgate market tolls and from other markets, and the surplus is net of asset rental charges of £116k (£200k).

The Council also operates a number of car parks where the principal source of income comes from fees and charges. The surplus in the year is after charging £322k (£512k) for asset rentals.

Until August 2002 the Council operated the Castle Museum where the principal sources of income came from fees and charges and sales. The Council is still responsible for the building, however the trading element of the Museum is now the responsibility of a Museums Trust. The figures above for 2002/03 reflect four months of the trading activity prior to the transfer.

The main sources of income at the crematorium are cremation fees and memorialisation. The surplus is net of asset rental charges of £707k (£40k). 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 department's revenue accounts. The deficit/(surplus) for York Training Centre £58k (£21k) is generated principally through government funded programmes and contracts to provide employment and training opportunities to York citizens.

6. Interest and Investment Income and Expenditure

Included in the revenue accounts is a net return on investments of £1.639m (£1.405m) which comprises interest income of £1.674m (£1.456m) and the costs of associated fees and charges of £0.035m (£0.051m). There was no investment income.

NOTES TO THE CONSOLIDATED REVENUE 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 and these have replaced debt financing charges. The purpose of the AMRA is to ensure that the capital charges do not impact on the level of Council Tax or Housing Rents and that the Council's accounts are charged only with the true capital financing costs. Interest charges, provisions for depreciation and finance lease interest are charged to the account. The account is summarised in the following table:

2002/03 £(000)		2003/04 £(000)	£(000)
	Capital Charges made to Service Accounts		
(17,996)	Housing Revenue Account	(13,573)	
(19,706)	Non-Housing Revenue Account	(21,606)	
(2)	Notional interest on stock balances for DSO accounts	(1)	
(196)	Transfer from govt grants/developers contribs deferred	(276)	
<u>(37,900)</u>			<u>(35,456)</u>
	Capital Financing Costs		
3,279	External Interest	3,814	
<u>3,243</u>	Depreciation Charge	<u>11,494</u>	
6,522			15,308
<u>(31,378)</u>	Net (over)/under charge to services		<u>(20,148)</u>

8. Reserves

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

2002/03 £(000)		Net Movement £(000)	2003/04 £(000)
500	DLO & DSO Reserve	(178)	322
1,214	Investment Reserves	-	1,214
5,067	Education Delegated School Reserves	(255)	4,812
881	Major Repairs Reserve	(99)	782
2,716	Venture Fund	(942)	1,774
2,194	Developers Contributions' Unapplied	439	2,633
4,395	Miscellaneous	6	4,401
<u>2,030</u>	Capital Reserve	<u>(403)</u>	<u>1,627</u>
<u>18,997</u>		<u>(1,432)</u>	<u>17,565</u>

Further information on the movements on these reserves is shown in notes 20 and 22 to the Consolidated Balance Sheet on pages 51 and 52.

9. Capital Financing Reserve

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 following adjustments have been made in the appropriation section of the Consolidated Revenue Account:

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

2002/03		2003/04	
£(000)		£(000)	£(000)
(3,371)	Depreciation/Impairment	(7,005)	
196	less govt grants/developers contribs deferred	276	
<u>(3,175)</u>			<u>(6,729)</u>
792	Minimum Revenue Provision		1,398
<u>(2,383)</u>	Excess of depreciation/impairment over MRP		<u>(5,331)</u>
(1,691)	Deferred Charges expenditure		(2,820)
<u>(4,074)</u>	Appropriation to Capital Financing Reserve		<u>(8,151)</u>

10. Minimum Revenue Provision (MRP)

The method of calculating the provision is defined by statute, and is based on a prescribed percentage of the Council's credit ceiling at the end of the previous financial year. For the Housing Revenue Account the percentage is 2% and for other services it is 4%, and for 2003/04 is £2.295m (£1.995m). However, in 1992/93 central government made a one-off commuted sum payment to York City Council in lieu of all future grant reimbursements due in respect of pre-1990 Improvement Grant expenditure. This gave rise to short-term losses that this Council is allowed to offset against the MRP. The commutation adjustment reduces the MRP required in 2003/04 to £1.398m (£0.792m). The following table shows the transactions in the year:

2002/03		2003/04	
£(000)		£(000)	£(000)
341	Housing Revenue Account (2%)	226	
970	Other Services (General Fund) (4%)	1,385	
<u>1,311</u>			<u>1,611</u>
1,203	Less: Commutation adjustment		897
<u>108</u>			<u>714</u>
684	Add: Amortisation of Local Government Re-organisation		684
<u>792</u>	Total for Year		<u>1,398</u>

11. Section 137 Expenditure

The Local Government Act 2000 (LGA 2000) granted new powers to local authorities in England and Wales to promote well-being in their area. As a consequence some of the provisions of Section 137 of the Local Government Act 1972, as amended by Section 36 of the Local Government and Housing Act 1989 were repealed with effect from October 2000. The provisions of Section 137 remaining are that the Council is empowered to make grants to voluntary sector organisations that it considers to be in the interests of the inhabitants of its area, provided such expenditure is contained within a sum equal to £3.80 per head for the Registrar Generals mid 2002 estimate of the population of the Authority's area. The Council calculates its Section 137 limit as £693k and the expenditure listed below was incurred under the powers conferred by this section. The expenditure shown is net of any relevant income.

2002/03		2003/04
£(000)		£(000)
330	Voluntary Sector Grants	341
<u>330</u>		<u>341</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

12. Agency Services and Pooled Budgets

The Council has an agency agreement with Selby and York Primary Care Trust, related to provision for people with learning disabilities. The Council administers the service on behalf of the PCT and are fully reimbursed for the expenditure incurred. The income received in 2003/04 was £1.6m (£2.3m).

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 was £56k with contributions of £11k from North Yorkshire County Council

13. Local Authority (Goods and Services) Act 1970

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

During 2003/04 the Council had agreements principally with North Yorkshire County Council and York Health Authority for the provision of building alterations, vehicle maintenance, heating and electrical repairs and this raised £1.3m (£1.2m) income out of the total DLO turnover of £26.9m (£25.4m).

Contracts have also been obtained to provide payroll services to two schools, one college, a district council, a trust and various small organisations mostly in the voluntary and sports sectors. These contracts earned £32k (£19k) in 2003/04.

Income of £18k was also received in 2002/03 from services provided by the Marketing Division to other authorities, there was no income received in 2003/04, and £9k (£9k) from fees charged to Yorkshire Water Authority by Environmental Services in respect of work undertaken.

14. 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:

2002/03 £(000)	2003/04 £(000)
642 Marketing and Communications Group	604
537 Advertising & Publicity Costs	567
630 Staff Advertising	650
1,809	1,821

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

15. Employees' Emoluments

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

There were 46 (26) employees, including head-teachers, whose total emoluments were above £50k per annum. The numbers in different bands are shown below.

£(000)	Number of employees	
	2002/03	2003/04
50 - 60	17	33
60 - 70	3	6
70 - 80	3	-
80 - 90	2	6
90 - 100	-	-
100 - 110	1	1

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16. 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 2003/04 will be released to the press during the summer and will identify that the Council spent £551k (£588k) on members' allowances, a decrease of £37k on 2002/03. This reflects the reduction in the number of Members, from 53 to 47, following the changes in the Ward boundaries which took place during May 2003. Members receive payments that reflect the special responsibilities of the individual Member, together with a basic allowance. The level of the basic and responsibility allowances were proposed by an independent panel and agreed by Council in August 2000. The basic allowance has been paid from August 2000, however the responsibility allowances are being phased in over a period of four years.

17. Private Finance Initiatives (PFI)

North Yorkshire Fire and Rescue Authority (NYFRA) has entered into a PFI agreement for the provision of a new training establishment. The costs are included within the levy raised by the NYFRA, but the Council receives its' share of the government funding direct. The cost to CYC is £27.8k (£13.9k) net.

The Council is embarking on a Schools PFI scheme to replace three primary schools and one special school at three sites across the city. The DfES have awarded the Council PFI credits of £15.4m in respect of the new schools. The schools are due to be in operation for September 2005 and at 31 March 2004 the Council had selected SewellPFI as the preferred bidder and are anticipating commercial and financial close to the project by 23 August 2004.

