



Statement of Accounts

2006/07

THE GUILDHALL

YORK

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

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

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INTRODUCTION BY THE LEADER



Welcome to the Statement of Accounts for City of York Council for 2006/07.

These accounts show that the Council has been successful in addressing the major financial issues that it continues to face.

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

In addition reserves have been kept at a prudent level.

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

These are some of the highlights

- * Recycling rates hit record levels with the new Hazel Court recycling centre proving to be a big hit with residents. Waste that is sent to landfill sites has decreased 18% despite continuing increases in the amount of household waste that is collected. Kerbside collections of refuse now include cardboard for recycling at over 60,000 properties.
- * We officially open the ground breaking *eco depot* at Hazel Court - an exemplar of environmentally friendly design standards.
- * We launched a pioneering customer contact centre to help us respond to our customers in a much more joined up and positive way.
- * The city's street and environmental cleanliness continues to improve - the introduction of the "barrowman" hand sweeping service being popular with many residents.
- * For the fourth year running York is a much safer place to live in, with crime reducing by another 7% last year.
- * We have continued to improve our already very high educational attainment results, making York one of the best places in the country to educate our children.

....And this achieved despite our having to manage with the lowest Council Tax level outside of the south east of England!

and the future?

The political Group Leaders on the Council recognise the need to work together for the benefit of the City. To this end, we have recently agreed a policy prospectus that covers some of the main issues facing residents. We'll be reviewing our policies on community safety, our environment, sustainability, the local economy and tackling inequality in health and housing provision

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

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

We want York to be viewed as a 'fair' and harmonious city. In the areas of housing, healthy lifestyles and opportunities for disadvantaged residents, we will be relentless in our bid to tackle inequality. As a leading organisation in the city, the Council has a duty to ensure that everyone can share in the prosperity provided through our improving local economy. We aim to reduce relative poverty levels and involve the whole community in the city's life.

INTRODUCTION BY THE LEADER

Surveys have confirmed that local residents see the reduction of street level crime, anti social behaviour and nuisance as a high priority. We're looking at how the council can assist in providing easier access to Police services, improving patrolling arrangements in vulnerable areas and providing a more effective response to local concerns including, for example, measures aimed at reducing vehicle speeds.

Prompted by increasing concerns, we are developing a climate change strategy which will cover reduced energy consumption, improved energy conservation in buildings as well as more use of environmentally friendly transport. More people will be able to recycle their waste easily including improving facilities for terraced properties, businesses and difficult to access properties such as flats.

The availability of affordable and social housing will be reviewed as will the effectiveness of planning rules in encouraging the construction of additional affordable homes.

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

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

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



Steve Galloway
Leader of the Council

Foreword by the Director of Resources

1. Introduction

The purpose of the foreword is to provide an easily understandable guide to the most significant matters reported in City of York Council's Accounts. The pages which follow are the Council's final accounts for the year ending 31 March 2007 with notes to give further details of the key figures. A summary of the purpose of each statement and an overview of the Council's financial position is shown in this section.

Statement of Accounting Policies

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

Statement of Responsibilities

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

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.

Income and Expenditure Account

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

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

Statement of the Movement on the General Fund Balance

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

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

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

FOREWORD

Introduction cont'd

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

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

Statement of Total Recognised Gains and Losses

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

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

Balance Sheet

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

Cash Flow Statement

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

Housing Revenue Account Income and Expenditure

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

Statement of Movement on the Housing Revenue Account Balance

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

Collection Fund

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

Glossary

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

FOREWORD

2. Structure of the Council's Accounts

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

A General Fund to account for day-to-day spending on most Council services.

A separate Housing Revenue Account.

A separate Collection Fund Account.

A capital programme to account for investment in assets needed for the delivery of Council services.

The way each of these is funded is also different:

General Fund services are paid for from government grant, council tax and service charges.

Housing income comes from housing rents.

The Collection Fund is financed by the income from taxpayers.

The capital programme is funded in various ways - long-term borrowing, external finance, capital receipts from the sale of Council assets and from revenue.

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

Despite continuing pressures on public sector expenditure, the Council has been able to maintain and improve Council services in a number of areas. Growth of £14.255m was approved in the 2006/07 budget process, although this was accompanied by savings of £7.119m.

The Council's General Fund budget for its own net expenditure was set at £97.769m, after the assumed use of £1.289m from reserves and general fund balances. To this sum the parish precepts added a further £0.540m.

During the year Members approved additional net expenditure totalling £1.421m, 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 2005/06 (£1.158m). The revised budget before the use of balances was therefore £101.019m, with the use of reserves and balances amounting to £2.710m.

The out-turn position is net expenditure, including parish precepts, of £95.240m, an underspend of £5.779m. Included within the net underspend, however, are several items of expenditure that will have ongoing budgetary pressures into 2007/08. These have been identified and reported to Members and will be continually monitored during 2007/08.

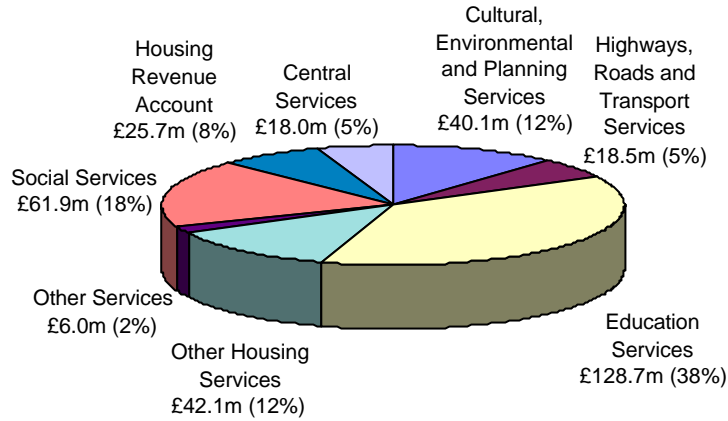
The overspending budgets have been compensated for by reduced expenditure in other areas, a large proportion of which is the result of one-off events that cannot be expected to recur in future financial years, e.g. backdated rate rebates (£0.714m) and an increased level of dividend from Yorwaste (£0.480m). Of the remainder, Members have already agreed that £1.519m can be spent in 2007/08 to complete projects that could not be finalised in 2006/07, with a further £0.223m on newly identified one-off cost pressures in 2006/07.

The Council's gross expenditure on services, as shown on the Income and Expenditure Account, was £341.0m and the following two diagrams show this firstly on a service by service basis and then by category of expenditure:

FOREWORD

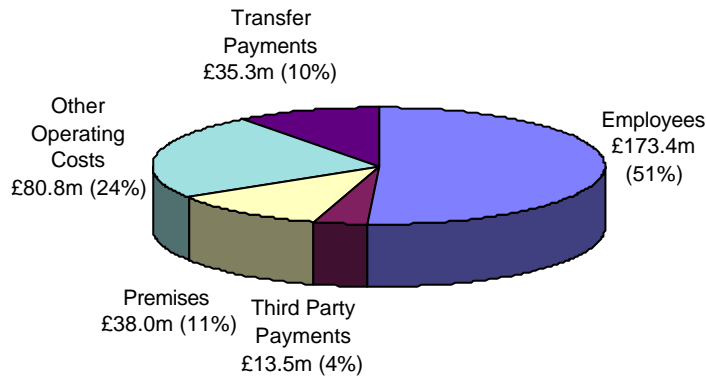
Income and Expenditure Account and Statement of Movement on the General Fund Balance
cont'd

Gross Expenditure on Services 2006/07



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

How the Money Was Spent 2006/07

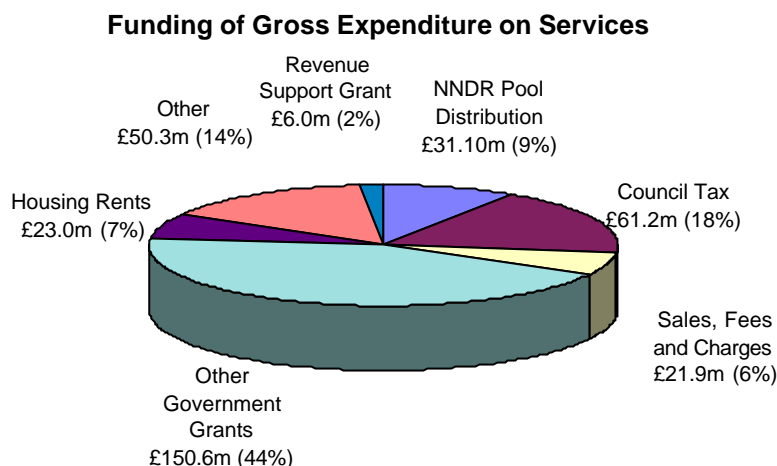


In the above analysis employees costs include the full cost of employing all staff including teachers; third party payments include levies from Internal Drainage Boards; and transfer payments relate principally to benefit payments and rent rebates.

FOREWORD

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

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



The diagram above shows General Fund income of £344.1m, £3.1m more than was needed to fund expenditure. The surplus is transferred to general fund balances, which now total £13.480m. However, of this total £5.778m relates to the amount held by governors under schemes to finance schools and so is not available for any other purposes. The sum available to support other services is therefore £7.702m.

The Council transferred £82.232m to schools via the Individual Schools budget (ISB), the Learning Skills Council (LSC) 6th form grant, Devolved Standards Fund Grants, Teachers Performance Pay Grants and the Schools Standard Grant. In addition schools also received devolved capital grants totalling £2.438m. 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 2006/07 this was a transfer to reserves of £714k, increasing the balances held to £5.778m. These balances can only be used by schools.

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

In November 2005 the government announced a second amending report on Revenue Support Grant for the 2004/05 and 2005/06 financial years, following the introduction of more up-to-date information into their grant distribution formulae. As a result of this the government decided to 'clawback' £0.2m in 2006/07, which the Council included in their 2006/07 budget. As part of the 2007/08 budget Members agreed to fund non-recurring items of expenditure by using £1.312m from general fund balances. In addition, Members have also agreed to use £1.519m to finance work which was budgeted to be completed in 2006/07 but which could not be completed in the year and £0.223m for other one-off pressures that have been identified.

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4. Housing Revenue Account (HRA)

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

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

When the 2006/07 revenue estimates were approved, rents were increased by £2.56 per week or 4.94%, in accordance with the government's guideline increase. Previously, expenditure for Housing Benefits was charged to the HRA. From 2004/05 this expenditure has transferred to the general fund. This has resulted in the HRA now being in a 'negative subsidy' position, whereby the HRA pays over its assumed surplus to the Department for Communities and Local Government (DCLG). The payment for 2006/07 was estimated to be £4.874m compared to an actual at the year-end of £4.854m.

This variation together with those to other original budgets have resulted in a surplus on the HRA of £5.990m at the year-end, which is an increase of £1.475m from that originally budgeted for. The most significant variations have resulted from:

	£(000)
(i) Increase in repairs and maintenance contract prices	(48)
(ii) Reduced charges from departmental and support services	464
(iii) Reduced cost of providing single homeless accommodation	9
(iv) Increased cost of providing temporary accommodation	(48)
(v) Increased provision for bad debts	(34)
(vi) Reduced revenue funding of capital programme	563
(vii) Increased expenditure on Rent Rebate Subsidy Limitation and reduced HRA subsidy payment	86
(viii) Increase in rental income from Council shops and houses	108
(ix) Additional interest on working balances	199
(x) Reduced capital charges	37
(xi) Reduction in caretaking costs	18
(xii) Increased income from Supporting People	121
	<hr/>
	1,475

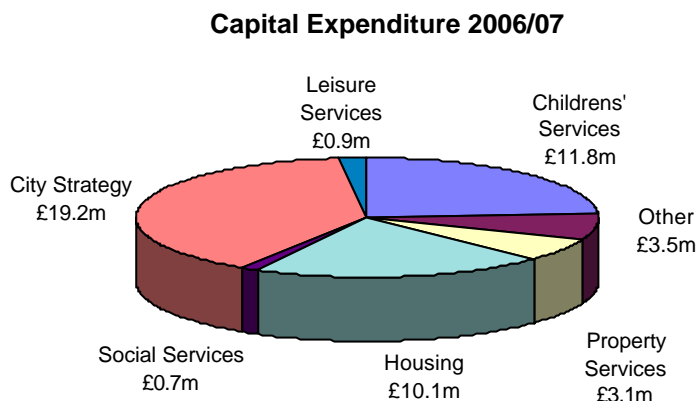
5. Collection Fund

At 31 March 2007 the surplus on the Collection Fund is £1.100m although £0.218m of this is owed to the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority. While preparing for the 2007/08 budget it was estimated that the Council's share of an estimated surplus would be £850k and the 2007/08 council tax charge reflects the use of this sum to reduce the bills for residents. The year-end surplus has arisen due to increased recovery action taken during the last three months of the year. 96.8% of the total sum collectable for 2006/07 Council Tax bills was received in the year. Similarly the recovery on National Non-Domestic Rates, which the Council bill and collect on behalf of the government, was 98.2% of the 2006/07 bills. Both of these are higher than in 2005/06 and show that the initial problems with the new computer system have been overcome. At the same time recovery of prior years' arrears is also improving.

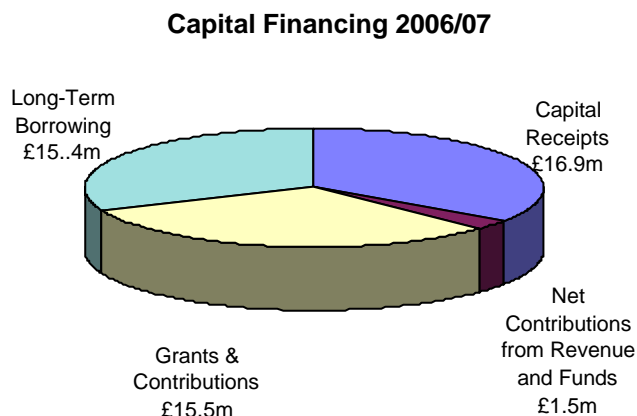
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6. Capital Expenditure

Total expenditure on capital schemes in 2006/07 was £49.3m gross (£36.2m). The original budget for gross expenditure was £55.6m (£44.2m). However, due to re-programming some of the work, the final budget was £52.2m (£38.5m). Of the underspend on capital schemes during 2006/07 £5.6m will increase spend on the projects during 2007/08. An analysis of where the money was spent in 2006/07 is shown diagrammatically below:



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



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

- Hazel Court Depot (£9.3m)
- The delivery of the Local Transport Plan (£7.8m)
- New Deal for Schools modernisation works on a variety of schools (£3.3m)
- Huntington Comprehensive School improvements (£4.0m)
- The modernisation and repairs to Council properties (£7.7m)
- Improving electronic access to services in York (£1.4m)
- The resurfacing and refurbishment of the Council's roads (£2.1m)

FOREWORD

7. Borrowing Facilities and Capital Borrowing

The ability to borrow in 2006/07 was governed by the Local Government (Prudential Code for Capital Finance in Local Authorities) Act 2003. Under the Prudential Code local authorities are free to borrow as much as they like provided that it is prudent, affordable, sustainable and within the Prudential Indicators approved by the Council at its meeting during the annual budget process.

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

In February 2006, full Council approved indicators for both the authorised limit and the operational boundary. During the year an amendment was agreed to the level of the operational boundary. Both authorisations are set out below:

	Opening Limits £(000)	Amended Limits £(000)
Authorised Limit	165,700	165,700
Operational Boundary	144,200	144,200
Long Term Debt	93,365	103,365

Although the Council may borrow from a variety of financial institutions, the majority of our long-term debt is borrowed from the Public Works Loan Board (PWLB). During 2006/07 the Council's long-term borrowing was as follows:

2005/06 £(000)		2006/07 £(000)
80,365	Opening Borrowing at 1 April	93,365
17,000	Borrowing to fund capital schemes	10,000
(4,000)	Loans maturing in the year	-
-	Additional borrowing to refinance maturing loans	-
<u>93,365</u>	Closing Borrowing at 31 March	<u>103,365</u>
112,500	Authorised Limit for year	165,700
103,400	Operational Boundary for year	144,200

The Council drew down £10m of PWLB borrowing, £5m in September 2006 and £5m in November 2006, both at a rate of 4.05% and maturing in 2051/52 and 2053/54 respectively. Both these loans reduced the average rate of borrowing and were taken in advance due to favourable interest rates, as part of the borrowing requirement needed to fund the new Council Offices. In total at 31 March 2007 the Council's debt was £103.4m. Consequently, the Council did not exceed either the authorised limit of £165.7m or the operational boundary of £144.2m. The average rate of interest on all long-term loans at 1 April 2006 was 4.69% and at 31 March 2007 was 4.63%.

8. Changes in Accounting Policies

The new Code of Practice has required a change in how the Council treats certain types of expenditure. The following sets out the changes as they affect the Income and Expenditure Account and the Statement of Movement on the General Fund Balance:

- Capital Financing charges for the use of fixed assets are no longer made to service revenue accounts, support services or trading accounts.
- Grant income received towards the cost of deferred charge expenditure included within service revenue accounts is also now included within those accounts.
- Transactions formerly shown as transfers to/from the capital financing reserve are now included in accordance with the new reporting requirements.

There are also minor changes in the presentation of the Balance Sheet. Formerly the Collection Fund balance was included in the Balance Sheet at its full value. The Code of Practice now requires that this is included in the Balance Sheet only to the value of the Fund that will be due to this Council. The sums due to the major preceptors (the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority) are now included within the creditors figure. Also three funds formerly included in the Council's Equity (Government Grants Deferred, Developers Contributions Deferred and Unapplied Capital Grants) are now included in long-term liabilities.

In addition to the above changes there is one further change to the figures presented on the Statement of Movement on the General Fund Balances and the Balance Sheet. Formerly the balances held by the governors of schools, which cannot be used for any other purpose, were shown as an earmarked reserve. The Code of Practice now requires that these balances are included in the General Fund Balance, but separately identified in the Statement of Movement on the General Fund Balance.

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

There are several significant entries on the Council's Balance Sheet. The first is in relation to the increase in value of Fixed Assets (£25m), with a similar increase (£25m) in the value of the Capital Financing Account. This is due to expenditure of £44m and revaluations of £26m, offset by depreciation charges of £14m, and sale of assets £32m.

Debtors have increased by £7m, but this is largely the result of one item. Due to a timing issue, Income due to the Council was held as an earmarked item in our solicitors bank account over the weekend and hence is shown as a debtor. This was cleared on the first working day in the new year, i.e. 2 April.

There is also a decrease in the Council's share of the North Yorkshire Pension Fund's deficit from £108.834m to £95.362m. This decrease has been calculated by the Fund's actuaries based on assumptions about events and circumstances in the future. It is matched by an increase in the level of the pensions reserve.

The value of temporary investments has increased by £18.950m, and long-term loans (both those due within 12 months and other long-term loans) have increased by a net £10m. There are three major reasons for the increase in temporary investments; firstly the Council underspent by £4m on its revenue services and HRA cash balances increased by £1m. Secondly cash receipts from the sale of Council assets increased by £10m from last year's level relating specifically to the £7m sale of St Leonard's Place and the £3.2m sale of Northfields School. Finally, a number of capital grants have been received in advance of expenditure which has accounted for around £2m of the increase. The increase in long-term loans outstanding is the result of additional long-term borrowing in the year to take advantage of favourable interest rates. The commitment to additional long-term borrowing has been planned for financing future capital expenditure.

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

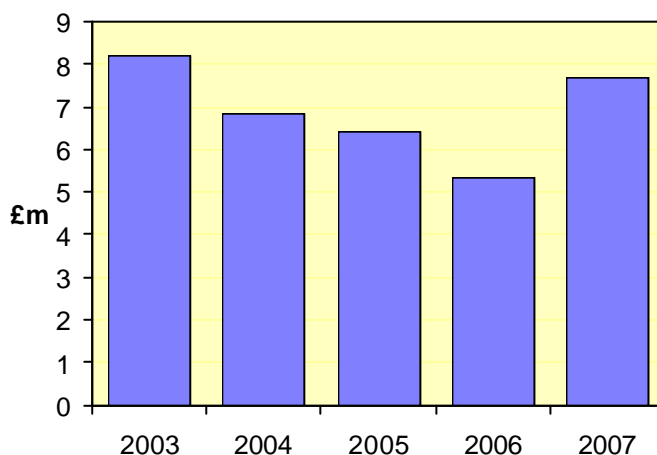
Government Grants Deferred and Developer's Contributions Deferred have both increased in value, in total by £4m. These represent grant and contribution income for capital expenditure where the balance must be set aside and written down to revenue in line with the expected life of the capital asset they funded.

10. Review of the Council's Financial Position

At the completion of the audit of the 2005/06 accounts the revenue reserves stood at £28.6m, excluding the pensions reserve. The equivalent revenue resources at 31 March 2007 stand at £36.8m, including £5.8m for schools' accumulated reserves. It was expected that the overall level of revenue reserves would reduce during 2006/07, but in actual fact they increased by £8.2m. The main reasons that balances increased rather than reduced were: delays in planned expenditure on the general fund that will now be incurred in 2007/08, an increase in HRA balances because revenue contributions in 2006/07 were less than expected, although more will be needed in 2007/08 and increased contributions from developers to fund future capital expenditure. In compliance with the Education Reform Act 1988, individual school balances (ISB) will be carried forward into 2007/08. It is currently planned to use £4.2m of revenue reserves in 2007/08.

The reserves are split into earmarked reserves, examples being the reserve to support capital and the insurance fund, and general fund reserves. Careful monitoring of the general fund reserve is undertaken to ensure that it is maintained at a minimum prudent level to cover any unforeseen circumstances given the size of the Council's budget. The graph below shows the level of the general fund reserve, excluding the schools' accumulated reserves which are not available for any other use, over the last five

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



years.

The benchmark recommended by the Comprehensive Performance Assessment (CPA) for local authorities was that there should be a minimum level of reserves equivalent to 5% of the net non-schools revenue budget. For 2006/07 this equated to approximately £4.95m. The actual level of reserves that can be taken into account for comparison to this level amount to £9.8m at 31 March 2007, including the general fund reserve. The planned and projected use of the designated reserves during 2007/08 will result in a reserve level of £7.3m at 31 March 2008. This will allow some headroom above the minimum recommended level to provide funding for developments in future years.

11. Future Developments

The Council's three-year financial strategy identifies some of the key financial challenges facing the authority over the next two to three years. The challenges may result in fundamental changes both to the structure of the Council's finances and the way in which they are managed.

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

Locally

- The development of a new corporate strategy which identifies 13 priorities for improvement. These are providing the Council with a clearer focus on our key needs.
- The opportunities which exist to change to the way in which Council services are financed, managed and delivered. This includes the wide-ranging 'easy@york' project.
- 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 national context of York's Band D Council Tax being in the bottom 10% nationwide and the authority spending less per person on council services than any other area in England.
- The Council has undertaken an accommodation review exercise and has decided that the best option is to consolidate all its activities on one site. This will involve building a new accommodation block and disposing of the current premises. The project is planned to be completed by 2010.
- A Job Evaluation exercise is in place to meet a requirement of a national agreement on pay.
- The combined impact of the triennial revaluation, new scheme requirements and increasing longevity mean that there is a chance that, in order to meet future liabilities, the Council's contribution to the North Yorkshire Pension Fund may have to be increased.

Nationally

- The comprehensive spending review 2007, details of which will be published in the autumn, will lay down the framework for spending in the public sector for 2008/09 to 2010/11. This national framework will be translated into a three-year government grant settlement for the same period that be finalized in February 2008. This settlement will provide the context against which services must be provided.
- It is estimated that the government grant allocated to support services to vulnerable groups will be reduced in future years. This requires the Council to review the financial support given to service providers, which would also affect the Council as a service provider receiving this income in both social care and housing services. In addition a new formulaic approach to allocate grant to Councils is likely to adversely affect the monies allocated to York.
- Unless appropriate levels of government funding is allocated then the continued roll out of the national concessionary fares scheme, which will require the Council to meet the costs of all free journeys taken within York by residents and tourists, could have a significant impact on the Council's budget.
- Waste collection and recycling is becoming increasingly important at a local and national level. While the introduction of revised collection systems have been successful in increasing the levels of recycling more work will need to be done if the Council is to avoid incurring significant costs through the national landfill charging mechanisms. Such work includes the continued development of a Waste PFI in partnership with North Yorkshire County Council.

Euro

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

STATEMENT OF ACCOUNTS



Independent auditor's report to the City of York Council

Opinion on the financial statements

I have audited the financial statements of the City of York Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Explanatory Foreword, the Income and Expenditure Account, the Housing Revenue Account, the Collection Fund, the Statement of Movement on the General Fund Balance, the Statement of Total Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance; The Statement on Internal Control in Local Government; Meeting the requirements of the Accounts and Audit Regulations 2003. 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.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council as at 31 March 2007 and its income and expenditure for the year then ended.



Mark Kirkham
District Auditor

28 September 2007

Audit Commission
Kernel House
Killingbeck
Leeds
LS14 6UF



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

Council's Responsibilities

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

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

Auditor's Responsibilities

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

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

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the City of York Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

DISTRICT AUDITOR'S REPORT

Best Value Performance Plan

I issued my statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 22 December 2006. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Mark Kirkham
District Auditor

Audit Commission
Kernel House
Killingbeck
Leeds
LS14 6UF

28 September 2007

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2006/07 financial year and its position at the year-end, 31 March 2007. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2006 (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts have, therefore, been prepared using the historic cost convention except in relation to fixed assets where the accounting treatment varies depending on the type of asset (see Accounting Policy 10). They comply with guidance notes issued by CIPFA on the application of Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP) relevant to local authorities.

The Council is also required to comply with the Best Value Accounting Code of Practice (BVACOP). This code is an approved SORP and establishes 'proper practice' with regard to consistent financial reporting below the statement of accounts level.

2. Accruals of Income and Expenditure (FRS 18)

Revenue transactions are recorded on a receipts and payments system in the year in which they arise and converted to income and expenditure by the creation of debtors and creditors (accruals of income and expenditure) at the end of the year. In this way activity is accounted for in the year it takes place, not simply when the cash payments are made through the Council's bank account.

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

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

3. Provisions and Contingencies (FRS 12)

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

Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are charged to the appropriate revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement, and are shown on the Balance Sheet. When payments are eventually made they are charged to the provision set up in the balance sheet.

STATEMENT OF ACCOUNTING POLICIES

Provisions and Contingencies (FRS 12) cont'd

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

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

The provisions held by the Council are detailed in note 27. Provisions have been made for doubtful debts, but known uncollectable debts have been written off in full. As a material item this is disclosed in note 24.

Where the Council has been able to estimate, with a degree of certainty, that a future event will confirm a contingent loss (cost) it has been included in the financial statements as a provision.

Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included within the financial statements, but is shown in note 64 to the Core Statements. Contingent gains are not accrued for within the financial statements.

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

4. Earmarked Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council. These reserves are explained in policies 6, 10 and 11. The earmarked reserves held by the Council are detailed in notes 35 and 36 to the Core Statements. The major ones are:

The **Trading Services Reserve** was established under the former legislation for compulsory competitive tendering as a source of funding against the possibility that a loss was made in any year. This avoided any losses being a direct charge on the General Fund. The reserve has been maintained following the repeal of the legislation.

The Council established a **Venture Fund** with an initial capital of £4m (£2m from the Reserve to Support Capital and £2m from General Fund). The Fund makes monies available for Council projects that have the ability to generate expenditure savings or increased income. Advances from the Fund are required to be repaid over a maximum of seven years and notional interest is charged.

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

STATEMENT OF ACCOUNTING POLICIES

Earmarked Reserves cont'd

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

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

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

5. **Revenue Government Grants and Contributions (SSAP 4)**

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

6. **Retirement Benefits (FRS 17)**

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

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions (CPT) on behalf of the Department for Education and Skills (DfES)
- the Local Government Pensions Scheme, administered by North Yorkshire County Council.

The Teachers' Pension Scheme

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

The Local Government Pension Scheme

This scheme is for non-teaching employees who are eligible to join if they meet the qualifying criteria. It is accounted for as a defined benefits scheme. The following paragraphs describe the scheme and the funding arrangements.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the North Yorkshire Pension Fund (NYPF), which provides members with defined benefits related to pay and service. The contribution rate is determined by the NYPF's actuary following a triennial revaluation; the last review being on 31 March 2004.

STATEMENT OF ACCOUNTING POLICIES

Retirement Benefits (FRS 17) cont'd

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

- the liabilities of the pension fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees
- liabilities are discounted to their value at current prices, using a discount rate of 2.0% (based on the redemption yield on the iBoxx Sterling AA corporate bond over 15 years index of 4.9% less 2.9% inflation assumption)
- the assets of the pension fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities - mid-market value
 - unquoted securities - professional estimate
 - unlisted securities - average of the bid and offer rates
 - property - market value
- the change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as a result of years of service earned this year. These costs are allocated in the Income and Expenditure Account to the revenue accounts of services for whom the employees worked
 - past service costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These costs are debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This cost is debited to Net Operating Expenditure in the Income and Expenditure Account
 - expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. This income is credited to Net Operating Expenditure in the Income and Expenditure Account
 - gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. These are debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Statement of Total Recognised Gains and Losses
 - contributions paid to the NYPF - cash paid as the Council's employer's contribution to the pension fund.

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

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

STATEMENT OF ACCOUNTING POLICIES

Retirement Benefits (FRS 17) cont'd

Discretionary Benefits

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

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

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

8. Overheads and Support Services

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

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

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 2007/08, to ensure a complete charge for each service.

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

The cost of corporate and democratic core services (i.e. the costs relating to the Council's status as a multi-functional, democratic organisation) and non-distributed costs (the cost of discretionary benefits awarded to employees retiring early) are not charged or apportioned to service expenditure but appear as separate headings on the Income and Expenditure Account, as part of Net Cost of Services.

9. Intangible Fixed Assets

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

10. Tangible Fixed Assets

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

STATEMENT OF ACCOUNTING POLICIES

Tangible Fixed Assets cont'd

Recognition

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

Measurement

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

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

Net current replacement cost is assessed as:

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

Assets included in the balance sheet at current value are revalued where there have been material changes in their value, but as a minimum are revalued every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

Impairment

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

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account
- otherwise - written off against the Fixed Asset Restatement Reserve.

Disposals

When an asset is decommissioned the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

STATEMENT OF ACCOUNTING POLICIES

Tangible Fixed Assets cont'd

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment - a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over 40 years.

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

Grants and Contributions

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

11. Charges to Revenue for Fixed Assets

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

- depreciation charges where appropriate. Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the useful life of the asset. For 2006/07 this charge is calculated using the straight-line basis with no residual value. The exception to this is for assets acquired under finance leases, where the charge for depreciation is set at the same value as the principal repaid to the leasing company.
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service.

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

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

STATEMENT OF ACCOUNTING POLICIES

12. Deferred Charges

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

13. Leases (SSAP 21)

Finance Leases

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

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

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

Operating Leases

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

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

14. Repurchase of Borrowing

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

15. Investments

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

17. Interests in Companies and Other Entities

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

18. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year. The Council has one PFI contract for the provision of 4 primary schools with Sewell Education (York) Ltd. A prepayment of £4.032m was made prior to service commencement. Under the terms of the contract the Council has granted Sewell a licence for use of the land for 30 years, with legal ownership of the land and buildings reverting to the Council in 2036. The nature of the contract means that sufficient risk has been transferred from the Council to Sewell so that the fixed asset does not appear on the Council's balance sheet.

Prepayments

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

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

Reversionary Interests

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

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

Residual Interest

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

STATEMENT OF ACCOUNTING POLICIES

Private Finance Initiative (PFI) cont'd

PFI Credits

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

19. Landfill Allowance Trading Scheme

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

- the charge for the usage of landfill in the year, including any additional allowance needed to be bought from another WDA is included on the Income and Expenditure Account as expenditure against Cultural, Environmental and Planning Services
- the landfill allowance for the year, including any 'profit' from selling any unused allowance, is shown as income on the Cultural, Environmental and Planning Services line on the Income and Expenditure Account
- the profit or loss from buying or selling any landfill allowances is shown as a net cost of service on the Income and Expenditure Account, and thus forms part of the surplus or deficit in the year transferred to the General Fund Balance
- the landfill allowance used in the year is shown as a current asset, and any income from selling any unused allowance is included within cash, also under current assets
- the liability to the Department of Food and Rural Affairs (DEFRA) is shown as a current liability
- the net position on current assets and liabilities matches the amount transferred to the General Fund from the Income and Expenditure Account transactions.

20. Related Companies

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

York Enterprise Limited

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

Yorwaste Limited

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

York Energy Savers

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

STATEMENT OF ACCOUNTING POLICIES

21. Comparative Figures

Comparative figures for the previous financial year are either shown in the left hand column or in brackets after the current year figure. The Code of Practice has required revised comparative figures for 2005/06 resulting from the changes set out in the following section. In all cases the notes have also been amended to reflect the revised figures.

22. Prior Period Adjustments

The new Code of Practice has required a major restatement of the 2005/06 Accounts in order to provide comparable figures for the revised presentation. The following sets out the changes as they affect the Income and Expenditure Account and the Statement of Movement on the General Fund Balance:

- Capital Financing charges for the use of fixed assets are no longer made to service revenue accounts, support services or trading accounts.
- Grant income received towards the cost of deferred charge expenditure included within service revenue accounts is also now included within those accounts.
- Transactions formerly shown as transfers to/from the capital financing reserve are now included in accordance with the new reporting requirements.

The consequence of the changes is that is no longer a need to include the adjusting account, Asset Management Revenue Account (AMRA) in the accounts.

There are also minor changes in the presentation of the Balance Sheet. Formerly the Collection Fund balance was included in the Balance Sheet at its full value. The new Code of Practice necessitates that this is now included in the Balance Sheet only to the value of the Fund that will be due to this Council. The sums due to the major preceptors (the North Yorkshire Police Authority and the North Yorkshire Fire and Rescue Authority) are now included within the creditors figure. This is a minor change as the sum transferred is £33k. Also three funds formerly included in the Council's Equity (Government Grants Deferred, Developers Contributions Deferred and Unapplied Capital Grants) are now included in long-term liabilities.

In addition to the above changes there is one further change to the figures presented on the Statement of Movement on the General Fund Balances and the Balance Sheet. Formerly the balances held by the governors of schools, which cannot be used for any other purpose, were shown as an earmarked reserve. The Code of Practice now requires that these balances are included in the General Fund Balance, but separately identified in the Statement of Movement on the General Fund Balance.

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

Certification of the Accounts

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2007 and its income and expenditure for the year ended 31 March 2007.


Signed 
P. Steed MBA, BA (Hons), CPFA
Head of Finance

Dated 23/9/07

Approval of the Accounts

The Statement of Accounts was approved by Urgency Committee on 28 September 2007.

On behalf of the Council

Signed 
Cllr S. F. Galloway
Leader of the Council

Dated 23/9/07

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

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

In discharging this overall responsibility the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies three underlying principles of good governance, namely:

- openness and inclusivity
- integrity
- accountability.

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

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

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

The system of internal control has been in place within the Council for the year ended 31 March 2007 and up to the date of approval of the Statement of Accounts.

3. The Internal Control Environment

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

STATEMENT ON INTERNAL CONTROL

Policies and Guidance

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

- The Council's Constitution
- Codes of Conduct for Members and Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules and Procedures
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and the Prosecution of Fraud and Corruption
- Asset Management Plan
- Strategic Risk Register
- 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 meet every fortnight. The Executive and the Council's Management Team monitor and review Council activity to ensure corporate compliance with governance, legal and financial requirements. The Quality Control Group also reviews reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

The Council has scrutiny arrangements which include the review of policies, budget and service delivery to ensure that they remain appropriate. Since the approval of the new Constitution in May 2006, the Council has had an Audit and Governance Committee. The purpose of the Audit and Governance Committee is to act as the responsible body charged with governance at the Council. In doing so it provides independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Strategic Planning Processes

The Council has developed a strategic planning process that is intended to reflect political and community objectives and act as the basis for corporate prioritisation. The Council's Corporate Strategy expresses the Council's thirteen priorities for the next three years. Champions have been appointed for each of the priorities, and they are responsible for overseeing progress. The Council also developed a standard service planning processes to improve the integration of planning, resource allocation and performance management.