During 2003/04 the Council incurred costs relating to the provision of consultancy services and project management on the York Schools PFI. Total costs of £414k were incurred, of which £63k were funded from a grant from the DfES. The balance was charged to the 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 statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Total 2002/03 £(000)		Chargeable £(000)	Non- Chargeable £(000)	Total 2003/04 £(000)
	Expenditure			
246	Employee Expenses	192	82	274
9	Premises	6	3	9
16	Transport	9	4	13
8	Supplies and Services	9	4	13
86	Central and support services charges	85	36	121
365	Total Expenditure	301	129	430
	Income			
630	Building Regulation Charges	642	-	642
7	Miscellaneous Income	-	29	29
637	Total Income	642	29	671
272	Surplus for the year	341	(100)	241

19. Long-Term Contracts

The Council is committed to making payments for the provision of care and support contracts estimated at £2.664m (£1.788m) per annum. The actual level of payments will depend on the service required. The contracts expire between July 2004 and March 2007.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

20. 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 £254k (£210k). 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 £8k (£9k).

The Council is a constituent member of the North Yorkshire Fire and Rescue Authority (NYFRA) and as such is responsible for meeting its proportion of the cost of the service. For 2003/04 this was £5.781m (5.356m), included in the Central Services total on the Consolidated Revenue Account. From 1 April 2004 the NYFRA became a precepting body and will no longer levy a charge.

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 £554k (£498k). Contributions from North Yorkshire County Council and Selby and York Primary Care Trust totalled £151k (£160k).

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 2003/04 is £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 2004 is expenditure of £124k, grant income of £149k leaving a balance of £25k to carry forward into 2004/05.

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.

21. Partnership Arrangements

The Area Child Protection Committee develops, monitors and reviews local child protection policies and had gross costs of £75.0k (£53.9k) and received contributions totalling £28.7k (£14.9k) 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 2003/04 was £208k (£198k).

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 2003/04 was £119k (£112k).

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 £338 (£61k), which is matched by an equivalent grant.

The Council contributed £50k (£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. However, during 2003/04, four of the original authorities opted to leave the Partnership and the remaining five continued to progress the project using the balance of the fund to pay for the cost of the procurement in terms of consultancy fees and officer time that is devoted to the partnership work.

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 plus a £15k City of York Council contribution.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

York Central Partnership is a partnership between City of York Council, Yorkshire Forward, Network Rail, Jarvis and National Railway Museum which is looking at options for the future development of the industrial land behind the railway station. After drawing up the indicative masterplan this partnership ceased in autumn 2003. The York Central Board, composed of City of York Council, Yorkshire Forward, Network Rail and National Railway Museum, replaced it. The intention of the new partnership is to submit an outline planning application by autumn 2005. With the exception of the National Railway Museum, costs are shared between the partners - the Council's contribution in 2003/04 was £50k.

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. This is currently in the process of being changed due to the change in VAT status for Connexions.

22. Leasing

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

The Council uses certain vehicles, plant and equipment financed through operating leases and is committed to paying rentals of £4.181m over the next seven years based on those agreements entered into prior to 31 March 2004. Operating lease rentals paid during 2003/04 amounted to £1.927m (£1.682m). The outstanding lease commitments fall into the following years revenue accounts:

Year	£(000)
2004/05	1,552
2005/06	1,190
2006/07	803
2007/08	466
2008/09	98
2009/10	72
2010/11	-
	4,181

23. Audit Costs

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

2002/03 £(000)		2003/04 £(000)
99	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	110
134	Fees payable to the Audit Commission in respect of statutory inspection	148
163	Fees payable to the Audit Commission for the certification of grant claims and returns	100
-	Fees payable in respect of other services provided by the appointed auditor	-
396		358

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

24. 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.

25. 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 2003/04 were as follows:

	Receipts £(000)	Payments £(000)
Central Government		
Revenue Grants	100,902	
Capital Grants	9,363	
National Non-Domestic Rating Pool - payment into the Pool of rating income collected and receipt of redistributed Pool	54,927	61,565
North Yorkshire Police Authority - precept and payment of share of the Collection Fund surplus		9,900
Precept payments to Parish Councils		480
Levy payment to Environmental Agency		928
Levy payments to Drainage Boards		484
CYCs share of the cost of providing the following services run by other bodies:		
North Yorkshire Fire and Rescue Authority		5,781
Magistrates		254
Probation		8
North Yorkshire Pension Fund - payment of employer's superannuation contributions in respect of employees		9,377
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	397	3,638
Yorkshire Purchasing Organisation - CYC are members of this consortium, which uses its purchasing powers to obtain better discounts on supplies	122	919
Joint arrangements between Social Services and Selby and York PCT Services for people with learning difficulties	1,585	-
North Yorkshire Information and Communications Technology Partnership		50
Youth Offending Team		
Selby and York Primary Care Trust	33	
North Yorkshire Police	62	
North Yorkshire County Council - Probation Services	26	
Employees - car loans made under the Council's scheme	286	291
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		4

HOUSING REVENUE ACCOUNT

2002/03 £(000)		Note	2003/04 £(000)
	Expenditure		
	Housing Repairs		
4,450	Responsive		4,507
920	Programmed		599
	Supervision and Management		
3,454	General		3,761
2,297	Special Services		2,454
118	Rents, Rates, Taxes and Other Charges		128
12,996	Rent Rebates	(3)	11,880
423	Provision for Bad or Doubtful Debts	(4) & (5)	637
	Capital Charges		
17,996	Cost of Capital Charge	(6)	13,573
4,402	Depreciation	(7)	7,751
38	Debt Management Expenses		28
<u>47,094</u>	Total Expenditure		<u>45,318</u>
	Income		
21,082	Gross Rents	(8)	20,738
478	Other Rents from Land and Buildings		493
1,243	Charges for Services and Facilities		1,165
75	Contributions Towards Expenditure		1,259
8,600	Housing Revenue Account Subsidy	(9)	6,657
128	Other Government Grants		129
16	Transfer from General Fund	(10)	31
<u>31,622</u>	Total Income		<u>30,472</u>
15,472	Net Cost of Services		14,846
	Other Operating Costs		
	Net HRA expenditure/(income) on Asset		
(16,944)	Management Revenue Account	(11)	(12,845)
643	Amortised premiums/discounts	(11)	538
	Interest receivable		
(24)	Mortgage interest		(17)
(134)	Interest on notional cash balances		(140)
<u>(987)</u>	Net Operating Expenditure		<u>2,382</u>
	Appropriations		
470	Housing set aside		354
287	Capital expenditure financed from revenue		-
-	Usable capital receipts for Right to Buy administration		-
(128)	Contribution to/(from) MRR	(12)	(3,538)
-	Contribution to/(from) reserves		-
<u>(358)</u>	(Surplus)/Deficit for the year		<u>(802)</u>
	HOUSING REVENUE RESERVE		
1,857	Balance at beginning of year		2,215
358	Surplus/(Deficit) for the year		802
<u>2,215</u>	Balance at end of year		<u>3,017</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. The HRA shows the major elements of housing revenue expenditure to reflect the Council's activities as landlord - maintenance, administration, rent rebates and capital financing costs, and how these are met by rents, government subsidy and other income. There is also a statutory requirement to show revenue financing of any HRA capital expenditure within the account. The Local Government and Housing Act 1989 sets out the framework for ring fencing the HRA, preventing the subsidisation of rents from the general income of the Council. The following notes are provided to help aid the understanding of the 2003/04 HRA.
2. The Council is required to keep the HRA in a particular form and to have business plans in place under HRA Resource Accounting regulations. The main objectives are to encourage a more efficient use of housing assets, increase the transparency of the HRA and assist the Council to plan their housing strategy. It also ensures consistency with central Government resource accounting structures and promotes comparability between Councils. There are three main divisions showing:
 - a) net cost of services (including income and expenditure)
 - b) operating costs
 - c) appropriations

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

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

2002/03 £(000)			2003/04 £(000)
12,996	Rebates Given	- Mandatory	11,880
-		- Discretionary	-
12,996	Total Rebates Given		11,880
-	Met by	- General Fund	-
4,326		- HRA Deficit Subsidy	2,444
8,670		- HRA	9,436
12,996	Total Income		11,880

4. A provision was made in 2003/04 for bad and doubtful debts in accordance with the HRA (Arrears of Rent and Charges) Directions 1990. During 2003/04 rent arrears as a proportion of gross rent income have increased from 8.26% of the amount due to 10.19%. The rent arrears figures are as follows:

2002/03 £(000)			2003/04 £(000)
1,272	Arrears at 31 March	- Current tenants	1,351
560		- Former tenants	847
307	Amounts Written Off during the Year		114
418	Increased Provision during the Year		431
1,344	Provision for Bad and Doubtful Debts		1,660

In addition provision was made for housing benefits bad debts as follows:

2002/03 £(000)		2003/04 £(000)
617	Arrears at 31 March	783
34	Amounts Written Off during the Year	6
7	Increased/(Reduced) Provision during the Year	136
378	Provision for Bad and Doubtful Debts	507

NOTES TO THE HOUSING REVENUE ACCOUNT

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

2002/03 %	Dwelling rent arrears as a % of gross rent debit	2003/04 %
5.73	- Current tenants	6.27
<u>2.53</u>	- Former tenants	<u>3.92</u>
<u>8.26</u>		<u>10.19</u>

5. A provision was made in 2003/04 for debts outstanding on rechargeable repairs. The arrears figures are as follows:

2002/03 £(000)		2003/04 £(000)
51	Arrears at 31 March	102
22	Amounts Written Off during the Year	38
(2)	Increased/(Reduced) Provision during the Year	70
30	Provision for Bad and Doubtful Debts	62

6. 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% (6%) of the value of the HRA operational assets and for 2003/04 this amount was £13.573m (£17.996m).
7. Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the useful life of the asset. The charge has been calculated using the straight-line basis with no residual value. The incidence of depreciation between the difference types of asset held by the HRA is:

2002/03 £(000)		2003/04 £(000)
4,274	Dwellings	7,623
-	Other Land and Buildings	-
<u>128</u>	Non-operational property	<u>128</u>
<u>4,402</u>		<u>7,751</u>

8. Gross rent income is the total amount due for the year after allowance for voids of £333k (£331k) which represents 1.52% (1.44%) of the gross rent income including charges for services. Average rents in March 2003 were £46.61 a week. The average increase of £1.45 (£1.52) in April 2003 was an increase of 3.11% (3.34%).

The Council was responsible for managing 8,328 dwellings at 31 March 2004. Included within this total are 104 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	572	661	750	1,984
Medium Rise Flats	4	3	854	770	1,631
Houses and Bungalows	<u>16</u>	<u>2,203</u>	<u>1,604</u>	<u>786</u>	<u>4,609</u>
	<u>21</u>	<u>2,778</u>	<u>3,119</u>	<u>2,306</u>	<u>8,224</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

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

2002/03		2003/04		
Total		Houses/ Bungalows	Flats	Total
	Operational Stock			
8,604	Balance at 1 April	4,733	3,673	8,406
(188)	Sales	(98)	(30)	(128)
(8)	Demolitions	(25)	-	(25)
-	Dwellings declared surplus	-	-	-
	Dwellings reprovided with Housing			
-	Association	-	(4)	(4)
-	Re-categorisation	-	-	-
-	To General Fund	(1)	(24)	(25)
(2)	To HRA non-housing stock	-	-	-
<u>8,406</u>	Balance at 31 March	<u>4,609</u>	<u>3,615</u>	<u>8,224</u>

9. The HRA subsidy is based on a notional account with the deficit on the account being the entitlement to subsidy. The notional account is:

2002/03 £(000)		2003/04 £(000)
	<u>Expenditure</u>	
8,041	Management and Maintenance	8,338
12,970	Rent Rebates	11,736
2,142	Capital Financing Charges	1,758
-	Other Items	-
4,274	MRA	4,213
<u>27,427</u>		<u>26,045</u>
	<u>Income</u>	
18,797	Rent Income	19,367
30	Interest	21
<u>18,827</u>		<u>19,388</u>
<u>8,600</u>	Total HRA subsidy receivable	<u>6,657</u>

10. The discretion given to local authorities to make contributions from the General Fund to the HRA has been replaced. Only under exceptional circumstances will the Secretary of State consider making a direction for the general transfer of monies from the General Fund. This represents the benefit the community receives as a whole for the enhancements made to the new build schemes at Walmgate.
11. 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:

2002/03 £(000)		2003/04 £(000)
	Net HRA expenditure/(income) on Asset Management Revenue Account	
(17,996)	Capital Asset Charges accounting adjustment	(13,573)
1,052	HRA contribution towards debt financing and management costs	728
<u>(16,944)</u>		<u>(12,845)</u>

In the accounts for 2002/03 the contribution towards debt financing (£1,052k) was included with the cost of amortised premiums/discounts (£643k) and shown as loan charges interest of £1,695k, whereas the capital asset charges (-£17,996k) was identified as capital charges. The revised presentation is to make the transactions clearer.

NOTES TO THE HOUSING REVENUE ACCOUNT

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

2002/03 £(000)		2003/04 £(000)
735	Balance at 1 April	881
	Transfer to the reserve	
4,274	Depreciation on HRA dwellings	7,623
128	Depreciation on other HRA assets	278
	Transfer to HRA during the financial year	
(128)	Depreciation on other HRA assets	(128)
-	Depreciation on dwellings higher than MRA	(3,410)
(4,128)	Capital expenditure on houses within the HRA charged to the reserve	(4,462)
881	Balance at 31 March	782

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

	Council dwellings £(000)	Other land and buildings £(000)	Vehicles, plant etc. £(000)	Infra-structure £(000)	Comm-unity Assets £(000)	TOTAL Operational Assets £(000)	Non-Operational Assets £(000)	TOTAL All Assets £(000)
Value at 31.3.03	285,540	7,671	-	21	32	293,264	39	293,303
Less: accumulated depreciation/ impairment	(4,274)	(253)	-	-	-	(4,527)	-	(4,527)
Net Book Value of Assets at 31.3.03	281,266	7,418	-	21	32	288,737	39	288,776
<u>Movement in 2003/04</u>								
Additions	6,387	-	-	-	-	6,387	-	6,387
Disposals								
Gross book value	(6,820)	(156)	-	-	-	(6,976)	-	(6,976)
Accum. Deprecn	2	-	-	-	-	2	-	2
Revaluations	89,224	-	-	-	-	89,224	-	89,224
Accum. Deprecn	4,272	-	-	-	-	4,272	-	4,272
Depreciation	(7,623)	(128)	-	-	-	(7,751)	-	(7,751)
Impairment	-	-	-	-	-	-	-	-
Net Book Value of Assets at 31.3.04	366,708	7,134	-	21	32	373,895	39	373,934
Value at 31.3.04	374,331	7,515	-	21	32	381,899	39	381,938
Less: accumulated depreciation/ impairment	(7,623)	(381)	-	-	-	(8,004)	-	(8,004)
Net Book Value of Assets at 31.3.04	366,708	7,134	-	21	32	373,895	39	373,934

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

NOTES TO THE HOUSING REVENUE ACCOUNT

14. 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 £366.708m (£281.266m) on the balance sheet. At vacant possession the same dwellings would have a value of £676.350m (£519.415m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £309.642m (£238.149m).
15. For financing purposes, capital expenditure can only be financed to the level that cash payments are made; no account can be taken of accrual transactions. In cash terms capital expenditure on HRA services was £6.461m (£5.121m). The analysis of the expenditure and the sources of financing used are set out in the following table

2002/03		2003/04			
Total £(000)		Dwellings £(000)	Infra- structure £(000)	Equipment £(000)	Total £(000)
<u>5,121</u>	Total capital expenditure	<u>6,454</u>	<u>-</u>	<u>7</u>	<u>6,461</u>
	Financing				
703	Borrowing	803	-	7	810
-	Capital Receipts	1,339	-	-	1,339
4,131	Grants	4,312	-	-	4,312
287	Revenue Contributions	-	-	-	-
<u>5,121</u>		<u>6,454</u>	<u>-</u>	<u>7</u>	<u>6,461</u>

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

2002/03		2003/04		
Total £(000)		Council Dwellings £(000)	Land £(000)	Total £(000)
7,848	Sales proceeds	6,925	320	7,245
68	less: administrative costs	68	-	68
<u>7,780</u>	Net proceeds	<u>6,857</u>	<u>320</u>	<u>7,177</u>
179	Right to buy discount repaid	76	-	76
109	Mortgage principal repaid	74	-	74
<u>8,068</u>		<u>7,007</u>	<u>320</u>	<u>7,327</u>
	of which:			
2,019	Usable			2,071
6,049	Reserved			5,256
<u>8,068</u>				<u>7,327</u>