STATEMENT ON INTERNAL CONTROL

Management and Decision Making Processes

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

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

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

Financial Management

The Director of Resources (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the Council's financial affairs, including making arrangements for appropriate systems of financial control. The Council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision.

Compliance Arrangements

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

- The Section 151 Officer
- The Monitoring Officer
- The Chief Internal Auditor
- Finance officers and other relevant service managers.

A report is presented to Members on an annual basis detailing compliance with the Council's Financial Regulations. In addition, compliance arrangements are subject to ongoing scrutiny by the District Auditor and other external agencies. The Officer Governance Group also monitors, reviews and manages the development of the Council's corporate governance arrangements. The group comprises the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor.

Risk Management

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

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

STATEMENT ON INTERNAL CONTROL

The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational project and partnership risks, in accordance with best practice in local government. The risk register is used to monitor risk and identify appropriate action plans to mitigate risks. Relevant staff within the Council have also received training, guidance and support in risk management principles.

Internal Audit and Fraud

The Council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003 (as amended). The Internal Audit & Fraud Team undertakes an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. Through its work the team also provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides:

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

Performance Management

The Council recognises the importance of effective performance management arrangements and has been working to secure improvements. The service planning process now incorporates full consideration of actual and planned performance. Each directorate reports performance to Members on a regular basis.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the Council's systems of internal control has been undertaken. This review has been co-ordinated by the Officer Governance Group, which comprises the Director of Resources (the Section 151 Officer) and the Head of Legal, Civic and Democratic Services (the Monitoring Officer) and the Head of Audit and Risk Management (the Chief Internal Auditor). The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual Directorates and across the Council
- any control weaknesses identified and included on the Corporate Governance Assurance Statements signed by each Director
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the Chief Internal Auditor, which was presented to the Council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the District Auditor and other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the views of those Members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the Council's Strategic and Operational Risk Registers and any other issues highlighted through the Council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- those control issues identified in the 2005/06 Statement of Control.

STATEMENT ON INTERNAL CONTROL

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

5. Significant Internal Control Issues

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

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Sickness			
<p>The levels of sickness across the Council remain higher than for comparable local authorities. The 2005/06 SIC identified continuing weaknesses in the Council's procedures for monitoring and reporting sickness absence. Although good progress has been made to address the underlying control weaknesses, there is still insufficient evidence that the improved arrangements have been fully embedded.</p>	<p>A corporate Attendance Management Policy was implemented in October 2006. Work has also been undertaken to improve the Council's management information on sickness. The following actions are planned;</p> <ul style="list-style-type: none"> a) Revised procedures and guidelines to support the implementation of the Policy will be issued to staff. b) Revised corporate management reporting arrangements will commence in October 2007. c) A strategic review of the Council's Occupational Health arrangements will be undertaken. This will include consideration of the benefits of proactive health promotion and early interventions designed to minimise the occurrence of unavoidable sickness absence. Any changes will be closely aligned with the Council's well-being agenda and participation in the Health & Safety Executive's Strategic Intervention Programme. <p>Responsibility - Director of People and Improvement</p>	<p>October 2007</p>	<ul style="list-style-type: none"> * 2005/06 SIC * Performance and Financial Monitoring Reports * Annual report of the Chief Internal Auditor

STATEMENT ON INTERNAL CONTROL

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Recruitment and Selection Procedures			
As identified in the 2005/06 SIC, the Council's Recruitment and Selection Policy is not always followed. Although good progress has been made to address the underlying control weaknesses, there is still insufficient evidence that the improved arrangements have been fully embedded.	<p>Directorate Management Teams have been briefed on the revised Recruitment and Selection Policy and processes. Staff have also been made aware of the new requirements. A further follow up audit to examine compliance with the revised policy and procedures, will be undertaken in 2007/08.</p> <p>Responsibility - Director of People and Improvement</p>	September 2007	* 2005/06 SIC
Health and Safety			
The Council has a Health and Safety Team within the Human Resources Department which provides professional health and safety advice to all service areas. The 2005/06 SIC identified the need to develop greater consistency in health and safety performance and a more robust corporate framework in order to drive improvement and ensure compliance with legislation and best practice. It was also recognised that the Council needed to satisfy itself that adequate resources were available to provide professional advice and meet statutory requirements. Although some progress has been made there is still insufficient evidence that the required processes are fully embedded across the Council.	<p>During 2006/07 progress was made to develop appropriate Corporate health and safety policies. In January 2007, the new post of Director for People and Improvement was created with a specific role of Council Health and Safety Champion. In March 2007, an additional Health and Safety Advisor post was created to increase the capacity within the team to provide professional advice. Council Officers met with the Health and Safety Executive (HSE) to discuss a proposed management model and associated work plan. The proposals were positively received by the HSE. The associated documents will be presented to Directorate Management Team meetings before the end of July 2007 for their formal acceptance.</p> <p>Responsibility - Director of People and Improvement</p>	September 2007	* 2005/06 SIC H&S Prohibition Notices

STATEMENT ON INTERNAL CONTROL

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Competition and Procurement			
<p>The Council's competition arrangements and procurement rules and procedures contribute to the efficient and effective use of resources and the delivery of best value. The 2005/06 SIC identified continuing weaknesses in the Council's competition and procurement arrangements. New Financial Regulations, encompassing comprehensive procurement rules were adopted by Full Council in May 2006, and a training programme to raise awareness was undertaken across directorates. The Corporate Procurement Strategy has however been delayed. During the period the procurement of goods and services across the organisation has also not always complied with EU procurement legislation and the Council's procurement rules and procedures.</p>	<p>The Corporate Procurement Strategy will be adopted in June 2007. The Strategy will include a Competition Policy and a strategic plan for developing the use of procurement by the Council. It will also cover the function of procurement as a whole at the Council over the next three years. In addition, the overall competition and procurement framework will be strengthened by the adoption of a;</p> <ul style="list-style-type: none"> a) Strategic Procurement Programme - this is a programme of strategic procurements that will take place across the Council over the next five years. b) Thin-client methodology. c) Procurement practitioner guidance manual. <p>Responsibility - Director of Resources</p>	December 2007	<ul style="list-style-type: none"> * 2005/06 SIC * Annual Breaches and Waivers report * Annual report of the Chief Internal Auditor Corporate and Directorate Assurance Statements
Accounting Misstatement			
<p>The 2005/06 Statement of Accounts included a material misstatement. The misstatement was caused by a change in government guidance on the valuation of social housing, with the change not being reflected in the annual valuation exercise. Although this was a technical accounting issue, controls should have existed to identify the error before the final valuation figures were included in the approved Statement of Accounts.</p>	<p>For the closing of the 2006/07 accounts, the Head of Finance has carried out a case file review for each department/finance manager. In addition, the Director of Resources has met with the Head of Finance and the accountancy manager to review the draft accounts and question key elements, in particular those related to the balance sheet.</p> <p>In future, steps will be taken to concentrate this work around the identification and review of key changes to the accounts compared to previous years.</p> <p>Responsibility - Director of Resources</p>	June 2006	<ul style="list-style-type: none"> * Annual Governance Report 2006 (External Audit) * 2006 Annual Audit and Inspection Letter (External Audit) * Annual report of the Chief Internal Auditor

STATEMENT ON INTERNAL CONTROL

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Equalities			
<p>Although the Council has an equalities strategy there is insufficient evidence that the Council's policies and procedures are fully embedded within each directorate. Equalities monitoring arrangements need to be strengthened. Staff awareness also needs to be improved so as to ensure compliance with equalities legislation.</p>	<p>The Council's Equality Strategy and action plan is currently being reviewed and updated. The Corporate Equalities Leadership Group has also recently been established to promote the equalities agenda. Four key areas for improvement have been identified;</p> <ul style="list-style-type: none"> a) Monitoring in respect of employment procedures and service users b) Training for staff c) Community engagement d) Awareness of the equalities agenda and Equalities Unit's work programme <p>Responsibility - Director of People and Improvement</p>	March 2008	Corporate and Directorate Assurance Statements
Business Continuity			
<p>Business continuity plans and procedures are required to enable the Council to respond effectively to any major events which may impact on the city and/or the ability of the Council to maintain its services. The 2005/06 SIC identified continuing weaknesses in the Council's business continuity arrangements. Although the Council has approved a Business Continuity Policy and Strategy and each directorate has appointed a business continuity champion, the quality of individual directorate plans is still not at the required standard.</p>	<p>A review has been undertaken of the progress made to complete business continuity plans throughout the Council. As a result of the review, the format of the plans has been significantly amended to meet new national guidance. An exemplar document has been prepared together with a template for use by all groups and directorates. This exemplar and template is currently being implemented across the Council with a view to completing group plans by mid autumn. Further work on business continuity has included the preparation of an information document, which has been distributed to businesses in the city.</p> <p>Responsibility - Director of City Strategy</p>	April 2008	* 2005/06 SIC Corporate and Directorate Assurance Statements

STATEMENT ON INTERNAL CONTROL

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Partnership Governance Arrangements			
<p>The Council currently has a database of the partnerships it has an interest in, and a partnership support and development programme. All of these are designed to improve the effectiveness of partnerships and ensure good management arrangements are in place. However, there is still a need to further develop the Council's monitoring and support arrangements to ensure that all partnerships have suitable governance and performance management arrangements in place.</p>	<p>The Council has recently increased its investment in partnership working by creating a Strategic Partnerships Team, that has responsibility for consolidating and improving the Council's approach to partnership working.</p> <p>The governance arrangements of the Local Strategic Partnership were reviewed in late 2006, to reflect the new requirements of the Local Area Agreement and proposals in the Local Government White Paper. An Executive Delivery Board was created to focus on delivery of the Local Area Agreement. These new governance arrangements will be implemented during 2007/08.</p> <p>It is anticipated that the processes of revising the Community Strategy and reviewing the Council's corporate priorities during 2007/08 will further identify links between partners, and promote the need for high standards of governance and performance management.</p> <p>Responsibility - Director of City Strategy</p>	<p>March 2008</p>	<p>* Delivery of Corporate Objectives through the LSP - report (External Audit)</p> <p>* 2006 Annual Audit and Inspection Letter (External Audit)</p>

STATEMENT ON INTERNAL CONTROL

Control Issue	Action Taken or Proposed	Due Date	Source(s)
Project Management, Programme Management and Benefit Realisation			
As identified in the 2005/06 SIC, some progress has been made to develop in-house management skills and capacity. However, there was still a need to ensure consistency across the Council. As a result major projects do not always realise the anticipated benefits to the Council. The resources to support key projects also remain limited. Only limited progress has been made to address these issues during 2006/07.	Improving project and programme management is a key action within the Organisational Effectiveness Programme (OEP). Specific improvement work in conjunction with the Audit Commission and the OEP Board has been started. Initially this work is using the OEP as a pilot area, and will continue, building on learning from other key projects (for example, easy@york) during the first part of 2007/08. Once this phase of work is completed (September 2007), it is proposed that the approach and key principles will be applied to other projects during the second half of the year. Responsibility - Director of People and Improvement	March 2008	* 2005/06 SIC * Corporate risk register Review of Project Management and Programme Management Arrangements - report (External Audit)

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 *S Wiles*
S. Wiles
Acting Chief Executive

Dated *28/9/07*

Signed *[Signature]*
Cllr S. F. Galloway
Leader of the Council


Dated *28/9/07*

INCOME AND EXPENDITURE ACCOUNT

2005/06 Net Expenditure £(000)	Note	Gross Expenditure £(000)	2006/07 Income £(000)	Net Expenditure £(000)
	General Fund Services	(1+2)		
(813)	Central Services to the Public	18,031	(17,250)	781
	Cultural, Environmental and Planning			
22,918	Services	40,071	(15,095)	24,976
84,554	Education Services	(3) 128,667	(118,850)	9,817
7,750	Highways, Roads and Transport Services	18,490	(10,058)	8,432
1,052	Local Authority Housing (HRA)	25,663	(25,274)	389
3,420	Other Housing Services	42,063	(39,638)	2,425
40,181	Social Services	61,896	(19,571)	42,325
280	Court Services	263	-	263
7,724	Corporate and Democratic Core	4,587	(129)	4,458
(3,843)	Non-Distributed Costs	386	-	386
(1,122)	Exceptional Items	(4) 845	(1,961)	(1,116)
162,101	Net Cost of Services	340,962	(247,826)	93,136
(58)	Net (gain)/loss on disposal of fixed assets			(4)
496	Precepts paid to Parish Councils			540
73	Net (surplus)/deficit on trading operations	(5)		131
4,421	Interest Payable	(6)		4,764
	Contribution to Housing Pooled Capital			
2,026	Receipts	(7)		2,298
(2,220)	Interest Receivable/Investment Income	(8)		(2,555)
275	Contribution to/(from) provisions	(9)		666
(307)	Dividends from Companies			(820)
3,862	Net Pensions cost	(10)		3,167
170,669	Net Operating Expenditure			101,323
	Income From Taxation and General Government Grants			
(57,712)	Demand on Collection Fund			(61,158)
(300)	Collection Fund transfer for the surplus at previous 31 March			-
(47,840)	Government Grants			(6,011)
(61,026)	Distribution from the Non-Domestic Rate Pool			(31,140)
3,791	(Surplus)/Deficit for the Year transferred to the General Fund			3,014

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06		Note	2006/07
£(000)			£(000)
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund balance for the year		
(5,605)	Depreciation, amortisation and impairment of fixed assets (excluding depreciation and amortisation charged to HRA services)	(11)	(6,120)
(3,558)	Excess of depreciation on HRA fixed assets over the Major Repairs Allowance element of Housing Subsidy income	(11)	(3,613)
395	Government Grants Deferred amortisation matching depreciation and impairments	(11)	565
(1,679)	Deferred Charges	(12)	(1,213)
58	Net gain/(loss) on sale of fixed assets	(13)	4
(11,785)	Net charges made for retirement benefits in accordance with FRS17	(10)	(17,799)
<u>(22,174)</u>	Total		<u>(28,176)</u>
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
2,766	Statutory provision for repayment of debt	(14)	2,806
7,787	Capital expenditure financed from the General Fund Balance		4,674
(2,026)	Transfer from Usable Capital Receipts	(7)	(2,298)
11,924	Employer's contributions payable to the North Yorkshire Pension Fund and retirement benefits payable direct to pensioners	(10)	12,738
<u>20,451</u>	Total		<u>17,920</u>
	Transfers to/(from) the General Fund that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
284	Statutorily required transfer of the (surplus)/deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance		851
(1,116)	Transfers made at the discretion of the Council to/(from) reserves that have been earmarked for specific purposes		
<u>(832)</u>	Contribution to/(from) reserves	(15)	<u>3,322</u>
	Total		<u>4,173</u>
<u>(2,555)</u>	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year		<u>(6,083)</u>
	GENERAL FUND BALANCE		
3,791	(Surplus)/Deficit for the Year on the Income and Expenditure Account		3,014
(2,555)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year		(6,083)
<u>1,236</u>	(Increase)/Reduction in Balance in Year		<u>(3,069)</u>
<u>(11,647)</u>	Balance at 1st April		<u>(10,411)</u>
<u>(10,411)</u>	Balance at 31st March		<u>(13,480)</u>
(5,064)	Amount of General Fund Balance held by governors under schemes to finance schools	(16)	(5,778)
<u>(5,347)</u>	Amount of General Fund Balance generally available for new expenditure		<u>(7,702)</u>
<u>(10,411)</u>			<u>(13,480)</u>

Signed 

P. Steed MBA, BA (Hons), CPFA
Head of Finance

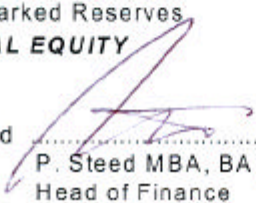
Dated 28/9/07

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005/06 £(000)		Note	2006/07 £(000)
	Movement in Recognised Gains and Losses	(17)	
	(Surplus)/deficit on the Income and Expenditure Account for the year		3,014
3,791	Attributable movement on the Collection Fund Account for the year		(749)
191	Gain/loss arising on the revaluation of fixed assets		(19,565)
(17,975)	Actuarial (gains)/losses relating to pensions	(10)	(18,533)
5,190	Other gains and losses		(191)
<u>(3,315)</u>	Total recognised (gains)/losses for the year		<u>(36,024)</u>
<u>(12,118)</u>			
(565,963)	Total Equity at 1 April		(578,081)
<u>(12,118)</u>	In year activity		<u>(36,024)</u>
<u>(578,081)</u>	Total Equity at 31 March		<u>(614,105)</u>

BALANCE SHEET

Restated 31 March 2006 £(000)	Note	31 March 2007 £(000)	£(000)
LONG-TERM ASSETS			
1,309	Intangible Fixed Assets	(18)	3,175
775,605	Tangible Fixed Assets	(19)	794,075
1,215	Long - Term Investments	(21)	1,215
471	Long - Term Debtors	(22)	1,021
31,576	Deferred Assets and Premiums	(23)	29,907
<u>810,176</u>	LONG - TERM ASSETS		<u>829,393</u>
CURRENT ASSETS			
18,100	Temporary Investments		37,050
306	Stocks		841
117	Work in Progress		49
24,195	Debtors	(24)	31,168
61	Cash in Hand		57
7,583	Schools Cash at Bank		8,782
<u>50,362</u>			<u>77,947</u>
CURRENT LIABILITIES			
-	Long - Term Loans due within 12 months	(25)	4,000
-	Temporary Loans	(25)	-
34,206	Creditors	(26)	39,177
148	Cash Overdrawn		1,013
<u>16,008</u>	NET CURRENT ASSETS		<u>33,757</u>
<u>826,184</u>	TOTAL ASSETS LESS CURRENT LIABILITIES		<u>863,150</u>
LONG TERM LIABILITIES			
93,365	Long - Term Loans	(25)	99,365
108,834	Pensions Liability	(10)	95,362
2,958	Provisions	(27)	2,328
24,349	Deferred Liabilities	(28)	23,374
12,660	Government Grants Deferred Account	(29)	18,685
5,214	Developers Contributions Deferred Account	(29)	6,503
549	Capital Grants Unapplied	(30)	3,310
174	Deferred Credits	(31)	118
<u>248,103</u>			<u>249,045</u>
<u>578,081</u>	TOTAL ASSETS LESS LIABILITIES		<u>614,105</u>
CAPITAL RESERVES			
507,845	Fixed Asset Restatement Account	(32)	496,008
150,386	Capital Financing Account	(33)	175,332
56	Usable Capital Receipts	(34)	1,317
REVENUE RESERVES			
10,411	General Fund Reserve		13,480
5,139	Housing Revenue Account Reserve		5,990
572	Major Repairs Reserve	(35)	763
133	Collection Fund Reserve		882
(108,834)	Pensions Reserve	(10)	(95,362)
12,373	Earmarked Reserves	(36)	15,695
<u>578,081</u>	TOTAL EQUITY		<u>614,105</u>

Signed 
P. Steed MBA, BA (Hons), CPFA
Head of Finance

Dated 28th September 2007

CASH FLOW STATEMENT

2005/06		Note	2006/07	
£(000)			£(000)	£(000)
	Revenue Activities	(37)		
	Cash Outflow:			
	Cash paid to and on behalf			
167,794	of employees		173,366	
116,638	Other operating cash payments		130,450	
25,226	Housing Benefit paid out		26,671	
65,742	NNDR payment to Pool		69,791	
	Payments to the Capital			
2,063	Receipts Pool		2,298	
<u>15,177</u>	Precepts paid	(38)	<u>15,630</u>	
<u>392,640</u>				418,206
	Cash Inflow:			
(26,063)	Rent (after rebates)		(27,342)	
(65,954)	Council Tax income		(70,096)	
(62,478)	Non-Domestic rate income		(72,123)	
(61,026)	Receipt from NNDR Pool		(31,140)	
(47,840)	Revenue Support Grant		(6,011)	
(32,605)	DWP grants for rebates		(34,715)	
(37,444)	Other government grants	(39)	(115,918)	
	Cash received for goods			
(20,360)	and services		(21,883)	
<u>(45,719)</u>	Other operating cash income		<u>(48,805)</u>	
<u>(399,489)</u>				(428,033)
<u>(6,849)</u>	Revenue Activities Net Cash Flow			<u>(9,827)</u>
	Dividends from Joint Ventures and Associates			
	Cash Inflow:			
(307)	Dividends received		(820)	(820)
	Returns on Investments and Servicing of Finance			
	Cash Outflow:			
3,569	Interest paid		3,802	
	Interest on finance lease			
<u>91</u>	rental payments		<u>45</u>	
3,660			3,847	
	Cash Inflow:			
(883)	Interest received		(1,041)	
<u>2,777</u>	Return on Investments and Servicing of Finance Net Cash Flow			<u>2,806</u>
	Capital Activities			
	Cash Outflow:			
30,776	Purchase of fixed assets	(40)	43,627	
-	Purchase of long-term investments	(41)	-	
<u>2,559</u>	Other capital cash payments	(42)	<u>2,778</u>	
33,335			46,405	
	Cash Inflow:			
(3,098)	Sale of fixed assets	(43)	(31,462)	
(14,250)	Capital Grants received	(44)	(14,965)	
(3,246)	Other capital cash receipts		(1,868)	
-	Sale of long-term investments		-	
<u>12,741</u>	Capital Activities Net Cash Flow			<u>(1,890)</u>
<u>8,362</u>	Net Cash (Inflow)/Outflow before Financing			<u>(9,731)</u>

CASH FLOW STATEMENT

2005/06 £(000)		Note	2006/07 £(000)	£(000)
	Management of Liquid Resources	(45)		
-	Net (increase)/decrease in short term deposits			-
-	Net (increase)/decrease in other liquid resources			-
<u>5,450</u>	Short-Term Investments			<u>18,950</u>
<u>5,450</u>				<u>18,950</u>
	Financing	(45)		
	Cash Outflow:			
4,000	Repayments of amounts borrowed		-	
<u>820</u>	Capital element of finance lease rental payments		<u>451</u>	
4,820			451	
	Cash Inflow:			
<u>(17,000)</u>	New loans raised		(10,000)	<u>(9,549)</u>
<u>(12,180)</u>				<u>(9,549)</u>
(1,632)	Increase/(Decrease) in cash	(46)		330
<u>(8,362)</u>				<u>9,731</u>

NOTES TO THE CORE STATEMENTS

1. Restated Comparative Figures for 2005/06

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

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

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

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

The following tables show for both the Income and Expenditure Account and the Statement of Movement on the General Fund Balances the original position in the 2005/06 Consolidated Revenue Account and the restated position. Only figures that have changed are included in the tables.

Original 2005/06		Restated 2005/06		Restated 2005/06
Net Expenditure £(000)	Income and Expenditure Account	Removal of Capital Financing Charges £(000)	Other Entries £(000)	Net Expenditure £(000)
603	Central Services	(1,416)	-	(813)
	Cultural, Environmental and Planning Services	(2,156)	(308)	22,918
25,382	Education Services	(4,510)	-	84,554
89,064	Highways, Roads and Transport Services	(2,823)	(1,792)	7,750
12,365	Local Authority Housing (HRA)	(13,959)	(708)	1,052
15,719	Other Housing Services	(54)	(663)	3,420
4,137	Social Services	(717)	(12)	40,181
40,910	Corporate and Democratic Core	-	1,105	7,724
<u>6,619</u>	Impact on Net Cost of Services	<u>(25,635)</u>	<u>(2,378)</u>	<u>166,786</u>
194,799				
-	Net (gain)/loss on disposal of fixed assets	-	(58)	(58)
-	Interest Payable	-	-	
	External interest formerly charged into AMRA	-	4,421	4,421
(21,110)	Asset Management Revenue Account Notional Interest	25,635	-	
	Other Adjustments	-	(4,525)	-
<u>173,689</u>	Impact on Net Operating Expenditure	<u>-</u>	<u>(2,540)</u>	<u>171,149</u>

NOTES TO THE CORE STATEMENTS

Restated Comparative Figures for 2005/06 cont'd

Original 2005/06 Net Expenditure £(000)	Statement of the Movement on General Fund Balance	Notional Interest £(000)	Restated 2005/06 Other Entries £(000)	Net Expenditure £(000)
173,689	Net Operating Expenditure	-	(2,540)	171,149
	Depreciation/impairment funded	-	(5,605)	(5,605)
	Depreciation/impairment on HRA services	-	(3,558)	(3,558)
	Government Grants deferred matching depreciation/impairment funded	-	395	395
	Deferred Charges expenditure funded	-	(1,679)	(1,679)
-	Net gain/(loss) on sale of fixed assets	-	58	58
	Statutory provision for the debt repayment	-	2,766	2,766
2,600	Capital expenditure financed from revenue	-	5,187	7,787
(735)	Contribution to/(from) MRR	-	735	-
(4,241)	Contribution to/(from) CFA	-	4,241	-
171,313	Sub-Total	-	-	171,313
(1,294)	Contribution to/(from) reserves Schools' reserves now included in Gen Fund	-	178	(1,116)
170,019	Total	-	178	170,197

It should be noted that there is a movement of £178k in the total. This is due to the movement on the general fund balance now including the change in balance on schools' accumulated reserves. These were formerly reported as an earmarked reserve and just shown as a note to the general fund but are now included.

2. Discontinued Services / Continuing Operations

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

3. Government Support for Schools

In 2006/07 the arrangements for Government support for the funding of schools changed. Previously funds were provided as part of the Council's overall Revenue Support Grant (RSG). In 2006/07 the Council has received a specific grant, the Dedicated Schools Grant (DSG). £79.798m has therefore been credited against the Education line in the Income and Expenditure Account that would previously have been treated as part of RSG in corporate income. The difference between the 2005/06 and 2006/07 figures for these two lines is substantially explained by this change.

The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over- and underspends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resources but this year decided against any additional spending for schools.

NOTES TO THE CORE STATEMENTS

Government Support for Schools cont'd

The Schools Forum agreed to carry the additional grant received straight through to 2007/08, it was not therefore allocated to any budget in 2006/07. Details of the use of the DSG receivable for 2006/07 are as follows:

	Central Expend- iture £(000)	Individual Schools Budget £(000)	Not Allocated £(000)	Total £(000)
Original grant allocation to Schools Budget for the current year in the Council's budget	(10,603)	(68,942)	-	(79,545)
Adjustment to finalised grant allocation	-	-	(253)	(253)
DSG receivable for the year	(10,603)	(68,942)	(253)	(79,798)
Actual expenditure for the year	10,258	68,942	-	79,200
Underspend carried forward to 2007/08	(345)	-	(253)	(598)

4. Exceptional Items

In 2006/07 there are four items included within this category. As in previous years it includes the net income, after allowing for the costs of justifying and submitting claims, where the Council has been successful in appealing against the rating valuations assigned to some of its properties. The net income in the year is £712k (£493k). In addition, the Council has negotiated an agreement that the costs the Council incurred in acquiring a site for waste disposal will be reimbursed over four years, commencing in 2004/05. As the income is outside the normal service income it is being shown as exceptional for each of the four years. This income is being transferred used for capital financing and is included in the transfers in the Statement of Movement on the General Fund Balance (SMGFB).

The government granted powers to the Council to finance costs of £543k that would normally be revenue as if they were capital. Under the Code of Practice requirements these costs need to be shown in the Income and Expenditure Account as a 'deferred charge' adjustment, funded through the SMGFB. The final transaction relates to a repayment demanded by the government. In November 2004 the government announced an amending report on Revenue Support Grant for the 2003/04 financial year, following the introduction of more up-to-date information into their grant distribution formulae. As a result of this the government determined to 'claw-back' over £0.2m in 2006/07 (£0.4m), which the Council included in their 2006/07 budget.

5. Trading Accounts including Neighbourhood Services Turnover and Profit

Trading services are disclosed in line with the requirements of the BVACOP and are mainly activities of a commercial nature that are financed substantially by charges made to the service recipients. There are two types of trading activities, those reported below the Net Cost of Services or the Neighbourhood Services trading operations, primarily those formerly provided under the repealed Local Government, Planning and Land Act 1980 and the Local Government Act 1988, and those included in individual service expenditure lines on the revenue account.

NOTES TO THE CORE STATEMENTS

Trading Accounts including Neighbourhood Services Turnover and Profit cont'd

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

Turnover (Income) £(000)	2005/06 Expend- iture £(000)	(Surplus)/ Deficit £(000)		Turnover (Income) £(000)	2006/07 Expend- iture £(000)	(Surplus)/ Deficit £(000)
Significant Trading Services included in Net Cost of Services						
(2,445)	616	(1,829)	Commercial Property	(2,402)	702	(1,700)
(563)	315	(248)	Markets	(592)	423	(169)
(5,921)	1,749	(4,172)	Car Parks	(6,273)	2,055	(4,218)
(1,026)	398	(628)	Crematorium	(1,145)	403	(742)
(715)	410	(305)	Building Control (chargeable element)	(642)	441	(201)
(1,748)	1,763	15	Engineering Consultancy	(1,646)	1,607	(39)
(1,995)	2,060	65	Facilities Management	(2,033)	2,074	41
(1,183)	1,209	26	York Training Centre	(714)	722	8
<u>(15,596)</u>	<u>8,520</u>	<u>(7,076)</u>	Total	<u>(15,447)</u>	<u>8,427</u>	<u>(7,020)</u>

Commercial property income is principally rental income, and the (surplus)/deficit includes depreciation charges of £60k (£57k). Markets income is mainly from Newgate market tolls and from other markets, and the surplus is net of depreciation charges of £nil (£2k). 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 £217k (£76k) for depreciation. The main sources of income at the crematorium are cremation fees and memorialisation. The surplus is net of depreciation charges of £20k (£11k). Building Control is, by statute, split into two elements. The full statement on the trading activity is shown in note 53, but only the chargeable element needs to be shown under the BVACOP requirements. The main sources of income for Engineering Consultancy and Facilities Management are fees charged to the Council's capital programme and to departmental revenue accounts. York Training Centre income is generated principally through government funded programmes and contracts to provide employment and training opportunities to York citizens. The loss of £8k (£26k) represents 1.1% (2.2%) of turnover.

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

Turnover (Income) £(000)	2005/06 Expend- iture £(000)	(Surplus)/ Deficit £(000)		Turnover (Income) £(000)	2006/07 Expend- iture £(000)	(Surplus)/ Deficit £(000)
(Surplus)/Deficit from Trading Operations						
(6,428)	6,538	110	Building Maintenance	(6,332)	6,528	196
(6,550)	6,236	(314)	Civil Engineering	(6,441)	6,172	(269)
(2,930)	2,966	36	Refuse Collection	(2,475)	2,498	23
(3,276)	3,373	97	Street Scene	(3,408)	3,446	38
(2,888)	3,134	246	Cleaning of Public Buildings	(2,879)	3,244	365
(862)	893	31	Vehicle Maintenance	(657)	738	81
(1,531)	1,276	(255)	Commercial Waste	(1,594)	1,183	(411)
(693)	838	145	Waste Management	(1,168)	1,200	32
(3,336)	3,169	(167)	Transport Operating	(3,401)	3,284	(117)
-	144	144	Exceptional Items	-	193	193
<u>(28,494)</u>	<u>28,567</u>	<u>73</u>	Total	<u>(28,355)</u>	<u>28,486</u>	<u>131</u>

NOTES TO THE CORE STATEMENTS

Trading Accounts including Neighbourhood Services Turnover and Profit cont'd

All the figures in the above table are inclusive of the pensions transactions set out in note 10. Although the building maintenance section performance shows a higher loss this is due to the impact of the pensions transactions on the account. The section performance has improved from last year and income from external contracts continues to increase which is expected to improve the trading position next year. The Civil Engineering section continues to perform well as the external customer base expands. The commercial Waste section exceeded budget expectations and improved its trading position considerably during this financial year. This section is exploring the opportunity of increasing the level of recycling available to customers. The cleaning section made a deficit due to ongoing cost pressures and the service is currently under review.

The exceptional items in 2005/06 were for temporary arrangements put in place during the process to dissolve the traditional client/contractor role and the creation of the new Neighbourhood Services Department from 1 April 2006 and costs were incurred in order to keep the service running following a fire at the Depot which damaged a number of Refuse vehicles. During 2006/07 expenditure was incurred in two areas that were outside the normal trading activity of the service. The first was in relation to the move to the new Eco Depot at Hazel Court. Secondly, costs were incurred to keep the service running, following a refuse vehicle fire, which may not be recoverable through the Council's insurance scheme.

In addition to the net deficit of £131k (£73k) on trading activity there are other transactions that take place before determining the transfer of a surplus or loss to the trading reserve. These are set out in the following table:

2005/06		2006/07
£(000)		£(000)
	TRADING OPERATIONS RESERVE	
(288)	Balance at beginning of year	(300)
73	(Surplus)/Deficit in year	131
(111)	Transfer to/(from) General Fund	(195)
<u>26</u>	Transfer to/(from) Earmarked Reserves	<u>(75)</u>
<u>(300)</u>	Balance at end of year	<u>(439)</u>

6. Interest Payable

Included in the revenue accounts is the interest payable of £4.764m (£4.421m) representing interest related costs on long terms loans.

7. Contribution to Housing Pooled Capital Receipts

Under Part 1 of the Local Government Act 2003 local authorities in England have to pay a proportion of specified housing related capital receipts into a Government Pool for redistribution. Although the SORP requires that this payment is shown as a revenue cost, it is matched by income transferred in from Usable Capital Receipts shown in the Statement of Movement on the General Fund Balance.

8. Interest and Investment Income and Expenditure

Included in the revenue accounts is a net return on investments of £2.555m (£2.220m) which comprises interest income of £2.515m (£2.255m) and the costs of associated fees and charges of £0.040m (£0.035m). There was no investment income.

9. Provisions

The contributions to provisions include amounts to vary the sums held assessed against the level of risk together with amounts to increase the level of provision for bad/doubtful debts (see also note 27).

NOTES TO THE CORE STATEMENTS

10. Pensions Costs and Net Pensions Liability Movement in Year

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

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

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

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

Teachers

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

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

In 2006/07 the Council paid £6.144m (£6.013m) to the Teachers Pensions Agency (TPA) in respect of teachers' pensions costs, which represents 13.5% to 31 December 2006 and 14.1% from 1 January 2007 (13.5%) of teachers' pensionable pay.

In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These amounted to £631k (£679k) and are included in the figures shown below.

NOTES TO THE CORE STATEMENTS

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

Other Employees

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

2005/06 £(000)		2006/07 £(000)	
	Income and Expenditure Account Entries		
	Net Cost of Services		
11,242	Current service cost	13,185	
902	Past service cost	537	
(5,365)	Past service adjustment for assumed take-up level of new commutation option	-	
1,144	Curtailment Cost	910	
7,923			14,632
	Net Operating Expenditure		
13,597	Interest cost	14,989	
(9,735)	Expected return on assets in the scheme	(11,822)	
3,862			3,167
11,785	Net Charge to the Income and Expenditure Account		17,799
	Statement of Movement on the General Fund Balance Entries		
139	Contribution to/(from) Pensions Reserve		(5,061)
11,924	Actual amount charged against Council Tax for Pensions in the year		12,738

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

There is a formal actuarial valuation of the performance of the NYPF three-yearly, with an annual update to reflect current market conditions. The last formal actuarial valuation was at 31 March 2004.

Assets and Liabilities in Relation to Retirement Benefits

The following analyses are all based on the annual updated position provided by the Fund's actuaries. The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

31.3.06 £(000)		31.3.07 £(000)
300,717	Estimated share of liabilities in scheme	310,027
(191,883)	Estimated share of assets in scheme	(214,665)
108,834	Council's net liability	95,362

NOTES TO THE CORE STATEMENTS

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

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £95.362m (£108.834m) has a substantial impact on the net worth of the Council as recorded in the 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. The deficit on the North Yorkshire Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. In the 2005/06 Accounts the actuaries provided a separate assumption to reflect this change. The calculation is now incorporated into their assessment of the pension liabilities.

Basis for Estimating Assets and Liabilities

In calculating the Council's assets and liabilities Mercer, the fund's actuaries, had to make a number of assumptions about events and circumstances in the future. This means that the results of actuarial calculations are subject to uncertainties within a range of possible values. The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Ltd. an independent firm of actuaries, with the estimates being based on the latest full valuation of the scheme as at 1 April 2004.