COLLECTION FUND

2002/03 £(000)	INCOME AND EXPENDITURE ACCOUNT	Note	£(000)	2003/04 £(000)
	Expenditure			
	Precepts and Demands			
5,512	North Yorkshire Police Authority		9,729	
48,852	City of York Council		51,905	<u>61,634</u>
<u>54,364</u>				
	Business Rates			
60,052	Payment to National Pool		61,565	
278	Costs of Collection		276	<u>61,841</u>
<u>60,330</u>				
(58)	Council Tax Provision for uncollectable accounts and outstanding appeals			360
	Contribution from previous years' Collection Fund surpluses			
105	North Yorkshire Police Authority			171
1,241	City of York Council			<u>1,527</u>
<u>115,982</u>	Total Expenditure			<u>125,533</u>
	Income			
55,735	Council Tax Income	(2)		62,850
60,330	Income from business ratepayers	(3)		61,841
	Contributions:			
2	from previous years' community charges	(4)		<u>-</u>
<u>116,067</u>	Total Income			<u>124,691</u>
(85)	(Surplus)/Deficit for the year			842
	 COLLECTION FUND BALANCE			
2,040	Balance at beginning of year			2,125
85	Surplus/(Deficit) for the year			<u>(842)</u>
<u>2,125</u>	Balance at end of year			<u>1,283</u>

NOTES TO THE COLLECTION FUND

1. General

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

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

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

2. Council Tax

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

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

This gives the tax base for the Council.

The valuation bands, the Band D equivalent figures originally estimated and the year-end figures for 2003/04 and the 2003/04 charges are as follows:

Property Band	Property Value		Proportion of Band D	Estimated Tax Base for Year	Year-End Tax Base	Average Charge In Year
A reduced	up to	£40,000	5/9	4.56	3.70	£549.09
A	up to	£40,000	6/9	5,491.80	5,526.79	£658.91
B	£40,000 to	£52,000	7/9	15,127.93	15,300.52	£768.72
C	£52,000 to	£68,000	8/9	18,329.41	18,611.51	£878.54
D	£68,000 to	£88,000	9/9	10,003.77	10,356.13	£988.36
E	£88,000 to	£120,000	11/9	7,352.47	7,537.78	£1,208.00
F	£120,000 to	£160,000	13/9	3,868.36	3,998.42	£1,427.63
G	£160,000 to	£320,000	15/9	2,080.18	2,153.29	£1,647.27
H	over	£320,000	18/9	104.39	102.11	£1,976.72
TOTAL				62,362.87	63,590.25	

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

		£(000)
Charge	(63,590.25 x £988.36)	62,850
which comprises		
Income due from Chargepayers		57,023
Council Tax Benefit		5,827

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 2004 was 165,667,881 (164,504,538) and the rate for 2003/04 was 44.4p (43.7p).

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.

4. Community Charge

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

2002/03 £(000)		2003/04 £(000)
7	Surplus 1 April	5
<u>2</u>	Income in year - from Chargepayers	<u>-</u>
9		5
<u>(4)</u>	Transferred to General Fund	<u>(5)</u>
<u>5</u>	Surplus 31 March	<u>-</u>

The Council has already agreed to transfer the remaining small sum of less than £300 to the General Fund in 2004/05.

CONSOLIDATED BALANCE SHEET

Adjusted 31 March 2003 £(000)	Note	31 March 2004 £(000) £(000)	
LONG-TERM ASSETS			
578,152	Fixed Assets	(2)	679,395
6,879	Deferred Charges	(3)	6,001
26,925	Prepayment	(5)	25,701
1,221	Long - Term Investments	(6)	1,221
877	Long - Term Debtors	(7)	757
<u>614,054</u>	LONG - TERM ASSETS		<u>713,075</u>
CURRENT ASSETS			
24,780	Temporary Investments		28,250
214	Stocks		289
130	Work in Progress		374
19,639	Debtors	(8)	17,893
51	Cash in Hand		60
7,480	Schools Cash at Bank		8,363
<u>52,294</u>			<u>55,229</u>
CURRENT LIABILITIES			
1,700	Long - Term Loans due within 12 months	(9)	-
-	Temporary Loans	(9)	-
26,094	Creditors	(10)	31,129
5,567	Cash Overdrawn		1,484
<u>18,933</u>	NET CURRENT ASSETS		<u>22,616</u>
<u>632,987</u>	TOTAL ASSETS LESS CURRENT LIABILITIES		<u>735,691</u>
LONG TERM LIABILITIES			
60,365	Long - Term Loans	(9)	73,365
81,574	Pensions Liability	(11)	65,378
1,470	Provisions	(12)	1,779
26,925	Deferred Liabilities	(13)	25,701
350	Deferred Credits	(14)	276
<u>170,684</u>			<u>166,499</u>
<u>462,303</u>	TOTAL ASSETS LESS LIABILITIES		<u>569,192</u>
CAPITAL RESERVES			
371,109	Fixed Asset Restatement Reserve	(15)	455,436
4,142	Government Grants Deferred Account	(16)	5,430
1,977	Developers Contributions Deferred Account	(16)	2,143
129,612	Capital Financing Reserve	(17)	134,436
1,155	Capital Grants Unapplied	(18)	461
4,364	Usable Capital Receipts	(19)	7,956
REVENUE RESERVES			
8,181	General Fund Reserve		6,843
2,215	Housing Revenue Account Reserve		3,017
500	DLO & DSO Reserves	(20)	322
2,125	Collection Fund Reserve		1,283
(81,574)	Pensions Reserve	(21)	(65,378)
18,497	Earmarked Reserves	(22)	17,243
<u>462,303</u>	TOTAL EQUITY		<u>569,192</u>

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

Dated *22/7/04*

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Restated Comparative Figures for FRS17

The provisions of FRS3 (Reporting Financial Performance) require that a change in accounting policy should be accounted for by restating the comparative figures in the preceding period and adjusting the opening balances of reserves for the cumulative effect. The requirements of FRS17 (see Statement of Accounting Policies note 5) are that the full liabilities on pensions should be included in the Council's balance sheet. In order to comply with this, the following adjustments have been made to the Balance Sheet as at 31 March 2003:

Balance at 31.3.03 £(000)	Adjustment £(000)	Adjusted Balance at 31.3.03 £(000)
Establish the opening balances for the Council to reflect the net liability on the Council's proportion of the assets and liabilities in the Pension Scheme.		
Long Term Liabilities		
-	Pensions Liability	81,574
		81,574
Revenue Reserves		
-	Pension Reserve	(81,574)
		(81,574)

2. Fixed Assets

The movements in fixed 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)	Non-Operational Assets £(000)	TOTAL All Assets £(000)
Value at 31.3.03	285,540	222,294	3,989	38,669	123	550,615	39,529	590,144
Less: accumulated depreciation/ impairment	<u>(4,274)</u>	<u>(3,436)</u>	<u>(1,857)</u>	<u>(2,366)</u>	<u>-</u>	<u>(11,933)</u>	<u>(59)</u>	<u>(11,992)</u>
Net Book Value of Assets at 31.3.03	281,266	218,858	2,132	36,303	123	538,682	39,470	578,152
Movement in 2003/04								
Category Adjustment	-	1,432	-	1,915	-	3,347	(3,347)	-
Additions	6,387	4,649	1,406	5,918	358	18,718	9,417	28,135
Disposals								
Gross book value	(6,820)	(2,143)	-	-	-	(8,963)	(549)	(9,512)
Accum. Deprecn	2	252	-	6	-	260	-	260
Revaluations	89,224	(540)	(155)	(2,119)	(359)	86,051	3,256	89,307
Accum. Deprecn	4,272	-	-	-	-	4,272	-	4,272
Depreciation	(7,623)	(1,709)	(669)	(1,187)	-	(11,188)	(31)	(11,219)
Impairment	-	-	-	-	-	-	-	-
Net Book Value of Assets at 31.3.04	<u>366,708</u>	<u>220,799</u>	<u>2,714</u>	<u>40,836</u>	<u>122</u>	<u>631,179</u>	<u>48,216</u>	<u>679,395</u>
Value at 31.3.04	374,331	225,692	5,240	44,383	122	649,768	48,306	698,074
Less: accumulated depreciation/ impairment	<u>(7,623)</u>	<u>(4,893)</u>	<u>(2,526)</u>	<u>(3,547)</u>	<u>-</u>	<u>(18,589)</u>	<u>(90)</u>	<u>(18,679)</u>
Net Book Value of Assets at 31.3.04	<u>366,708</u>	<u>220,799</u>	<u>2,714</u>	<u>40,836</u>	<u>122</u>	<u>631,179</u>	<u>48,216</u>	<u>679,395</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