The actuarial assumptions used in their calculations have been:

As at 31.3.06		As at 31.3.07
% pa		% pa
2.90	Rate of Inflation	3.10
4.65	Rate of increase in salaries	4.85
2.90	Rate of increase in pensions	3.10
50.00	Proportion of employees opting to take a commuted lump sum	50.00
4.90	Rate for discounting scheme liabilities	5.40

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

As at 31.3.06			As at 31.3.07	
£(000)	%		£(000)	%
143,912	75.0	Equities	165,292	77.0
14,583	7.6	Government Bonds	15,456	7.2
26,864	14.0	Other Bonds	31,770	14.8
-	-	Property	-	-
6,524	3.4	Cash/liquidity	2,147	1.0
-	-	Other	-	-
<u>191,883</u>	<u>100.0</u>		<u>214,665</u>	<u>100.0</u>

NOTES TO THE CORE STATEMENTS

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

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

As at		As at
31.3.06		31.3.07
% pa		% pa
7.00	Equities	7.50
4.30	Government Bonds	4.70
4.90	Other Bonds	5.40
6.00	Property	6.50
4.50	Cash/liquidity	5.25
-	Other	-

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

2005/06		2006/07
£(000)		£(000)
103,783	Net pensions liability at 1 April	108,834
	Movement in year	
11,242	Current service cost	13,185
(11,924)	Employer contributions (including unfunded retirement benefits)	(12,738)
(3,319)	Past service cost/curtailment costs	1,447
13,597	Interest costs	14,989
(9,735)	Expected return on assets in the scheme	(11,822)
<u>5,190</u>	Actuarial (Gain)/Loss	<u>(18,533)</u>
<u>108,834</u>	Net pensions liability at 31 March	<u>95,362</u>

Actuarial Gains and Losses

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

	Local Government Pension Scheme									
	2002/03		2003/04		2004/05		2005/06		2006/07	
	£(000)	%	£(000)	%	£(000)	%	£(000)	%	£(000)	%
Differences between expected and actual return on assets	34,844	20.7	(18,365)	9.9	(10,433)	4.4	(21,429)	7.3	(1,031)	0.5
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	45,278	18.8	25,901	8.8	(17,281)	5.7
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Liabilities	<u>34,844</u>		<u>(18,365)</u>		<u>34,845</u>		<u>4,472</u>		<u>(18,312)</u>	

NOTES TO THE CORE STATEMENTS

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

	Unfunded Teachers Pensions									
	2002/03		2003/04		2004/05		2005/06		2006/07	
	£(000)	%	£(000)	%	£(000)	%	£(000)	%	£(000)	%
Differences between expected and actual return on assets	-	-	-	-	(83)	1.4	441	5.5	-	-
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-	659	11.3	277	3.5	(221)	2.6
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Liabilities	<u>-</u>		<u>-</u>		<u>576</u>		<u>718</u>		<u>(221)</u>	

11. Depreciation, Amortisation and Impairment of Fixed Assets

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

12. Deferred Charges

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

2005/06 £(000)		2006/07 £(000)
98	Expenditure Charged to Service Accounts	
-	Public Service Agreements	-
1,200	Expenditure for which the Secretary of State has granted permission	543
1,261	Improvement Grants	1,482
<u>1,261</u>	Other Grants	<u>753</u>
<u>2,559</u>		<u>2,778</u>
	Direct Grant Income Credited to Service Accounts	
(36)	Public Service Agreements	-
(314)	Improvement Grants	(1,141)
<u>(530)</u>	Other Grants	<u>(424)</u>
<u>(880)</u>		<u>(1,565)</u>
<u>1,679</u>	Total Charged to Income and Expenditure Account and Funded from the Capital Financing Account	<u>1,213</u>

NOTES TO THE CORE STATEMENTS

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

This represents the loss or profit on disposal of fixed assets after taking account of allowable disposal costs where appropriate. The costs shown are the allowable costs of disposal of HRA properties offset by a small residual profit on the sale of shares in the Careers Company which were formerly held. In addition for 2005/06 the cost includes the effect of transferring assets for the PFI scheme to deferred assets.

14. Statutory Provision for the Repayment of Debt

The method of calculating the Minimum Revenue Provision (MRP) is defined by the Local Government Act 2003 (Prudential Code). Previously, under the 1989 Act, the calculation was based on a prescribed percentage of the Council's credit ceiling at the end of the previous year, and was 4% for general fund expenditure and 2% for HRA expenditure. Under the Prudential Code the 4% provision for general fund remains, but the HRA provision is no longer obligatory. In view of this the Council has decided not to make a voluntary debt repayment for the HRA. Consequently, the MRP for 2006/07, including the amortisation for the Local Government Reorganisation in 1996, is £3.152m (£3.244m). 2006/07 is the final year that there will be an adjustment for this amortisation.

In 1992/93 central government made a one-off commuted sum payment to York City Council in lieu of all future grant reimbursements due in respect of pre-1990 Improvement Grant expenditure. This gave rise to short-term losses that the Council is allowed to offset against MRP. The commutation adjustment reduces the MRP required in 2006/07 to £2.806m (£2.766m). The following table shows the transactions in the year:

2005/06		2006/07	
£(000)		£(000)	£(000)
-	Housing Revenue Account (2%)	-	
<u>2,560</u>	Other Services (General Fund) (4%)	<u>2,972</u>	
2,560			2,972
<u>684</u>	Add: Amortisation of Local Government Re-organisation		<u>180</u>
3,244			3,152
<u>(478)</u>	Less: Commutation adjustment		<u>(346)</u>
<u>2,766</u>	Total for Year		<u>2,806</u>

15. Reserves

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

2005/06		Net	2006/07
£(000)		Movement	£(000)
£(000)		£(000)	£(000)
(1,208)	Investment Reserves	-	(1,208)
(300)	Trading Operations Reserve	(139)	(439)
(852)	Venture Fund	(759)	(1,611)
(452)	Reserve to Support Capital	(883)	(1,335)
(3,707)	Developers' Contributions Unapplied	72	(3,635)
(1,303)	Insurance Fund	(322)	(1,625)
(827)	Introducing New Technology	(561)	(1,388)
<u>(3,724)</u>	Miscellaneous	<u>(730)</u>	<u>(4,454)</u>
<u>(12,373)</u>		<u>(3,322)</u>	<u>(15,695)</u>

Further information on the movements on these reserves is shown in note 36.

NOTES TO THE CORE STATEMENTS

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

These reserves are also known as Delegated School Reserves and represent the net balances held in schools as unspent revenue received from the Local Education Authority (LEA). These balances are held by the schools to be spent in future years and can only be used for that purpose. There are 6 (4) schools with deficit rather than surplus balances at a total deficit of £281k (£335k).

17. Movement on Reserves

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

Balance at 1.4.06 £(000)	Account	(Gains) /Losses For the Year £(000)	Transfers Between Reserves £(000)	Balance at 31.3.07 £(000)
Reserves				
(507,845)	Fixed Asset Restatement Account	(19,565)	31,402	(496,008)
(150,386)	Capital Financing Account	-	(24,946)	(175,332)
(56)	Usable Capital Receipts Reserve	-	(1,261)	(1,317)
108,834	Pensions Reserve	(18,533)	5,061	95,362
(5,139)	Housing Revenue Account Reserve	-	(851)	(5,990)
(572)	Major Repairs Reserve	(191)	-	(763)
(133)	Collection Fund Reserve	(749)	-	(882)
General Fund Reserves:				
(10,411)	- General Fund Balance	3,014	(6,083)	(13,480)
(12,373)	- Earmarked Reserves	-	(3,322)	(15,695)
<u>(578,081)</u>		<u>(36,024)</u>	<u>-</u>	<u>(614,105)</u>

The Fixed Asset Restatement Account, the Capital Financing Account and the Usable Capital Receipts Reserve are all related to managing the Council's capital assets. Further information is set out in notes 32, 33 and 34.

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

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

The 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 which are set out in note 36.

NOTES TO THE CORE STATEMENTS

18. Intangible Fixed Assets

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

2005/06 £(000)		2006/07 £(000)
	Purchased Software Licences	
3,567	Original Cost	3,109
<u>(2,497)</u>	Less: accumulated depreciation/impairment	<u>(1,800)</u>
1,070	Balance at 1 April	1,309
802	Expenditure in Year	2,323
(1,260)	Disposals - Gross book value	-
1,260	Accum. Deprecn	-
<u>(563)</u>	Written off to revenue in year	<u>(457)</u>
<u>1,309</u>	Closing balance at 31 March	<u>3,175</u>
3,109	Value at 31 March	5,432
(1,800)	Less: accumulated depreciation/ impairment	<u>(2,257)</u>
<u>1,309</u>	Net Book Value of Assets at 31 March	<u>3,175</u>

19. Tangible Fixed Assets

Tangible fixed assets are separated into two different types - operational and non-operational. Within operational assets is a category 'Community Assets'. The Council has a variety of assets that are classified as Community Assets, including the Bar Walls and parks. The historic costs for the bulk of the Community Assets have been wiped out by inflation in the 20th Century. To include the costs of their improvements at historic cost in the balance sheet gives a misleading impression. They are, therefore, recorded in the asset register at a nil valuation to maintain custodianship but not give misleading accounting information. Where a valuation is recorded there is a requirement to maintain in perpetuity and the useful life becomes infinite. The Council also holds a number of listed buildings which must be maintained in perpetuity. The useful life of both these assets is therefore infinite, and depreciation becomes immaterial. The required annual impairment test has been carried out.

NOTES TO THE CORE STATEMENTS

Tangible Fixed Assets cont'd

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

	Council dwellings £(000)	Other land and buildings £(000)	Vehicles, plant etc. £(000)	Infra-structure £(000)	Comm-unity Assets £(000)	TOTAL Operational Assets £(000)
Value at 31.3.06	389,841	277,099	10,521	61,970	90	739,521
Less: accumulated depreciation/ impairment	(7,851)	(8,670)	(5,624)	(6,477)	-	(28,622)
Net Book Value of Assets at 31.3.06	381,990	268,429	4,897	55,493	90	710,899
<u>Movement in 2006/07</u>						
Category Adjustment	-	12,808	575	4,299	331	18,013
Additions/Enhancements	8,039	16,086	1,113	8,170	243	33,651
Disposals - Gross book value	(3,135)	(27,757)	-	-	-	(30,892)
Accum. Deprecn	-	-	-	-	-	-
Revaluations	(1,375)	15,464	(199)	(34)	(547)	13,309
Accum. Deprecn	7,851	-	-	-	-	7,851
Depreciation	(7,934)	(2,867)	(1,308)	(1,748)	-	(13,857)
Impairment	-	-	-	-	-	-
Net Book Value of Assets at 31.3.07	385,436	282,163	5,078	66,180	117	738,974
Value at 31.3.07	393,370	293,700	12,010	74,405	117	773,602
Less: accumulated depreciation/ impairment	(7,934)	(11,537)	(6,932)	(8,225)	-	(34,628)
Net Book Value of Assets at 31.3.07	385,436	282,163	5,078	66,180	117	738,974

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

	Investment Properties £(000)	Assets under Construct'n £(000)	Surplus Assets £(000)	TOTAL Non-Oper Assets £(000)	TOTAL All Assets £(000)
Value at 31.3.06	42,214	22,492	-	64,706	804,227
Less: accumulated depreciation/ impairment	-	-	-	-	(28,622)
Net Book Value of Assets at 31.3.06	42,214	22,492	-	64,706	775,605
<u>Movement in 2006/07</u>					
Category Adjustment	189	(18,202)	-	(18,013)	-
Additions/Enhancements	-	10,514	-	10,514	44,165
Disposals - Gross book value	(510)	-	-	(510)	(31,402)
Accum. Deprecn	-	-	-	-	-
Revaluations	(1,596)	-	-	(1,596)	11,713
Accum. Deprecn	-	-	-	-	7,851
Depreciation	-	-	-	-	(13,857)
Impairment	-	-	-	-	-
Net Book Value of Assets at 31.3.07	40,297	14,804	-	55,101	794,075
Value at 31.3.07	40,297	14,804	-	55,101	828,703
Less: accumulated depreciation/ impairment	-	-	-	-	(34,628)
Net Book Value of Assets at 31.3.07	40,297	14,804	-	55,101	794,075

NOTES TO THE CORE STATEMENTS

Tangible Fixed Assets cont'd

The figure for 'Additions/Enhancements' shown in the column 'Total All Assets' is the total value of expenditure in the year on tangible fixed assets. Only a proportion of this either increases the value of tangible assets or is for a new asset, the remainder is either expenditure classified as assets under construction, £10.514m (£12.855m) or expenditure of a capital nature which does not enhance the value of the asset, £12.093m (£10.404m). The Code of Practice stipulates that only expenditure which enhances the value of assets is included in the balance sheet as fixed assets. Assets under construction must be shown as non-operational assets and expenditure that does not enhance the value of assets must be shown as a transfer to the Fixed Asset Restatement Account (FARA) (see note 32). This latter adjustment is included in the line described as revaluations. These transfers leave expenditure of £21.558m (£9.644m) in the year that increases the value of tangible fixed assets.

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

	£(000)
New Depot	9,337
James Street Link Road	2,065
ICT Easy at York	1,169
Major road improvements	1,591
Clifton Green Neighbourhood Nursery	977
Various expenditure on schools	460
Oaklands Sports Centre	511
Other smaller schemes	<u>5,448</u>
Expenditure that increases value of assets	21,558
Assets under construction	<u>10,514</u>
	<u>32,072</u>

The disposals have been taken out of the accounts at net book value, as required by the Code of Practice, and include the following:

	£(000)
Council dwellings	3,135
Foss Islands Depot	10,000
Part of Barbican Centre	3,727
1/9 St Leonard's Place	7,027
Kent Street car park	2,001
Northfield Special School	2,728
Dundas Street (part of)	960
Other smaller sites	<u>1,824</u>
	<u>31,402</u>

Valuation of Tangible Fixed Assets

Valuations on all major Council assets are required to be carried out at least every 5 years and at 31 March 2006 no valuations are greater than five years old. Major assets valued during 2006/07 include schools and leisure facilities. The Council dwellings are revalued annually on 1st April to comply with Housing Resource Accounting requirements. The valuations process is led by Philip Callow, Senior Property Consultant with the Council, who is a Chartered Surveyor, with the valuations of council housing being undertaken by Stephenson's of 10 Colliergate, York, who are estate agents, chartered surveyors, auctioneers and valuers.

NOTES TO THE CORE STATEMENTS

Tangible Fixed Assets cont'd

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

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

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

Basis of Valuation	Council dwellings £(000)	Other land and buildings £(000)	Vehicles, plant etc. £(000)	Infra-structure £(000)	Comm-unity Assets £(000)	TOTAL Operational Assets £(000)
Historic Cost	-	31,383	1,676	36,149	32	69,240
Current Value in:						
Current year	3,456	171,741	181	10,687	27	186,092
Previous year	(29,307)	43,950	1,893	4,313	-	20,849
2 years ago	44,579	3,679	746	10,344	-	59,348
3 years ago	85,442	1,942	582	4,533	-	92,499
4 years ago	<u>281,266</u>	<u>29,468</u>	<u>-</u>	<u>154</u>	<u>58</u>	<u>310,946</u>
Total	<u>385,436</u>	<u>282,163</u>	<u>5,078</u>	<u>66,180</u>	<u>117</u>	<u>738,974</u>

Basis of Valuation	Investment Properties £(000)	Assets under Construct'n £(000)	Surplus Assets £(000)	TOTAL Non-Oper Assets £(000)	TOTAL All Assets £(000)
Historic Cost	21,831	-	-	21,831	91,071
Current Value in:					
Current year	1,658	10,514	-	12,172	198,264
Previous year	113	2,885	-	2,998	23,847
2 years ago	6,712	1,344	-	8,056	67,404
3 years ago	6,413	61	-	6,474	98,973
4 years ago	<u>3,570</u>	<u>-</u>	<u>-</u>	<u>3,570</u>	<u>314,516</u>
Total	<u>40,297</u>	<u>14,804</u>	<u>-</u>	<u>55,101</u>	<u>794,075</u>

NOTES TO THE CORE STATEMENTS

Tangible Fixed Assets cont'd

Analysis of Fixed Assets

Included amongst the assets owned by the Council at 31 March 2007 are the following:

<p>Council Dwellings:</p> <ul style="list-style-type: none"> 3,570 Flats 4,483 Houses and Bungalows <p>Land:</p> <ul style="list-style-type: none"> 754 km Road 975 km Footpath 16 Allotment Sites (1,152 plots) 11 Public Parks (approx 74 acres) 3 Travellers Sites 3 Equipped Farms <p>Vehicles:</p> <ul style="list-style-type: none"> 12 Miscellaneous Vehicles <p>Other Buildings:</p> <ul style="list-style-type: none"> Bar Walls Mansion House 6 Administrative Buildings 172 Commercial Properties 	<p>Other Buildings (cont'd):</p> <ul style="list-style-type: none"> 1 Open Air Market 1 Theatre 1 Crematorium 11 Toilet blocks 69 Schools 14 Respite Care and Residential Homes 9 Day Centres 4 Waste Disposal/Civic Amenity Sites 1 Art Gallery 8 Community Centres 2 Sports Pavilions 3 Sports Centres 17 Off Street Car Parks 2 Coach Parks 7 Play Areas 2 Swimming Pools 7 Museums 10 Libraries 10 Youth Centres
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Future Capital Expenditure

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

	2007/08	2008/09	2009/10	Later
	£(000)	£(000)	£(000)	£(000)
Childrens' Services	16,485	9,550	250	-
Neighbourhood Services	405	202	-	-
Housing Services	9,089	8,705	8,887	9,303
Leisure and Culture Services	4,477	5,774	1,763	-
Economic Development	150	3,500	-	-
City Strategy	8,886	6,808	5,926	5,480
Resources	4,007	13,226	15,099	2,353
Chief Executive's Department	-	-	-	-
Social Services	205	205	205	205
Total Capital Programme	43,704	47,970	32,130	17,341

At 31 March 2007 gross capital expenditure commitments were over £7.5m, the most significant of which were Huntington School (£0.9m), tenants' choice (£1.2m) and heating upgrades in council housing (£1.5m).