Fixed Assets cont'd

The figure for additions above is the total value of expenditure in the year on fixed assets. Only a proportion of the expenditure either increases the value of the asset or is for a new asset, the remainder is either expenditure classified as work in progress, £9.029m (£3.354m), or expenditure of a capital nature but which does not enhance the value of the asset, £10.029m (£11.714m). The requirements of the Code of Practice are that work in progress is shown as non-operational assets, but that the expenditure which does not enhance the value of the asset is not included in the balance sheet under the heading fixed assets, but is shown as a transfer to the FARR (see note 15 on page 49). This latter adjustment is included in the line described as revaluations. This transfer leaves expenditure of £18.106m (£11.529m) in the year that increases the value of fixed assets.

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

	£(000)
Highways footpaths/various infrastructure schemes	6,650
Roofing and boiler work on various properties	247
Various expenditure on schools	1,963
Other smaller schemes	217
Assets under construction	9,029
	18,106

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)
127 Council Dwellings	6,819
43 Bramham Road	156
1 & 3 Monkgate	109
Unit A Hallfield Road	100
Oaken Grove Primary School	1,568
56 Bootham	420
Naburn Lodge Farm	340
	9,512

During 2003/04 requirements for capital accounting valuations to be carried out on all major Council assets have been met in full. Valuations are required to be carried out at least every 5 years and at 31 March 2004 no valuations are greater than five years old. Major assets valued during 2003/04 include the Yearsley Bridge Centre, Oaken Grove Community Centre, Strensall Library and St. Anthony's House as well as a variety of other properties and a number of administrative buildings. The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements. The valuations process is led by John Reid, Senior Property Consultant with the Council, who is a Chartered Surveyor.

All Operational and Non-Operational assets, other than non-depreciable land and investment properties, are depreciated from 2000/01 on a straight-line basis over their expected life; a proxy of 40 years has been used. Council dwellings are depreciated on a straight-line basis over 50 years. Vehicles, plant and equipment are valued at historic cost as a proxy for current cost and depreciated on a straight-line basis over their expected life. Infrastructure and community assets are valued at historic cost where applicable. Infrastructure assets are depreciated, on a straight-line basis, over 40 years.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Fixed Assets cont'd

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.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed 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)	Non-Operational Assets £(000)	TOTAL All Assets £(000)
Historic Cost	-	7,142	2,132	36,149	-	45,423	3,492	48,915
Current Value in:								
Current year	85,442	1,941	582	4,533	-	92,498	8,746	101,244
Previous year	281,266	29,468	-	154	90	310,978	3,764	314,742
2 years ago	-	158,007	-	-	-	158,007	4,299	162,306
3 years ago	-	23,316	-	-	32	23,348	27,915	51,263
4 years ago	-	925	-	-	-	925	-	925
Total	366,708	220,799	2,714	40,836	122	631,179	48,216	679,395

At 31 March 2004 gross capital expenditure commitments were over £11m, of which the most significant were for the Purchase of Harewood Whin (£4.2m), Neighbourhood Nurseries (£1.2m), and NDS Modernisation (£3.0m).

Included amongst the assets owned by the Council at 31 March 2004 are the following:

Council Dwellings:

3,615 Flats
4,609 Houses and Bungalows

Land:

754 km Road
975 km Footpath
17 Allotment Sites (1,152 plots)
12 Public Parks (approx 74 acres)
3 Travellers Sites
3 Equipped Farms

Vehicles:

12 Miscellaneous Vehicles

Other Buildings:

Bar Walls
Mansion House
8 Administrative Buildings
185 Commercial Properties
1 Open Air Market
1 Theatre
1 Crematorium
12 Toilet blocks
2 Swimming Pools
7 Museums
61 Schools
15 Residential Homes
7 Day Centres
10 Libraries
11 Youth Centres
4 Waste Disposal/Civic Amenity Sites
1 Art Gallery
7 Community Centres
1 Sports Pavilion
3 Sports Centres
17 Off Street Car Parks
2 Coach Parks
1 Sports Stadium
14 Play Areas

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), loan restructuring premiums/discounts, where consent has been received from the government to amortise costs (e.g. local government review) or where the government has given capital approval for revenue type expenditure (Public Service Agreements).

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

Balance at 1.4.03	Account	Expenditure During Year	Written off to Revenue in Year	Balance at 31.3.04
£(000)		£(000)	£(000)	£(000)
2,232	Local Government Review	-	684	1,548
-	Public Service Agreements	530	530	-
-	Improvement Grants	1,783	1,783	-
-	Other Grants	507	507	-
<u>4,647</u>	Loan Restructuring Premiums/ Discounts	-	194	<u>4,453</u>
<u>6,879</u>		<u>2,820</u>	<u>3,698</u>	<u>6,001</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.

2002/03 £(000)		2003/04 £(000)
	Expenditure in year	
23,084	Operational Assets	18,718
159	Non-operational Assets	9,417
<u>2,443</u>	Deferred Charges	<u>2,820</u>
<u>25,686</u>		<u>30,955</u>
	Source of Finance	
10,835	Borrowing Approvals	17,617
10,037	Grants and Contributions	10,793
3,610	Capital Receipts	1,824
476	Internal Funds and Provisions	892
611	Revenue Contributions	129
<u>117</u>	Net Accruals	<u>(300)</u>
<u>25,686</u>		<u>30,955</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. Prepayment

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. A prepayment was therefore 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.

6. Long-Term Investments

These are investments held for the medium/long-term. They comprise share investments in three companies: Yorwaste (£1,007,940), York Science Park (£200,000) and Careers Company (£6,400). These shares are included in the balance sheet at nominal value. 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, and loans to housing associations. They are analysed as follows:

As at 1.4.03 £(000)		As at 31.3.04 £(000)
478	Staff Car Loans	492
349	Council House Mortgages	211
16	Housing Act Advances	15
34	Other	39
<u>877</u>		<u>757</u>

8. Debtors

This figure has been netted down by £6.692m (£5.473m) 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 1.4.03 £(000)		Balance at 31.3.04 £(000)
2,767	Taxpayers	5,472
1	Council Tax	-
1,055	Poll Tax	-
	NNDR	3,515
	Central Government	
1,390	Government Departments	1,043
543	Customs and Excise	825
	Other	
1,832	Housing Rents	2,198
1,363	Housing Benefits	1,752
16,161	Other Debtors	9,780
<u>25,112</u>		<u>24,585</u>
	Provision for Bad and Doubtful Debts	
2,414	Collection Fund	3,133
1,344	Housing Rents	1,660
998	Housing Benefits	1,127
717	Other	772
<u>5,473</u>		<u>6,692</u>
<u>19,639</u>	Total Debtors	<u>17,893</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. Loans Outstanding

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

As at 1.4.03 £(000)		Interest Rates Payable	As at 31.3.04 £(000)
Total Outstanding			
52,065	Public Works Loan Board	3.60% to 4.88%	63,365
-	CLF Municipal Bank		-
10,000	Royal Exchange Trust Co Ltd	7.16% to 7.16%	10,000
-	Local Bonds		-
-	Short Term Loans		-
<u>62,065</u>	Total		<u>73,365</u>
Analysis of loans by maturity:			
1,700	Maturing within one year		-
-	Maturing in 1 - 2 years		4,000
4,000	Maturing in 2 - 5 years		5,000
-	Maturing in 5 - 10 years		8,000
<u>56,365</u>	Maturing in more than 10 years		<u>56,365</u>
<u>62,065</u>	Total		<u>73,365</u>

10. Creditors

The creditors figure can be analysed as follows:

Balance at 1.4.03 £(000)		Balance at 31.3.04 £(000)
Taxpayers		
865	Council Tax	1,558
3	Poll Tax	6
1,430	NNDR	2,302
Central Government		
2,467	Government Departments	2,850
2,496	Inland Revenue	2,630
2,567	Business Rates Owed	567
Other		
135	Housing Rents	251
<u>16,131</u>	Other Creditors	<u>20,965</u>
<u>26,094</u>	Total Creditors	<u>31,129</u>

11. Pensions Liability

As explained in note 4 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 liabilities and costs relating to these payments were omitted in the 2002/03 accounts, and so the comparative data has been amended in the following tables to increase the liabilities by £4.159m.

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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

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 2001. 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:

As at 31.3.03 £(000)		As at 31.3.04 £(000)
172,742	Estimated share of liabilities in scheme	189,435
<u>91,168</u>	Estimated share of assets in scheme	<u>124,057</u>
<u>81,574</u>	Council's net liability (deficit)	<u>65,378</u>

The liabilities show the underlying commitments that the Council has to pay retirement benefits in the long-term. The total liability of £65.378m 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.

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 31.3.03 % pa		As at 31.3.04 % pa
2.5	Rate of Inflation	2.8
4.0	Rate of increase in salaries	4.3
2.5	Rate of increase in pensions	2.8
6.0	Rate for discounting scheme liabilities	6.3

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 31.3.03 £(000)	As at 31.3.03 %		As at 31.3.04 £(000)	As at 31.3.04 %
69,379	76.1	Equities	95,896	77.3
365	0.4	Government Bonds	15,135	12.2
18,234	20.0	Other Bonds	7,071	5.7
-	-	Property	-	-
<u>3,190</u>	<u>3.5</u>	Other	<u>5,955</u>	<u>4.8</u>
<u>91,168</u>	<u>100.0</u>		<u>124,057</u>	<u>100.0</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

As at		As at
31.3.03		31.3.04
% pa		% pa
7.5	Equities	7.5
4.5	Government Bonds	4.7
5.4	Other Bonds	5.5
6.5	Property	6.5
3.75	Other	4.0

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

2002/03		2003/04
£(000)		£(000)
47,518	Net pensions liability at 1 April	81,574
	Movement in year	
6,234	Current service cost	6,938
(8,191)	Employer contributions (including unfunded retirement benefits)	(9,802)
19	Past service cost/curtailment costs	1,102
9,672	Interest costs	10,528
(8,522)	Expected return on assets in the scheme	(6,597)
34,844	Actuarial (Gain)/Loss	(18,365)
81,574	Net pensions liability at 1 April	65,378

12. Provisions

The following summarises the Provisions held:

Balance at		Expenditure	Income	Balance at
1.4.03		During Year	During Year	31.3.04
£(000)		£(000)	£(000)	£(000)
1,219	Insurance Fund - General	527	764	1,456
251	Miscellaneous	-	72	323
1,470		527	836	1,779

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

13. Deferred Liabilities

This represents the liability for the amount chargeable to the revenue account in future financial years. This is based on the liability for the payment of notional debt on the 1996 local government reorganisation transferred assets as set out in note 5 on page 45.

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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. Fixed Asset Restatement Reserve

This reserve represents the difference between the valuations of assets under the new system of capital accounting compared to the previous system, 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.

	2002/03				2003/04		
Housing Revenue Account £(000)	General Fund Services £(000)	Total £(000)		Housing Revenue Account £(000)	General Fund Services £(000)	Total £(000)	
166,495	221,364	387,859	Balance at 1 April	152,679	218,430	371,109	
<u>(1,612)</u>	<u>3,851</u>	<u>2,239</u>	Surplus/(Deficit) on revaluation of fixed assets	<u>93,496</u>	<u>10,372</u>	<u>103,868</u>	
164,883	225,215	390,098		246,175	228,802	474,977	
<u>6,841</u>	<u>434</u>	<u>7,275</u>	Less: Disposal of fixed assets	<u>6,976</u>	<u>2,536</u>	<u>9,512</u>	
158,042	224,781	382,823		239,199	226,266	465,465	
<u>5,363</u>	<u>6,351</u>	<u>11,714</u>	Less: Expenditure in year which does not increase value of assets	<u>6,387</u>	<u>3,642</u>	<u>10,029</u>	
<u>152,679</u>	<u>218,430</u>	<u>371,109</u>	Balance at 31 March	<u>232,812</u>	<u>222,624</u>	<u>455,436</u>	

16. Government Grants Deferred and Developers Contributions Deferred

These are sums of money that have been received from government departments and outside sources to contribute towards the cost of fixed assets. The money is transferred to revenue, via the Asset Management Revenue Account (AMRA), at the same rate that the asset is depreciated so that the revenue accounts receive a reduced charge in each year the asset is usable. This money is therefore not available to fund other expenditure requirements. The transactions in the year are as follows:

Balance at 1.4.03		Receipts During Year	Transfer to AMRA in Year	Balance at 31.3.04
£(000)		£(000)	£(000)	£(000)
4,142	Deferred Government Grants	1,506	218	5,430
<u>1,977</u>	Deferred Developer's Contributions	<u>224</u>	<u>58</u>	<u>2,143</u>
<u>6,119</u>		<u>1,730</u>	<u>276</u>	<u>7,573</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

17. Capital Financing Reserve

This reserve represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital transactions. It too was created to balance transactions within the valuation of Fixed Assets and is not a resource available to the Council.

2002/03 £(000)		£(000)	2003/04 £(000)
117,474	Balance at 1st April		129,612
6,638	Add: Capital Receipts set aside in year		4,741
792	Set aside in year		1,398
124,904			135,751
3,610	Add: Capital Financing in year		
10,037	- Usable Capital Receipts	1,824	
287	- Grants & Contributions	10,793	
324	- Revenue Contributions - Housing	-	
476	- Revenue Contributions - Other Departments	129	
1,224	- Contributions from internal funds	892	
15,958	- Other Authority Debt Repayment	1,224	
140,862			14,862
140,862			150,613
4,866	Less: Expenditure in year		
4	Transfer to CRA	9,549	
1,408	Application for Housing Loans	2	
14	Transfer to Deferred Capital Grants	1,506	
4,274	Transfer to Deferred Developers		
684	Contributions	223	
11,250	Transfer to Major Repairs Reserve	4,213	
129,612	Repayment of LGR SCA	684	
			16,177
	Balance at 31st March		134,436

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

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.

19. Usable Capital Receipts

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

2002/03 £(000)		2003/04 £(000)
2,256	Balance at 1 April	4,364
11,766	Receipts in year from sale of assets	10,672
590	Receipts in year from other bodies	(515)
14,612		14,521
6,638	Less: reserved proportion	4,741
7,974	Available Usable Receipts	9,780
3,610	Receipts applied during the year	1,824
4,364	Usable Capital Receipts Unapplied at 31 March	7,956

Memorandum Account **Provision for Credit Liabilities**

2002/03 £(000)		2003/04 £(000)
-	Balance at 1 April	-
	add:	
6,638	Reserved proportion of new receipts	4,741
	Minimum Revenue Provision (MRP) to be set aside for repayment of loans	
792		1,398
7,430		6,139
	less:	
-	Loans repaid from PCL	-
7,430	PCL applied to Long-Term Liabilities	6,139
NIL	Balance at 31 March	NIL

20. DLO and DSO Reserves

The following summarises the Direct Labour Organisation and Direct Service Organisation Funds. The detail of the surpluses and deficits in the year are shown in more detail on pages 63 and 64.

Balance at 1.4.03 £(000)	Account	Surplus/ (Deficit) in Year £(000)	Transfer (to)/ from Reserves & General Fund £(000)	Balance at 31.3.04 £(000)
244	Building Maintenance Reserve	(110)	(134)	-
515	Civil Engineering Reserve	272	(465)	322
(190)	Other Sections Reserve	(275)	465	-
122	Transport - Operating Reserve	(30)	(92)	-
	Total Leisure Management			
(191)	Reserve	(312)	503	-
-	Housing	-	-	-
500	Total	(455)	277	322

NOTES TO THE CONSOLIDATED BALANCE SHEET

21. 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.