NOTES TO THE CORE STATEMENTS

20. Sources of Finance

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

2005/06 £(000)		2006/07 £(000)
	Expenditure in year	
20,048	Operational Assets	33,651
12,855	Non-operational Assets	10,514
802	Intangible Assets	2,323
2,559	Deferred Charges	2,778
4,032	Deferred Asset (PFI prepayment)	-
	Sources of Finance	
(17,009)	Grants and Contributions	(15,507)
(6,226)	Capital Receipts	(16,916)
(1,111)	Internal Funds and Provisions	-
(1,525)	Revenue Contributions	(1,458)
(2,766)	Minimum Revenue Provision	(2,807)
<u>(1,028)</u>	Voluntary Debt Repayment	<u>(10,923)</u>
<u>10,631</u>	Movement in Year	<u>1,655</u>
	Capital Financing Requirement	
<u>72,882</u>	Opening balance at 1 April	<u>83,513</u>
<u>83,513</u>	Closing balance at 31 March	<u>85,168</u>
	Explanatory Movements in Year	
7,694	Increase in underlying need to borrow (supported by Government financial assistance)	11,600
6,731	Increase in underlying need to borrow (unsupported by Government financial assistance)	3,783
(2,766)	Minimum Revenue Provision	(2,807)
<u>(1,028)</u>	Voluntary Set-aside	<u>(10,921)</u>
<u>10,631</u>	Increase/(decrease) in Capital Financing Requirement	<u>1,655</u>

21. Long-Term Investments

These are investments held for the medium/long-term. They comprise mainly share investments in two companies: Yorwaste (£1,007,940) and York Science Park (£200,000). The shares are included in the balance sheet at nominal value. Other investments have been deposited to be realisable quickly, although the intention is to hold them for a medium/long-term.

NOTES TO THE CORE STATEMENTS

22. Long-Term Debtors

These are sums outstanding which will be repaid over a period of years and include mortgage debts on loans for house purchase, loans to housing associations and loans to employees. The movement on the long-term debtors is analysed as follows:

Balance at 1.4.06		Expenditure During Year	Income Received in Year	Balance at 31.3.07
£(000)		£(000)	£(000)	£(000)
292	Employee Loans	202	(230)	264
144	Council House Mortgages	-	(60)	84
13	Housing Act Advances	-	-	13
-	PFI - Residual Value Asset	145	-	145
-	PFI - Sculpting Prepayment	501	-	501
22	Other	-	(8)	14
<u>471</u>		<u>848</u>	<u>(298)</u>	<u>1,021</u>

23. Deferred Assets and Premiums

During 1999/2000 the Council repaid the notional amount outstanding for servicing the debt for assets transferred to it following the local government reorganisation in 1996. The principle applied was that the accounting treatment should reflect its expected economic impact on the City of York, and the Council expected that it would benefit from the portfolio of assets for an average of 25 years. Therefore a prepayment was established to recharge revenue in equal instalments over 25 years, commencing in 2000/01.

On 12 January 2005 the Council entered into a 30-year PFI contract with Sewell Education York (Ltd) for the provision and maintenance of three primary schools and one special school at three sites across the city.

The figure in the balance sheet for prepayments represents the amount remaining to be written down for both the local government reorganisation debt servicing and the PFI contract. The PFI prepayment represents the capital contribution made towards securing the assets for the next 30 years, after which the legal ownership of the assets will revert to the Council. This amount will be written down over the life of the contract, in order to reduce the charge to the revenue account for services to be received over the life of the contract. The full write-down will begin in the first full financial year of operation, i.e. during 2006/07.

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

Balance at 1.4.06		Expenditure During Year	Written off to Revenue in Year	Balance at 31.3.07
£(000)		£(000)	£(000)	£(000)
23,253	Prepayment - LGR 1996	-	(1,224)	22,029
4,032	Prepayment - PFI scheme	-	(211)	3,821
4,291	Deferred Premiums	-	(234)	4,057
<u>31,576</u>		<u>-</u>	<u>(1,669)</u>	<u>29,907</u>

NOTES TO THE CORE STATEMENTS

24. Debtors

This figure has been netted down by £8.141m (£8.129m) 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 1.4.06 £(000)		Balance at 31.3.07 £(000)
	Taxpayers	
5,753	Council Tax	5,741
4,327	NNDR	3,191
	Central Government	
1,262	Government Departments	2,450
1,612	NNDR Pool	1,244
1,359	DEFRA Landfill Usages Allowances	2,351
	Other	
1,578	Housing Rents	1,524
1,909	Housing Benefits	1,538
14,524	Other Debtors	21,270
32,324		39,309
	Provision for Bad and Doubtful Debts	
(4,397)	Collection Fund	(4,595)
(1,245)	Housing Rents	(1,213)
(1,499)	Housing Benefits	(1,679)
(988)	Other	(654)
(8,129)		(8,141)
24,195	Total Debtors	31,168

25. Loans Outstanding

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

As at 1.4.06 £(000)		Interest Rates Payable	As at 31.3.07 £(000)
	Total Outstanding		
83,365	Public Works Loan Board	3.70% to 4.875%	93,365
-	CLF Municipal Bank		-
10,000	Royal Exchange Trust Co Ltd	7.155% to 7.155%	10,000
-	Local Bonds		-
-	Short Term Loans		-
93,365	Total		103,365
	Analysis of loans by maturity:		
-	Maturing within one year		4,000
4,000	Maturing in 1 - 2 years		5,000
13,000	Maturing in 2 - 5 years		8,000
5,000	Maturing in 5 - 10 years		5,000
71,365	Maturing in more than 10 years (average maturity 20 years)		81,365
93,365	Total		103,365

NOTES TO THE CORE STATEMENTS

26. Creditors

The creditors figure can be analysed as follows:

Balance at 1.4.06 £(000)		Balance at 31.3.07 £(000)
	Taxpayers	
1,322	Council Tax	1,599
5	Community Charge	3
2,795	NNDR	3,594
	Central Government	
1,002	Government Departments	499
3,009	Revenues and Customs	3,068
1,294	DEFRA Landfill Allowances Trading Scheme	2,040
	Other	
314	Housing Rents	315
<u>24,432</u>	Other Creditors	<u>28,059</u>
<u>34,173</u>	Total Creditors	<u>39,177</u>

27. Provisions

The following table summarises the Provisions held:

Balance at 1.4.06 £(000)		Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.07 £(000)
(1,234)	Insurance Fund - General	-	(63)	(1,297)
<u>(1,724)</u>	Miscellaneous	<u>1,411</u>	<u>(718)</u>	<u>(1,031)</u>
<u>(2,958)</u>		<u>1,411</u>	<u>(781)</u>	<u>(2,328)</u>

The general insurance provision is based on information provided by the Council's insurers and is held to meet future potential liabilities in respect of claims outstanding but not received covering a period of several years. The miscellaneous provisions include small sums to provide for costs that may arise as a consequence of the closure of the special schools in York and for outstanding appeals against the banding for Council Tax purposes, both are based on estimates of potential costs and are reviewed annually. The remaining provision is in respect of potential payments to employees dependent upon the outcome of current and possible future legal action. Of the estimated number of staff eligible to claim 91% have settled, leaving 130 potential claimants to be resolved.

28. Deferred Liabilities

This represents the liability for amounts chargeable to the revenue accounts in future financial years. There are two elements. The liability for the payment of notional debt on the 1996 local government reorganisation transferred assets as set out in note 23 and the sums owing for assets acquired through finance leases, see also note 59. The following table shows the transactions in the year.

Balance at 1.4.06 £(000)		Income During Year £(000)	Expenditure in Year £(000)	Balance at 31.3.07 £(000)
(23,253)	1996 Transferred Assets	-	1,224	(22,029)
(226)	Loans Discount	-	40	(186)
(870)	Finance Leases	-	451	(419)
<u>-</u>	ABRO Contract	<u>(740)</u>	<u>-</u>	<u>(740)</u>
<u>(24,349)</u>		<u>(740)</u>	<u>1,715</u>	<u>(23,374)</u>

NOTES TO THE CORE STATEMENTS

29. Government Grants Deferred and Developers' Contributions Deferred

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

Balance at 1.4.06		Receipts During Year	Transfer to SMGFB in Year	Balance at 31.3.07
£(000)		£(000)	£(000)	£(000)
(12,660)	Deferred Government Grants	(6,499)	474	(18,685)
<u>(5,214)</u>	Deferred Developers' Contributions	<u>(1,380)</u>	<u>91</u>	<u>(6,503)</u>
<u>(17,874)</u>		<u>(7,879)</u>	<u>565</u>	<u>(25,188)</u>

30. Capital Grants Unapplied

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

31. Deferred Credits

These are amounts receivable in respect of the sale of assets where the monies due will be received in instalments over an agreed period of time. The majority of the transactions relate principally to mortgages on sales of council houses.

32. Fixed Asset Restatement Account

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

2005/06				2006/07		
General Fund Services £(000)	Housing Revenue Account £(000)	Total £(000)		General Fund Services £(000)	Housing Revenue Account £(000)	Total £(000)
(223,899)	(271,017)	(494,916)	Balance at 1 April	(273,547)	(234,298)	(507,845)
<u>(54,722)</u>	<u>26,343</u>	<u>(28,379)</u>	(Surplus)/Deficit on	<u>(23,661)</u>	<u>(7,997)</u>	<u>(31,658)</u>
(278,621)	(244,674)	(523,295)	revaluation of fixed assets	(297,208)	(242,295)	(539,503)
<u>2,301</u>	<u>2,745</u>	<u>5,046</u>	Less: Disposal of fixed	<u>28,267</u>	<u>3,135</u>	<u>31,402</u>
(276,320)	(241,929)	(518,249)	assets	(268,941)	(239,160)	(508,101)
<u>2,773</u>	<u>7,631</u>	<u>10,404</u>	Less: Expenditure in year	<u>4,052</u>	<u>8,041</u>	<u>12,093</u>
(273,547)	(234,298)	(507,845)	which does not increase	<u>(264,889)</u>	<u>(231,119)</u>	<u>(496,008)</u>
			value of assets			
			Balance at 31 March			

NOTES TO THE CORE STATEMENTS

33. Capital Financing Account

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

2005/06 £(000)		2006/07 £(000)	
(141,281)	Balance at 1st April		(150,386)
	Add: <u>Income in the Year</u>		
(2,766)	Minimum Revenue Provision	(2,806)	
(4,969)	Usable Capital Receipts	(27,903)	
(16,523)	Grants & Contributions	(12,508)	
(1,290)	Revenue Contributions - Housing	(1,453)	
<u>(6,497)</u>	Revenue Contributions - Other Departments	<u>(3,221)</u>	
<u>(32,045)</u>			(47,891)
<u>(173,326)</u>			<u>(198,277)</u>
	Less: <u>Expenditure in year</u>		
	Transfer to SMGFB		
1,679	Deferred Charges	1,213	
9,163	Depreciation	9,733	
(395)	Deferred Govt Grants and Dev Contribns released	(565)	
38	Allowable costs of disposal on HRA sales	104	
5,767	Transfer to Deferred Capital Grants	6,499	
2,266	Transfer to Deferred Developers Contributions	1,380	
<u>4,422</u>	Transfer to Major Repairs Reserve	<u>4,581</u>	
<u>22,940</u>			22,945
<u>(150,386)</u>	Balance at 31st March		<u>(175,332)</u>

As well as the four expenditure items identified as a transfer to the Statement of Movement on the General Fund Balance (SMGFB) the four income items 'minimum revenue provision', 'set aside from Harewood Whin repayment', 'revenue contributions - housing' and 'revenue contributions - other departments' are also adjustments with the SMGFB.

34. Usable Capital Receipts

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

2005/06 £(000)		2006/07 £(000)	
(1,926)	Balance at 1 April		(56)
(5,046)	Receipts in year from sale of assets		(31,402)
(60)	Mortgage principal repayments		(56)
<u>(19)</u>	Receipts in year from sale of shares		<u>(4)</u>
<u>(7,051)</u>			<u>(31,518)</u>
<u>2,026</u>	Less: Proportion of HRA receipts to be paid to Government Pool		<u>2,298</u>
(5,025)	Available Usable Receipts		(29,220)
<u>4,969</u>	Receipts applied during the year		<u>27,903</u>
<u>(56)</u>	Usable Capital Receipts Unapplied at 31 March		<u>(1,317)</u>

NOTES TO THE CORE STATEMENTS

35. Major Repairs Reserve

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

Balance at 1.4.06 £(000)		Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.07 £(000)
<u>(572)</u>	Major Repairs Reserve	<u>4,391</u>	<u>(4,582)</u>	<u>(763)</u>
<u>(572)</u>	Total	<u>4,391</u>	<u>(4,582)</u>	<u>(763)</u>

36. Earmarked Reserves

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

Balance at 1.4.06 £(000)	Account	Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.07 £(000)
Reserves				
(1,208)	Investment Reserves	-	-	(1,208)
(300)	Trading Operations Reserve	-	(139)	(439)
(852)	Venture Fund	380	(1,139)	(1,611)
(452)	Reserve to Support Capital	192	(1,075)	(1,335)
(3,707)	Developers Contributions Unapplied	2,025	(1,953)	(3,635)
(1,303)	Insurance Fund	-	(322)	(1,625)
(827)	Introducing New Technology	-	(561)	(1,388)
<u>(3,724)</u>	Miscellaneous	<u>2,351</u>	<u>(3,081)</u>	<u>(4,454)</u>
<u>(12,373)</u>		<u>4,948</u>	<u>(8,270)</u>	<u>(15,695)</u>

The balance on the Venture Fund represents the resources available to support one-off costs to allow for service re-engineering which will lead to future revenue savings. The revenue reserve to support capital has received a payment of £1.075m during the year to reflect the repayment of the advance to fund the shortfall on capital receipts during 2005/06. The payments represent advances made to fund the capital programme and the work done by property services to assist with asset management. The balance is to support future capital expenditure.

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

Insurance Fund

The Council has created an Insurance Fund rather than externally insure the majority of its public liability and some school insurance risks. If claims total more than a pre-determined sum, external insurers will meet any additional costs. The Council (with its Insurers) annually reviews the provision needed to meet future liabilities and holds surplus funds in insurance reserves. At 31 March 2007 the reserves stood at £1.625m (£1.303m).

NOTES TO THE CORE STATEMENTS

37. Cash-Flow Revenue Activities

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

	£(000)	£(000)
(Surplus)/Deficit per the Income and Expenditure Account		3,014
Non-cash transactions		
Items in the Statement of Movement on the General Fund Balance		
Depreciation of fixed assets	(9,733)	
Amortisation of deferred grants relating to fixed assets	565	
Deferred Charges	(1,213)	
Profit/loss on sale of fixed assets	4	
Provisions set aside	618	
Contributions (to)/from reserves	<u>(6,001)</u>	<u>(15,760)</u>
		(12,746)
Items on an accruals basis		
Increase/(decrease) in stocks and works in progress	467	
Increase/(decrease) in debtors	6,985	
(Increase)/decrease in creditors	<u>(4,971)</u>	<u>2,481</u>
		(10,265)
Items included in another classification in the Cash Flow Statement		
Capital Activities	2,876	
Investment Income/Finance Leasing Payments	<u>(2,438)</u>	<u>438</u>
		<u>(9,827)</u>

38. Precepts Paid

The precepts paid are to the North Yorkshire Police Authority (£11,611k), the North Yorkshire Fire and Rescue Authority (£3,479k) and local parish councils (£540k).

39. Other Revenue Government Grants

The other revenue grants figure includes the following:

	£(000)
Housing Benefits Administration	822
Schools Standard Support Grant	3,660
Education Standards Fund	6,462
Sure Start (Early Years)	2,377
Preserved Rights	1,681
Supporting People	8,680
Access and Systems Capacity	1,625
Dedicated Schools Grant	79,798
Sixth Form Funding	5,261
Other Miscellaneous	<u>5,552</u>
Total	<u>115,918</u>

40. Purchase of Fixed Assets

This figure comes from Notes 18 and 19, excluding internal salaries of £2.860m (£2.929m).

41. Purchase of Long-Term Investments

This is the purchase of new long-term investments; see also Note 21.

NOTES TO THE CORE STATEMENTS

42. Other Capital Cash Payments

This figure comes from Note 12.

43. Sale of Fixed Assets

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

44. Capital Grants Received

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

	£(000)
DfES Devolved and Modernisation Capital Grants	(4,455)
Major Repairs Allowance	(4,391)
DfES Targeted Capital Grants	(548)
Miscellaneous Housing Grants	(1,592)
Other Miscellaneous	<u>(3,979)</u>
Total	<u>(14,965)</u>

45. Liquid Resources and Financing

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

	Balance 1.4.06 £(000)	Balance 31.3.07 £(000)	Movement in Year £(000)
<i>Management of Liquid Resources</i>			
Temporary Investments	18,100	37,050	18,950
Temporary Loans	<u>-</u>	<u>-</u>	<u>-</u>
	<u>18,100</u>	<u>37,050</u>	<u>18,950</u>
<i>Financing</i>			
Long-Term loans due within 12 months	-	4,000	(4,000)
Long-Term Loans	<u>93,365</u>	<u>99,365</u>	<u>(6,000)</u>
	<u>93,365</u>	<u>103,365</u>	<u>(10,000)</u>

46. Recognition of the Movement in Cash to the Movement in Net Debt

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

	Balance 1.4.06 £(000)	Balance 31.3.07 £(000)	Movement in Year £(000)
Cash-in-hand	61	57	(4)
Schools Cash at Bank	7,583	8,782	1,199
Cash Overdrawn	<u>(148)</u>	<u>(1,013)</u>	<u>(865)</u>
Total	<u>7,496</u>	<u>7,826</u>	<u>330</u>
Temporary Loans Investments	18,100	37,050	18,950
Long Term Borrowing	<u>(93,365)</u>	<u>(103,365)</u>	<u>(10,000)</u>
Total	<u>(75,265)</u>	<u>(66,315)</u>	<u>8,950</u>
Total Movement in Net Debt	<u>(67,769)</u>	<u>(58,489)</u>	<u>9,280</u>

NOTES TO THE CORE STATEMENTS

47. Landfill Allowance Trading Scheme

Under the legislative provisions of the Waste and Emissions Trading Act 2003 each waste disposal authority, of which City of York Council is one, is obliged to reduce the amount of biodegradable municipal waste disposed to landfill. The trading scheme allows waste disposal authorities with excess allowances, i.e. allowances higher than their need to use landfill sites, to either sell these allowances or carry them forward to meet future years landfill needs. It also allows authorities with a higher need to use landfill sites than their allowance would permit to purchase additional allowances from those with excesses, or suffer a financial penalty of £150 per tonne. In 2006/07 the Council received an allowance of 63,450 tonnes (67,290 tonnes) of biodegradable municipal waste to put into landfill. The usage was 51,265 tonnes (62,200 tonnes), which was 12,185 tonnes (5,090 tonnes - originally estimated to be 3,203 tonnes but adjusted on actual measurement in October 2006) below this target, and the excess will be carried forward against future landfill usage. The costs of landfill waste disposal and the allowance are included in the Cultural, Environmental and Planning Services line of the Income and Expenditure Account.

48. Private Finance Initiatives (PFI)

On 12 January 2005 the Council entered into a 30-year contract under PFI for the provision and maintenance of three primary schools and one special school. The first school became operational in November 2005 and all facilities are now fully operational. The contract will finish on 31 March 2036. 2006/07 is the first full year (2005/06 had only part year costs of £541k including consultancy and project management). The DfES have awarded the Council PFI credits based on a notional debt of £15.4m in respect of the new schools. This is worth £36.079m of which £1,186k (£543k) was received in the year.

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

5-Year Range	Estimated Receipt of PFI Credits £(000)	Estimated Payment £(000)
2007/08 to 2011/12	(5,931)	11,094
2012/13 to 2016/17	(5,931)	10,680
2017/18 to 2021/22	(5,931)	10,557
2022/23 to 2026/27	(5,931)	10,700
2027/28 to 2031/32	(5,931)	11,091
2032/33 to 2035/36	(4,695)	9,315
	(34,350)	63,437

49. Section 137 Expenditure

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

2005/06 £(000)	Voluntary Sector Grants	2006/07 £(000)
416		366
416		366

50. Long-Term Contracts

The Council is committed to making payments for the provision of care and support contracts estimated at £5.1m (£3.1m) per annum. The actual level of payments will depend on the service required. The contracts expire between August 2007 and March 2010.

Supporting People is the government's initiative to change the way support services were funded from April 2003. As the administering authority for Supporting People the Council is committed to payments to service providers estimated at £6.2m per annum.

In April 2007 the Council let a new waste processing contract to deal with landfill, recycle, green and bulky waste. The length of contract covers 15 years for landfill and composting, five years for recycle with an option to extend these. In 2007/08 the estimated contract value is £3.1m per annum, but the future value of the contract will be affected by the increasing amount of material recycled and composted, therefore reducing the amount of waste sent to landfill.

The Council entered into a contract with ABRO for fleet services in January 2007. The Council operates approximately 250 vehicles and the contract is for the provision, management and maintenance of fleet or maintenance only where the Council own the vehicles. The level of payments depends on the service provided but is estimated at £2.7m per annum. Contract prices carry an annual index and in addition are reviewed every 5 years on Best Value principles. The contract with ABRO is for 12 years with options to extend up to a further 3 years.

51. Local Authority (Goods and Services) Act 1970

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

During 2006/07 the Council had agreements principally with North Yorkshire County Council for the provision of building alterations, heating and electrical repairs and this raised £1.6m (£1.7m) income out of the total DLO turnover of £28.4m (£28.5m). The related expenditure was £1.5m (£1.6m).

Contracts have also been obtained to provide payroll services to two schools, one college, two district councils, a trust and various small organisations mostly in the voluntary and sports sectors. These contracts earned £52.8k (£46.4k) against expenditure of £36k (£28k).

From 1 April 2006 the maintenance of Critical Ordinary Watercourses was transferred from being the responsibility of the Council to the responsibility of the Environment Agency. The contract to do this work has been awarded to the Council and income of £38k was earned against expenditure of £38k.

52. Agency Services and Pooled Budgets

The Council has an agency agreement with Selby and York Primary Care Trust (PCT) and North Yorkshire County Council (NYCC), related to provision for people with learning disabilities. The Council administers the service on behalf of the PCT and NYCC and are fully reimbursed for the expenditure incurred. The income received in 2006/07 was £2.55m (£1.66m) and £835k (£852k) respectively. The NYCC agreement ended on 31 March 2007.

There were no further pooled budgets in 2006/07, but these will continue to be considered by the Council in future years.

NOTES TO THE CORE STATEMENTS

53. 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:

2005/06		2006/07
£(000)		£(000)
550	Staff Advertising	436
645	Advertising & Publicity Costs	493
<u>734</u>	Marketing and Communications Group	<u>725</u>
<u>1,929</u>		<u>1,654</u>

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

54. Building Control Trading Account

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

Total 2005/06 £(000)		Chargeable £(000)	Non- Chargeable £(000)	Total 2006/07 £(000)
	Expenditure			
325	Employee Expenses	261	87	348
9	Premises	8	2	10
20	Transport	10	1	11
25	Supplies and Services	21	2	23
	Central and Support services			
<u>139</u>	charges	<u>141</u>	<u>25</u>	<u>166</u>
<u>518</u>	Total Expenditure	<u>441</u>	<u>117</u>	<u>558</u>
	Income			
(715)	Building Regulation Charges	(642)	-	(642)
<u>(3)</u>	Miscellaneous Income	<u>-</u>	<u>(4)</u>	<u>(4)</u>
<u>(718)</u>	Total Income	<u>(642)</u>	<u>(4)</u>	<u>(646)</u>
<u>(200)</u>	(Surplus)/Deficit for the year	<u>(201)</u>	<u>113</u>	<u>(88)</u>

NOTES TO THE CORE STATEMENTS

55. 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 2006/07 will be released to the press during the summer and will identify that the Council spent £552k (£560k) on members' allowances. Members receive payments that reflect the special responsibilities of the individual Member, together with a basic allowance. The level of the basic and responsibility allowances are set by the Council after recommendations are received from the Executive, having regard to the review undertaken by the Council's independent remuneration panel. The following table shows the number of Members whose combined basic and responsibility allowances fell in different bands.

2005/06	Allowance Band	2006/07
Number of Members	£(000)	Number of Members
17	5 - 10	17
20	10 - 15	20
1	15 - 20	2
8	20 - 25	7
1	25 - 30	1
47		47

56. Employees' Emoluments

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

2005/06		Salary Range £(000)	2006/07	
Number of employees Teachers	Officers		Number of employees Teachers	Officers
30	14	50 - 60	33	11
11	14	60 - 70	8	12
3	-	70 - 80	5	2
-	1	80 - 90	-	1
-	2	90 - 100	-	3
-	1	100 - 110	-	1
44	32		46	30

57. Contributions to Joint Committees and Joint Bodies

From 1 April 2005 the Council is only responsible for the residual capital financing costs of the Magistrates Service that remain following the transfer of the responsibility of the service to central government. These costs total £13k (£15k). 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 £6k (£7k).

The Joint Equipment Service orders, stores and supplies equipment to customers in the Selby and York Primary Care Trust area. The gross cost of the service was £602k (£649k). Contributions from North Yorkshire County Council and Selby and York Primary Care Trust totalled £231k (£200k).

NOTES TO THE CORE STATEMENTS

Contributions to Joint Committees and Joint Bodies cont'd

The Council has been awarded Pathfinder Childrens Trust status, which will bring together services working with children within one organisational structure to include services provided by Education, Social Services and Health. The cost to the Council is £520k (£258k) which is matched by grant and partnership contributions.

An investment fund has been set up with Selby and York Primary Care Trust, York Hospitals Trust and the Council to manage delayed transfers of care by providing better quality care to older people and reducing the overall number of delayed transfers from hospital. The position at 31 March is expenditure of £300k (£280k), grant income of £300k (£298k), which with the surplus balance brought forward of £16k (deficit of £2k), leaves a surplus of £16k (surplus of £16k) to carry forward.

58. Partnership Arrangements

The Local Safeguarding Children Board Committee develops, monitors and reviews local child protection policies and had costs of £107k (£84k) and received contributions totalling £50k (£50k) from various bodies, including Selby and York Primary Care Trust, North Yorkshire Police and the Probation Services.

The Safer York Partnership is a statutory partnership launched in July 1998 following the enactment of the Crime and Disorder Act 1998. It brings together many organisations in the public, private and voluntary sectors to form a comprehensive partnership approach to fighting crime in York. The cost to the Council was £206k (£210k).

Under the same act the York Youth Offending Team was established to ensure that appropriate youth justice services are provided within the City of York. It comprises officers from the Council, the Police, the Probation Service and the Health Authority. The cost to the Council was £201k (£135k).

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 £372k (£408k), which is matched by an equivalent grant.

The Lifelong Learning Partnership is a high-level strategy body of organisations that deliver lifelong learning across the city. It is aimed at breaking down barriers to lifelong learning across the city. It is an independent body with representation from private, public and community sectors. The core funding of £66k (£68k) comes from the Learning and Skills Council plus £8k (£8k) contribution from City of York Council.

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

A York Central Steering Board has been set up to oversee the development of York Central at a strategic level - the partners are City of York Council, Yorkshire Forward, Network Rail and National Museum of Science and Industry (parent of National Railway Museum). The next phase of the partnership is to bring on board a developer to engage in the preparation of a masterplan before a planning application is submitted.

NOTES TO THE CORE STATEMENTS

Partnership Arrangements cont'd

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

Connexions is the name of the government support strategy for young people aged 13 - 19. Connexions York and North Yorkshire Ltd. was founded in 2001 (the founding members being CYC, NYCC and Guidance Enterprise Group). A Partnership Board was formed reflecting DfES guidance with 16 Directors and an independent Chair. The approach taken has been a sub-contracting model, whereby the partners deliver the services to young people on the basis of a funded contract. This is being reviewed prior to April 2008.

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

The Learning Disability Development Fund (LDDF) is a partnership between City of York Council, North Yorkshire County Council and the Selby and York Primary Care Trust. It is used for the Government's Valuing People priorities amongst which are modernising day services, taking a person centred approach, strengthening advocacy and increasing the number of people with Learning Disabilities in paid work. LDDF was 100% grant funded to the value of £201k in 2006/07.

59. Finance Leases

The Council holds a few capital assets acquired under finance leases which are all in extension periods and have been fully depreciated in the accounts. No new finance leases have been entered into, however the Prudential Code requires that some operating leases entered into by the Council should be shown in the accounts as if they were finance leases. These leases provide certain vehicles, plant and equipment used by the Council. The rentals payable under these arrangements were £496k (£910k) charged to the Income and Expenditure Account as £45k (£91k) finance costs (debited to interest payable) and £451k (£819k) relating to the write-down of the obligations to the lessor (debited as part of the appropriation to Capital Financing Account in the Statement of Movement on the General Fund Balance).

The Council entered into a vehicle maintenance and procurement contract with ABRO in January 2007. A number of vehicles purchased during 2006/07 were later financed by ABRO on terms that require them to be determined as finance lease transactions under SSAP21. The lease runs for five years after which the vehicles are returned to ABRO for disposal.

NOTES TO THE CORE STATEMENTS

Finance Leases cont'd

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

2005/06 £(000)		2006/07 £(000)
1,690	Value at 1 April	870
-	Additions	740
-	Revaluations	-
(820)	Depreciation	(451)
-	Disposals	-
870	Value at 31 March	1,159

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

Commitment at 1.4.06 £(000)	Year	Commitment at 31.3.07 £(000)
451	2006/07	-
278	2007/08	411
87	2008/09	227
32	2009/10	179
22	2010/11	178
-	2011/12	164
870		1,159

60. Operating Leases

The Council has granted a number of long-term property leases to organisations and private individuals. These arrangements are accounted for as operating leases. The rental income of £2,105 (£2,531k) is included in the revenue accounts of the appropriate services, namely central services and cultural, environmental and planning services. In addition the Council uses certain vehicles, plant and equipment financed through operating leases and the rentals payable under these arrangements were £1,182k (£940k).

The Council is committed to making lease payments totalling £3.680m (£2.579m) as shown below:

Commitment at 1.4.06 £(000)	Year	Commitment at 31.3.07 £(000)
969	2006/07	-
804	2007/08	1,807
439	2008/09	1,472
367	2009/10	384
-	2010/11	17
2,579		3,680

With regard to the Council's activity as lessor (landlord), the gross value of assets held for use under operating leases was £38.908 (£42.587m) at 31 March. There is no depreciation charges on these properties.

NOTES TO THE CORE STATEMENTS

61. Audit Costs

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

2005/06 £(000)		2006/07 £(000)
228	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	224
30	Fees payable to the Audit Commission in respect of statutory inspection	20
66	Fees payable to the Audit Commission for the certification of grant claims and returns	82
5	Fees payable in respect of other services provided by the appointed auditor	4
329		330

62. 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.

63. Business Improvement District Schemes (BIDS)

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

64. Contingent Liabilities and Gains

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

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

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

As part of the ongoing Derwenthorpe scheme the Council has agreed to indemnify costs incurred by a third party prior to the receipt of land purchase and planning permission for a joint project. The maximum liability to the Council is £1.25m, but a payment of this amount will only become due if the Council withdraws from the scheme. If the scheme is not deliverable then the Council's liability will reduce, and will not exist if the third party withdraws. The potential cost to the Council of the indemnity arrangement cannot therefore be determined, but it is the Council's intention that any costs of the indemnity that are incurred would be met from the eventual sale of the land. The proposal was subject to a Public Inquiry, and has now been approved by the Secretary of State. However there is still an outstanding issue regarding its potential status as a village green.

NOTES TO THE CORE STATEMENTS

Contingent Liabilities and Gains cont'd

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

There are no contingent gains in the Accounts.

65. Trust Funds

The Council administers various trust/third party funds. These funds do not represent assets of the Council and are therefore not included in the Council's Balance Sheet. The balances of these funds are invested with the Council. There are over 20 funds; the 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 in 1996 following the local government review. The section 52 agreement (dated 12 April 1990) provides for a sports hall/facilities, administered by Strensall and Towthorpe Parish Council.

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

Balance at 1.4.06 £(000)		Expenditure During Year £(000)	Income During Year £(000)	Balance at 31.3.07 £(000)
(20)	James Cox Automoton Clock	-	(1)	(21)
(20)	Edmund Wilson Trust	-	(1)	(21)
(53)	Ismay Trust	2	(3)	(54)
(42)	Haughton/Gardiner Trust Fund	3	(2)	(41)
(66)	Strensall & Towthorpe Village Trust	-	(3)	(69)
<u>(131)</u>	Other Funds	<u>11</u>	<u>(6)</u>	<u>(126)</u>
<u>(332)</u>		<u>16</u>	<u>(16)</u>	<u>(332)</u>

NOTES TO THE CORE STATEMENTS

66. Yorwaste Limited

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% share-holding in the above company. The only other shareholder is North Yorkshire County Council. The Company's profit and loss account is not included as part of the Income and Expenditure Account, however dividend income of £820k (£307k) is included in that Account. Similarly, the Company's assets and liabilities are not included in the Balance Sheet.

Brief details of the Company are as follows:

Name	Yorwaste Limited
Business	The principal activities of the Company are the management, transport and disposal of waste
Council's shareholding	22.27%
Net assets	£11.6m
Loans to/(from) CYC	None
Profit for period to 31.3.07	
(a) Before tax	£3.0m
(b) After tax	£2.2m
Copies of accounts held at	County Treasurer's Department County Hall Northallerton
Auditors Report	Unqualified

The Council has a contract with Yorwaste Limited for waste disposal services. Contract prices are negotiated on an arms length commercial basis. The total value of services received in the year was £4.399m (£4.400m) including Landfill Tax of £1.476m (£1.533m) (£2.923m (£2.867m) net of Landfill Tax), and at 31 March 2007 there was a creditor balance of £681k (£661k). In addition the Council provides services to Yorwaste Limited that totalled £1.534m (£1.506m) during the year. There was a debtor outstanding at 31 March 2007 of £nil (£51k).

67. Analysis of Net Assets Employed

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

Balance at		Balance at
1.4.06		31.3.07
£(000)		£(000)
297,646	General Fund	340,861
279,926	Housing Revenue Account	278,688
509	Trading Services	609
578,081		620,158

NOTES TO THE CORE STATEMENTS

68. Related Parties

The Accounting Code of Practice requires that material transactions with related parties should be disclosed. Related parties are organisations or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosures of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The Council has decided not to make disclosures with regard to family/household members, on the basis that there is no reasonable expectation of influence over the independent actions of Members. The payment of precepts might qualify as related party transactions, but these are disclosed in note 38.

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Government Departments are set out in notes 39 and 44.

Members of the Council have direct control over the Council's financial and operating policies. One Member is an equity partner in a firm of York solicitors. During 2006/07 services to the value of less than £7k were commissioned from this company.

Income was received for joint arrangements for people with learning difficulties. The arrangements were between Social Services and Selby and York PCT Services, £3,065k, and North Yorkshire County Council, £835k.

69. Post Balance Sheet Events

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

The Statement of Accounts is to be formally approved by the Urgency Committee on 28 September 2007. The Director of Resources will then authorise copies of the accounts to be printed for all relevant parties. These will also be published on the Council's web-site.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

2005/06 Restated £(000)		Note	2006/07 £(000)
	Income		
(21,818)	Gross Dwellings Rents	(3)	(22,889)
(497)	Other Rents from Land and Buildings		(513)
(798)	Charges for Services and Facilities		(797)
(1,062)	Contributions Towards Expenditure		(1,012)
(33)	Other Government Grants		(31)
(27)	Transfer from General Fund	(4)	(32)
(24,235)	Total Income		(25,274)
	Expenditure		
	Housing Repairs		
4,923	Responsive	(5)	4,716
828	Programmed		862
	Supervision and Management		
4,154	General		4,235
2,174	Special Services		2,445
147	Rents, Rates, Taxes and Other Charges		153
168	Subsidy Limitation Transfer to General Fund	(6)	-
148	Provision for Bad or Doubtful Debts	(7)	179
4,738	Sums Directed by the Secretary of State	(8)	4,854
7,979	Depreciation and Impairment	(9)	8,195
28	Debt Management Expenses		24
25,287	Total Expenditure		25,663
	Net Cost of Services included in the Council Income and Expenditure Account		
1,052			389
438	HRA share of Corporate and Democratic Core	(10)	341
	HRA share of other amounts included in the Council		
	Net Cost of Services but not allocated to specific		
(177)	services	(11)	51
1,313	Net Cost of HRA Services		781
	Other Operating Costs		
(58)	Gain or loss on sale of HRA Fixed Assets	(16)	-
403	Amortised premiums/discounts		370
-	Interest payable and similar charges		-
	Interest receivable		
(13)	Mortgage interest		(10)
(330)	Interest on notional cash balances		(366)
124	Net Pensions cost	(11)	97
1,439	(Surplus)/Deficit for the year transferred to the Statutory HRA		872

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2005/06 Restated £(000)	Note	2006/07 £(000)
Amounts included in the HRA Income and Expenditure Account but required to be excluded when determining the Statutory HRA (surplus)/deficit for the year		
(438)		(341)
-	(10)	-
58		-
<u>(380)</u>	(16)	<u>-</u>
	Total	<u>(341)</u>
Amounts not included in the HRA Income and Expenditure Account but required to be included when determining the Statutory HRA (surplus)/deficit for the year		
677		708
53		(148)
-	(11)	-
286		315
1,291		1,453
(93)		(97)
(3,557)		(3,613)
-	(12)	-
<u>(1,343)</u>		<u>-</u>
	Total	<u>(1,382)</u>
<u>(1,723)</u>		<u>(1,723)</u>
	(Surplus)/Deficit for the year	<u>(1,723)</u>
STATUTORY HOUSING REVENUE ACCOUNT		
(4,855)		(5,139)
1,439		872
<u>(1,723)</u>		<u>(1,723)</u>
<u>(5,139)</u>		<u>(5,990)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Significance of the Statutory Housing Revenue Account

The surplus for the year on the Statutory Housing Revenue Account was £1.503m greater than the Housing Revenue Account Income and Expenditure Account. This is explained as follows.