22. Earmarked Reserves

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

Balance at 1.4.03 £(000)	Account	Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.04 £(000)
Reserves				
1,214	Investment Reserves	-	-	1,214
	Education Delegated School			
5,067	Reserves	284	29	4,812
881	Major Repairs Reserve	4,312	4,213	782
2,716	Venture Fund	1,169	227	1,774
2,194	Developers Contributions' Unapplied	208	647	2,633
4,395	Miscellaneous	1,960	1,966	4,401
<u>16,467</u>		<u>7,933</u>	<u>7,082</u>	<u>15,616</u>
2,030	Capital Reserve	1,100	697	1,627
<u>18,497</u>		<u>9,033</u>	<u>7,779</u>	<u>17,243</u>

The Education 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 9 (6) schools with deficit rather than surplus balances at a total deficit of £666k (£522k).

23. Insurance Fund

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

The Council (with its Insurers) has reviewed the provision made to meet future liabilities and, as a result, established insurance reserves to hold surplus funds. At 31 March 2004 the insurance reserves stood at £1.318m (£1.299m).

24. 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. The figures for 1 April have been amended to reflect the restated balance sheet.

Balance at 1.4.03 £(000)		Balance at 31.3.04 £(000)
270,244	General Fund	292,689
191,403	Housing Revenue Account	276,005
656	Direct Service Organisations	498
<u>462,303</u>		<u>569,192</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

25. 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 1.4.03 £(000)		Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.04 £(000)
17	James Cox Automoton Clock	-	1	18
17	Edmund Wilson Trust	-	1	18
47	Ismay Trust	-	2	49
40	Haughton/Gardiner Trust Fund	-	2	42
58	Strensall & Towthorpe Village Trust	-	2	60
38	Other Funds	37	66	67
<u>217</u>		<u>37</u>	<u>74</u>	<u>254</u>

26. Contingent Liabilities

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

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

In the past part-time employees 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.

27. 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 (£292k) 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	£11.9m
Loans to/(from) CYC	None
Profit for period to 31.3.03	
(a) Before tax	£3.3m
(b) After tax	£2.3m
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 £3.638m including Landfill Tax of £1.327m (£2.311m net of Landfill Tax), and at 31 March 2004 there was a creditor balance of £585k (£556k). In addition the Council provides services to Yorwaste Limited that totalled £397k (£403k) during 2003/04. There was a debtor outstanding at 31 March 2004 of £65k (£14k).

28. Rates and Costs in Arrears

Rate Arrears at 31 March 2004 show a decrease of £0.5k over the figure at April 2003.

NOTES TO THE CONSOLIDATED BALANCE SHEET

29. 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.

30. Municipal Mutual Insurance

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

31. 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 2004 was £57.39m.

With effect from 1 April the North Yorkshire Fire and Rescue Authority has changed from a levying body to a precepting body. This Council will no longer receive government funding or council tax income towards the cost of this service, but nor will it have to make any levy payments to the Authority, nor be responsible for the pensions liabilities for the organisation. The balance on the earmarked reserve relating to NYFRA pensions (£85,140) will be transferred during 2004/05.

With effect from 1 April the Environmental Agency will receive its funding directly from the government rather than by levying a precept on the Council. The Council will no longer receive the government funding towards the cost of this service, but nor will it have to pay the levy.

CASH FLOW STATEMENT

2002/03 £(000)	Note	2003/04 £(000)	£(000)
	Revenue Activities		
	Cash Outflow:		
	Cash paid to and on behalf		
136,458	of employees	150,898	
89,770	Other operating cash payments	90,958	
14,119	Housing Benefit paid out	11,134	
58,015	NNDR payment to Pool	63,565	
5,945	Precepts paid	10,209	
<u>304,307</u>			<u>326,764</u>
	Cash Inflow:		
(11,752)	Rent (after rebates)	(12,634)	
(49,818)	Council Tax income	(55,372)	
(60,856)	Non-Domestic rate income	(60,336)	
(55,160)	Receipt from NNDR Pool	(54,927)	
(35,889)	Revenue Support Grant	(45,361)	
(16,468)	DWP grants for rebates	(16,004)	
(30,986)	Other government grants	(39,537)	
(20,864)	Cash received for goods	(19,864)	
(21,255)	and services	(19,864)	
<u>(303,048)</u>	Other operating cash income	<u>(30,337)</u>	<u>(334,372)</u>
<u>1,259</u>	Revenue Activities Net Cash Flow		<u>(7,608)</u>
	Dividends from Joint Ventures and Associates		
	Cash Inflow:		
(292)	Dividends received	(307)	(307)
	Returns on Investments and Servicing of Finance		
	Cash Outflow:		
2,238	Interest paid	2,879	
-	Interest on finance lease	-	
<u>2,238</u>	rental payments	<u>2,879</u>	
(682)	Cash Inflow:	(615)	
<u>1,556</u>	Interest received		
	Return on Investments and Servicing of Finance Net Cash Flow		<u>2,264</u>
	Capital Activities		
	Cash Outflow:		
20,916	Purchase of fixed assets	25,585	
-	Purchase of long-term investments	-	
2,843	Other capital cash payments	2,820	
<u>23,759</u>		<u>28,405</u>	
	Cash Inflow:		
(12,357)	Sale of fixed assets	(9,800)	
(9,677)	Capital Grants received	(9,363)	
(1,508)	Other capital cash receipts	(736)	
-	Sale of long-term investments	-	
<u>217</u>			<u>8,506</u>
<u>2,740</u>	Capital Activities Net Cash Flow		<u>8,506</u>
	Net Cash (Inflow)/Outflow before Financing		<u>2,855</u>

CASH FLOW STATEMENT

2002/03 £(000)		Note	2003/04 £(000)	£(000)
	Management of Liquid Resources	(8)		
-	Net (increase)/decrease in short term deposits	(9)		-
-	Net (increase)/decrease in other liquid resources	(9)		-
<u>(11,220)</u>	Short-Term Investments	(9)		<u>3,470</u>
<u>(11,220)</u>				<u>3,470</u>
	Financing	(8)		
	Cash Outflow:			
36,150	Repayments of amounts borrowed	(9)	14,900	
-	Capital element of finance lease rental payments	(9)	-	
<u>36,150</u>			<u>14,900</u>	
	Cash Inflow:			
(26,150)	New loans raised	(9)	(26,200)	
<u>10,000</u>			<u> </u>	<u>(11,300)</u>
<u>(1,520)</u>	Increase/(Decrease) in cash	(9) & (10)		<u>4,975</u>
<u>(2,740)</u>				<u>(2,855)</u>

NOTES TO THE CASH FLOW STATEMENT

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

	£(000)	£(000)
(Surplus)/Deficit per Consolidated Revenue Account		1,338
Non-cash transactions		
Provisions set aside	(236)	
- Insurance Fund	(236)	
- Bad/Doubtful Debts	(1,219)	
Contributions (to)/from reserves	842	
- Collection Fund	842	
- HRA	(803)	
- DSO	178	
- Other Earmarked	825	(413)
	825	(413)
		925
Items on an accruals basis		
Increase/(decrease) in stocks and works in progress	318	
Increase/(decrease) in debtors	(591)	
(Increase)/decrease in creditors	(5,036)	
Increase/(decrease) in prepayments	(1,224)	(6,533)
	(1,224)	(6,533)
		(5,608)
Items included in another classification in the Cash Flow Statement		
Capital Activities	(43)	
Investment Income/Finance Leasing Payments	(1,957)	(2,000)
	(1,957)	(2,000)
		(7,608)

2. The other revenue grants figure includes the following:

	£(000)
Housing Benefits Administration	900
HRA Subsidy	6,657
Education Standards Fund	5,094
Sure Start (Early Years)	467
Preserved Rights	2,835
Supporting People	9,480
Learning and Skills Council	899
Children Leaving Care	1,276
Schools Standard Support Grant	2,527
Teachers Pay Reform	2,664
Childcare and Early Years	831
Mental Health Grants	510
Other Miscellaneous	5,397

3. This figure comes from Note 2 to the Consolidated Balance Sheet, excluding internal salaries of £2.550m.
4. This is the increase in long-term investments; see also Note 6 to the Consolidated Balance Sheet.
5. This figure comes from Note 3 to the Consolidated Balance Sheet.
6. These are receipts received in the year from the sale of council houses and other assets.

NOTES TO THE CASH FLOW STATEMENT

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

	£(000)
Disabled Facilities Grant	513
Major Repairs Allowance	4,312
Education Devolved and Condition Grants	3,924
Other Miscellaneous	614

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

	Balance 1.4.03 £(000)	Balance 31.3.04 £(000)	Movement in Year £(000)
<i>Management of Liquid Resources</i>			
Temporary Investments	24,780	28,250	3,470
Temporary Loans	-	-	-
	24,780	28,250	3,470
<i>Financing</i>			
Long-Term loans due within 12 months	1,700	-	1,700
Long-Term Loans	60,365	73,365	(13,000)
	62,065	73,365	(11,300)

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

	Balance 1.4.03 £(000)	Balance 31.3.04 £(000)	Movement in Year £(000)
Cash-in-hand and at bank	1,964	6,939	4,975
Long-Term Loans	(62,065)	(73,365)	(11,300)
Temporary Loans	-	-	-
Temporary Investments	24,780	28,250	3,470
Total net debt	(35,321)	(38,176)	(2,855)

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

	Balance 1.4.03 £(000)	Balance 31.3.04 £(000)	Movement in Year £(000)
Cash-in-hand	51	60	9
Schools Cash at Bank	7,480	8,363	883
Cash Overdrawn	(5,567)	(1,484)	4,083
	1,964	6,939	4,975

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2002/03 £(000)	Note	2003/04 £(000) £(000)	
		Movement in Revenue Resources	
		Surplus/(deficit) for the year in Fund balances	
1,111	(1)	(1,338)	
358		802	
85		(842)	
		Movements on other revenue resources	
(868)	(1)	(1,432)	
788	(2)	(2,169)	
<u>(34,844)</u>	(2)	<u>18,365</u>	
(33,370)			
		Total increase/(decrease) in revenue resources	
			13,386
		Movement in Realised Capital Resources	
	(3)	Increase/(decrease) in usable capital receipts	
2,108		3,592	
<u>1,149</u>		<u>(694)</u>	
3,257			
		Total increase/(decrease) in realised capital resources	
			2,898
		Movement in Unrealised Value of Fixed Assets	
	(4)	Gains/(losses) on revaluation of fixed assets	
<u>(9,475)</u>		<u>93,839</u>	
(9,475)			
		Total increase/(decrease) in unrealised value of fixed assets	
			93,839
		Value of Assets Sold, Decommissioned or Realised	
	(4)	Value of assets sold, disposed of or decommissioned	
(7,275)			(9,512)
		Movement in Amounts to be used to Finance Capital Investment	
22,301	(5)	19,980	
(10,163)		(15,156)	
669		1,288	
<u>(196)</u>		<u>166</u>	
12,611			
		Total increase/(decrease) in amounts set aside to finance capital investment	
<u>(34,252)</u>			<u>6,278</u>
		Total recognised gains and losses	
			<u>106,889</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

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

	Balance 1.4.03 £(000)	Balance 31.3.04 £(000)	Movement in Year £(000)
General Fund Reserve	8,181	6,843	(1,338)
Housing Revenue Account	2,215	3,017	802
Collection Fund	2,125	1,283	(842)
Earmarked Reserves			
DLO & DSO Reserve	500	322	(178)
Investment Reserves	1,214	1,214	-
Education Delegated School Reserves	5,067	4,812	(255)
Major Repairs Reserve	881	782	(99)
Venture Fund	2,716	1,774	(942)
Developers Contributions' Unapplied	2,194	2,633	439
Miscellaneous	4,395	4,401	6
Capital Reserve	2,030	1,627	(403)
Total Earmarked Reserves	18,997	17,565	(1,432)
Pensions Reserve	(81,574)	(65,378)	16,196
	(50,056)	(36,670)	13,386

2. The movement on the Pensions Reserve can be split into two elements. The first is the amount needed to balance the FRS17 charges on the Consolidated Revenue Account with the amount paid to the Pension Fund. This was a charge of £2,169k (see note 4 to the Consolidated Revenue Account, page 22). The second is the actuarial (gains)/losses on the Pensions Reserve, which the actuaries have analysed into the following categories, measured both as absolute amounts and as a percentage of assets or liabilities at 31 March.

As at 31.3.03 £(000)	As at 31.3.03 %		As at 31.3.04 £(000)	As at 31.3.04 %
(34,844)	38.2	Difference between the expected and actual return on assets - gain/(loss)	18,365	14.8
-	-	Difference between actuarial assumptions about liabilities and actual experience	-	-
-	-	Changes in the demographic and financial assumptions used to estimate liabilities	-	-

3. The total change in realised capital resources is obtained from analysing the movement on Usable Capital Receipts (UCR) and grants (UCG) and contributions (UCC) received in year.

	UCR £(000)	UCG £(000)	UCC £(000)
Movements in realised capital resources			
Amounts receivable	5,416	10,057	736
Amounts applied to finance new capital investment	(1,824)	(10,751)	(736)
Total increase/(decrease) in realised capital resources	3,592	(694)	-
Opening balance at 1 April	4,364	1,155	-
Closing balance at 31 March	7,956	461	NIL

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

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

	FARR £(000)
Movements in unrealised value of fixed assets	
Gains/(losses on revaluation of fixed assets)	93,839
Total increase/(decrease) in unrealised capital resources	93,839
Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals	(9,512)
Total movement on reserve	84,327
Opening balance at 1 April	371,109
Closing balance at 31 March	455,436

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

	CFR £(000)	Govt Gts Def £(000)	Dev Cont Def £(000)	TOTAL £(000)
Movements in amounts set aside to finance capital expenditure				
Capital receipts set aside				
- reserved receipts	6,139	-	-	
- usable receipts applied	13,841	-	-	
Total capital receipts set aside	19,980	-	-	19,980
Revenue resources set aside				
- capital expenditure financed from revenue	1,021	-	-	
- reconciling amount for provisions for loan repayment	(16,177)	-	-	
Total revenue resources set aside	(15,156)	-	-	(15,156)
Grants applied to capital investment	-	1,506		
Contribns applied to capital investment Applied to AMRA	-	(218)	224 (58)	
Movement on Grants and Developers Contributions Deferred	-	1,288	166	1,454
Total increase/(decrease) in amounts set aside to finance capital investment				6,278
Total movement on reserve	4,824	1,288	166	
Opening balance at 1 April	129,612	4,142	1,977	
Closing balance at 31 March	134,436	5,430	2,143	

NOTES TO THE DIRECT SERVICE ORGANISATION ACCOUNTS

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

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

2. Building Maintenance has made a deficit of £110k against a turnover of £5.7m.

The value of the work from the internal housing contract was less than expected for the year. The work from Housing Associations has been maintained in the year, but has not made the contribution necessary to off-set the shortfall from internal work.

3. Civil Engineering has made a profit of £272k against a turnover of £4.9m.

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

4. Other Sections have made a deficit of £227k against a turnover of £13.5m

High levels of sickness in a number of areas have contributed to the overall deficit. The particularly large deficit on cleaning is due to high wage settlements.

5. Leisure Management

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

6. Quality Assurance costs

Members approved an expenditure of up to £100k to develop the structure of the DSO to become a Quality assured provider.

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

GLOSSARY

Accounting Period

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

Accruals

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

Agency

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

Appropriation of Land or Buildings

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

Asset

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

Balance Sheet

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

Capital Charge

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

Capital Expenditure

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

Capital Expenditure charged to Revenue Account (CERA)

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

Capital Financing

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

Capital Programme

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

Capital Receipt

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

GLOSSARY

Cash Flow Statement

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

Charging Authority

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

Collection Fund

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

Community Assets

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

Community Charge

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

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

GLOSSARY

Deferred Charges

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

Deferred Capital Receipts

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

Deferred Debtors

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

Depreciation

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

Direct Labour Organisation (DLO)

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

Fixed Assets

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

General Fund

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

Government Grants

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

Housing Revenue Account

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

Leasing

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

Liability

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

National Non-Domestic Rates (NNDR)

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

GLOSSARY

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).

Provisions

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

Provision for Credit Liabilities

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

Public Works Loan Board (PWLB)

A government agency that lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury. The amount each local authority can borrow in any one year is determined by an annual maximum quota based on capital expenditure, outstanding debt and amounts set aside as provision to meet credit liabilities.

Reserves

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

Revenue Account

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

Revenue Support Grant (RSG)

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

Stocks

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

Support Services

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

Temporary Borrowing/Investment

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

GLOSSARY

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.

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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