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

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

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

2. Legislative Background

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

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

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

3. Gross Rents

Gross rent income is the total amount due for the year after allowance for voids of £287k (£301k) which represents 1.21% (1.32%) of the gross rent income including charges for services. Average rents in March 2006 were £51.81 (£49.88) a week. In April an increase of 4.94% (3.88%) was applied increasing the average rent at that time by £2.56 (£1.94).

NOTES TO THE HOUSING REVENUE ACCOUNT

Gross Rents cont'd

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

2005/06		2006/07
£(000)		£(000)
(9,094)	Rents due from Tenants	(9,800)
<u>(12,724)</u>	Rents remitted by Rent Rebates through the Housing Benefit System	<u>(13,089)</u>
<u>(21,818)</u>	Total Rent Income	<u>(22,889)</u>

The Council was responsible for managing 8,053 (8,090) dwellings at 31 March. In addition to this total are 175 (164) properties that the Council manages on behalf of two Housing Associations, although these properties are not part of the HRA stock. The HRA stock was made up as follows:

	Pre 1919	1919/ 1944	1945/ 1964	After 1964	Total
Low Rise Flats	-	549	659	746	1,954
Medium Rise Flats	4	3	842	767	1,616
Houses and Bungalows	<u>16</u>	<u>2,145</u>	<u>1,545</u>	<u>777</u>	<u>4,483</u>
	<u>20</u>	<u>2,697</u>	<u>3,046</u>	<u>2,290</u>	<u>8,053</u>

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

2005/06		Houses/ Bungalows	2006/07 Flats	Total
Total				
	Operational Stock			
8,125	Balance at 1 April	4,511	3,579	8,090
(35)	Sales	(27)	(9)	(36)
-	Demolitions	(2)	-	(2)
-	Dwellings declared surplus	-	-	-
-	Dwellings reprovided with Housing Association	-	-	-
-	Re-categorisation	-	-	-
-	To General Fund	-	-	-
-	To HRA non-housing stock	<u>1</u>	<u>-</u>	<u>1</u>
<u>8,090</u>	Balance at 31 March	<u>4,483</u>	<u>3,570</u>	<u>8,053</u>

4. Transfer from General Fund

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

5. Responsive Repairs

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

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Subsidy Limitation Transfer to General Fund

Under the Rent Rebate Subsidy Limitation York no longer loses subsidy because our actual rent levels are higher within the guideline rent. The Council has to fund the cost of benefit overpayments. The legislation allowed the HRA to contribute the equivalent of the cost to the General Fund in 2004/05, which reduced to 50% funding in 2005/06. The general fund has to bear the full cost from 2006/07 onwards.

7. Provision for Bad/Doubtful Debts

A provision was made in 2006/07 for bad and doubtful debts in accordance with the HRA (Arrears of Rent and Charges) Directions 1990. During 2006/07 rent arrears as a proportion of gross rent income have decreased from 6.95% of the amount due to 6.24%. The rent arrears figures are as follows:

2005/06		2006/07
£(000)		£(000)
791	Arrears at 31 March - Current tenants	712
786	- Former tenants	811
412	Amounts Written Off during the Year	188
124	Increased/(Reduced) Provision during the Year	156
<u>1,245</u>	Provision for Bad and Doubtful Debts	<u>1,213</u>

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

2005/06		2006/07
%		%
	Dwelling rent arrears as a % of gross rent debit	
3.49	- Current tenants	2.92
<u>3.46</u>	- Former tenants	<u>3.32</u>
<u>6.95</u>		<u>6.24</u>

A bad/doubtful debt provision was made in 2006/07 for debts outstanding on rechargeable repairs. The arrears figures are as follows:

2005/06		2006/07
£(000)		£(000)
93	Arrears at 31 March	93
18	Amounts Written Off during the Year	17
24	Increased/(Reduced) Provision during the Year	23
<u>56</u>	Provision for Bad and Doubtful Debts	<u>62</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

8. Sums Directed by the Secretary of State/Housing Revenue Account Subsidy

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

2005/06 £(000)		2006/07 £(000)
	<u>Expenditure</u>	
9,816	Management and Maintenance	10,995
1,311	Capital Financing Charges	1,358
-	Other Items	-
<u>4,422</u>	MRA	<u>4,582</u>
<u>15,549</u>		<u>16,935</u>
	<u>Income</u>	
(20,274)	Rent Income	(21,777)
<u>(13)</u>	Interest	<u>(12)</u>
<u>(20,287)</u>		<u>(21,789)</u>
<u>(4,738)</u>	Total HRA subsidy payable	<u>(4,854)</u>

9. Depreciation

Depreciation is calculated by writing off the cost or revalued amount, less estimated residual value, over the useful life of the asset. The charge has been calculated using the straight-line basis with no residual value. The incidence of depreciation between the difference types of asset held by the HRA is:

2005/06 £(000)		2006/07 £(000)
7,851	Dwellings	7,935
-	Other Land and Buildings	-
<u>128</u>	Non-operational property	<u>260</u>
<u>7,979</u>		<u>8,195</u>

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT

11. FRS17 Transactions for the HRA

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

2005/06 £(000)		2006/07 £(000)	2006/07 £(000)
	Net Cost of HRA Services		
-	Variation in current service cost from that charged in Net Cost of Services included in Inc and Exp Account	37	
-	Past service cost	6	
(186)	Past service adjustment for assumed take-up level of new commutation option	-	
<u>9</u>	Curtailment Cost	<u>8</u>	
<u>(177)</u>			51
	Net Operating Expenditure		
462	Interest cost	507	
<u>(338)</u>	Expected return on assets in the scheme	<u>(410)</u>	
<u>124</u>			97
	Appropriations		
<u>53</u>	Contribution to/(from) Pensions Reserve	<u>(148)</u>	
<u>53</u>			<u>(148)</u>
<u>-</u>			<u>-</u>

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

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

2005/06 £(000)		2006/07 £(000)
(128)	Depreciation on other HRA assets	(260)
<u>(3,429)</u>	Depreciation on dwellings higher than MRA	<u>(3,353)</u>
<u>(3,557)</u>	Total Transfer from MRR	<u>(3,613)</u>

The main credit to the MRR is an amount equivalent to the total depreciation charged for all HRA assets. As well as the depreciation credit which must be transferred back to the HRA Councils can also charge capital expenditure directly to the MRR. The following table shows the movement in the year:

2005/06 £(000)		2006/07 £(000)
(1,307)	Balance at 1 April	(572)
(7,851)	Depreciation on HRA dwellings	(7,935)
(128)	Depreciation on other HRA assets	(260)
3,557	Transfer to HRA during the financial year	3,613
<u>5,157</u>	Capital expenditure on houses within the HRA charged to the reserve	<u>4,391</u>
<u>(572)</u>	Balance at 31 March	<u>(763)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

13. Movement of Fixed Assets

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

	Council dwellings £(000)	Other land and buildings £(000)	Vehicles, plant etc. £(000)	Infra-structure £(000)	Comm-unity Assets £(000)	TOTAL Operational Assets £(000)
Value at 31.3.06	389,841	12,910	-	21	-	402,772
Less: accumulated depreciation/ impairment	<u>(7,851)</u>	<u>(633)</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(8,486)</u>
Net Book Value of Assets at 31.3.06	381,990	12,277	-	19	-	394,286
<u>Movement in 2006/07</u>						
Category Adjustment	-	-	-	-	-	-
Additions/Enhancements	8,039	-	-	-	-	8,039
Disposals - Gross book value	(3,135)	(1,050)	-	-	-	(4,185)
Accum. Deprecn	-	-	-	-	-	-
Revaluations	(1,375)	363	-	-	-	(1,012)
Accum. Deprecn	7,851	-	-	-	-	7,851
Depreciation	(7,934)	(260)	-	(2)	-	(8,196)
Impairment	-	-	-	-	-	-
Net Book Value of Assets at 31.3.07	<u>385,436</u>	<u>11,330</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>396,783</u>
Value at 31.3.07	393,370	12,223	-	21	-	405,614
Less: accumulated depreciation/ impairment	<u>(7,934)</u>	<u>(893)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(8,831)</u>
Net Book Value of Assets at 31.3.07	<u>385,436</u>	<u>11,330</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>396,783</u>
	Investment Properties £(000)	Assets under Construct'n £(000)	Surplus Assets £(000)	TOTAL Non-Oper Assets £(000)		TOTAL All Assets £(000)
Value at 31.3.06	2	-	-	2		402,774
Less: accumulated depreciation/ impairment	-	-	-	-		<u>(8,486)</u>
Net Book Value of Assets at 31.3.06	2	-	-	2		394,288
<u>Movement in 2006/07</u>						
Category Adjustment	-	-	-	-		-
Additions/Enhancements	-	-	-	-		8,039
Disposals - Gross book value	-	-	-	-		(4,185)
Accum. Deprecn	-	-	-	-		-
Revaluations	24	-	-	24		(988)
Accum. Deprecn	-	-	-	-		7,851
Depreciation	-	-	-	-		(8,196)
Impairment	-	-	-	-		-
Net Book Value of Assets at 31.3.07	<u>26</u>	<u>-</u>	<u>-</u>	<u>26</u>		<u>396,809</u>
Value at 31.3.07	26	-	-	26		405,640
Less: accumulated depreciation/ impairment	-	-	-	-		<u>(8,831)</u>
Net Book Value of Assets at 31.3.07	<u>26</u>	<u>-</u>	<u>-</u>	<u>26</u>		<u>396,809</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

14. Vacant Possession Value of Council Dwellings

In accordance with the Department for Communities and Local Government guidance, council house valuations are reduced from an open market value by a regional adjustment factor in recognition of their status as social housing. From 1 April 2005 the adjustment factor was increased from 45% to 53%, meaning that council houses are now included at 47% of the open market valuation. As a consequence the Council recognises council dwellings at a value of £385.436m (£381.990m) on the balance sheet. At vacant possession the same dwellings would have a value of £817.549m (£807.828m), therefore recognising an economic cost to the government of providing council housing at less than open market rents of £432.113m (£425.838m).

15. Summary of Capital Expenditure and Financing

The capital expenditure to be financed in 2006/07 is £8.041m (£7.631m). The analysis of the expenditure and the sources of financing used are set out in the following table:

2005/06		2006/07			
Total £(000)		Dwellings £(000)	Infra- structure £(000)	Equipment £(000)	Total £(000)
<u>7,631</u>	Total capital expenditure	<u>8,041</u>	<u>-</u>	<u>-</u>	<u>8,041</u>
	Financing				
(1,023)	Borrowing	(1,000)	-	-	(1,000)
(160)	Capital Receipts	(1,197)	-	-	(1,197)
(5,157)	Grants	(4,391)	-	-	(4,391)
<u>(1,291)</u>	Revenue Contributions	<u>(1,453)</u>	<u>-</u>	<u>-</u>	<u>(1,453)</u>
<u>(7,631)</u>		<u>(8,041)</u>	<u>-</u>	<u>-</u>	<u>(8,041)</u>

16. Capital Receipts

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

2005/06		2006/07		
Total £(000)		Council Dwellings £(000)	Land £(000)	Total £(000)
(2,870)	Sales proceeds	(3,087)	(1,241)	(4,328)
<u>38</u>	less: administrative costs	<u>60</u>	<u>44</u>	<u>104</u>
(2,832)	Net proceeds	(3,027)	(1,197)	(4,224)
(36)	Right to buy discount repaid	(48)	-	(48)
<u>(60)</u>	Mortgage principal repaid	<u>(56)</u>	<u>-</u>	<u>(56)</u>
<u>(2,928)</u>		<u>(3,131)</u>	<u>(1,197)</u>	<u>(4,328)</u>
	of which:			
(902)	Usable			(2,030)
<u>(2,026)</u>	Payable to Housing Pooled Capital Receipts			<u>(2,298)</u>
<u>(2,928)</u>				<u>(4,328)</u>

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

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT			
2005/06		Note	2006/07
£(000)			£(000) £(000)
	Income		
(65,326)	Council Tax Income	(2)	(69,639)
	Transfer from General Fund:		
(7,320)	Council Tax Benefit		(7,720)
<u>(64,075)</u>	Income from business ratepayers	(3)	<u>(70,439)</u>
<u>(136,721)</u>	Total Income		<u>(147,798)</u>
	Expenditure		
	Precepts and Demands		
11,304	North Yorkshire Police Authority		11,611
3,377	North Yorkshire Fire and Rescue Authority		3,479
<u>57,712</u>	City of York Council		<u>61,158</u>
<u>72,393</u>			<u>76,248</u>
	Business Rates		
63,794	Payment to National Pool		70,158
<u>281</u>	Costs of Collection		<u>281</u>
<u>64,075</u>			<u>70,439</u>
	Council Tax Provision for uncollectable accounts and outstanding appeals		177
117	Contribution from previous years'		
	Collection Fund surpluses		
60	North Yorkshire Police Authority		-
18	North Yorkshire Fire and Rescue Authority		-
<u>300</u>	City of York Council		<u>-</u>
<u>136,963</u>	Total Expenditure		<u>146,864</u>
<u>242</u>	(Surplus)/Deficit for the year		<u>(934)</u>
	COLLECTION FUND BALANCE		
(408)	Balance at beginning of year		(166)
<u>242</u>	(Surplus)/Deficit for the year		<u>(934)</u>
<u>(166)</u>	Balance at end of year	(4)	<u>(1,100)</u>

NOTES TO THE COLLECTION FUND

1. Legislative Background

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

The year-end (surplus)/deficit on the Collection Fund, in so far as it relates to Council Tax transactions, has to be distributed between billing (City of York Council) and major precepting authorities (North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority). In addition to Council Tax the Collection Fund also has small residual transactions relating to the Community Charge (see also note 5).

2. Council Tax

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

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

This gives the tax base for the Council. The valuation bands, the Band D equivalent figures originally estimated for the year, the year-end Band D equivalent figures and the 2006/07 charges are as follows:

Property Band	Property Value		Proportion of Band D	Estimated Tax Base for Year	Year-End Tax Base	Average Charge In Year
A reduced	up to	£40,000	5/9	3.94	5.91	£656.71
A	up to	£40,000	6/9	5,642.95	5,638.72	£788.05
B	£40,000 to	£52,000	7/9	15,480.37	15,491.09	£919.40
C	£52,000 to	£68,000	8/9	18,825.54	19,165.87	£1,050.74
D	£68,000 to	£88,000	9/9	10,525.26	10,805.23	£1,182.08
E	£88,000 to	£120,000	11/9	7,493.01	7,651.99	£1,444.76
F	£120,000 to	£160,000	13/9	3,977.20	4,072.60	£1,707.45
G	£160,000 to	£320,000	15/9	2,140.44	2,199.81	£1,970.13
H	over	£320,000	18/9	107.39	106.91	£2,364.16
TOTAL				64,196.10	65,138.13	

In addition, the government makes a contribution for properties classed as "Crown" properties in lieu of paying Council Tax. These contributed £360k (£352k) to the Council Tax income.

Outstanding arrears that are irrecoverable are written off against the provision for bad and doubtful debts made in prior years, although wherever possible action continues to be taken to recover as much of these sums as possible. During the year arrears of £323k (£695k) were written off against the provision for bad/doubtful debts. An annual assessment of the level of arrears and their age and recoverability, the amount to be provided as provision for future write-offs and the value of outstanding appeals against the council tax band that has been awarded for new properties is undertaken. Following this exercise the level of provision set-aside against bad debts on the current level of arrears was increased by £492k (£810k) and the level of the provision for banding appeals was increased by £8k (£3k). The net effect of these is an increase in the value of provisions of £177k (£117k).

NOTES TO THE COLLECTION FUND

Council Tax cont'd

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

2005/06 £(000)		2006/07 £(000)
(352)	Crown Contribution	(360)
<u>(72,294)</u>	Charge (65,138.13 x £1,182.08)	<u>(76,999)</u>
<u>(72,646)</u>		<u>(77,359)</u>

where the charge total comprises:

(65,326)	Income due from Chargepayers, including Crown properties	(69,639)
(7,320)	Council Tax Benefit	(7,720)

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 2007 was 204,900,941 (205,806,437) and the rate for 2006/07 was 43.3p (42.2p), with a reduction to 42.6p (41.5p) for small businesses. The Council has no control over these values.

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

2005/06 £(000)		2006/07	
		£(000)	£(000)
<u>(86,850)</u>	Rates payable for year (204,900,941 x 43.3 p)		(88,722)
10,954	Less: Transitional Relief and part occupancy	5,741	
4,569	Charitable Relief	5,187	
4,969	Adjustments re previous years rates	3,158	
2,283	Other adjustments including making provision for bad debts, interest payments made and small business relief	<u>4,197</u>	
<u>22,775</u>			18,283
<u>(64,075)</u>			<u>(70,439)</u>

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

As was set out in note 1 the year-end (surplus)/deficit is distributed to City of York Council, the North Yorkshire Police Authority (NYPA) and the North Yorkshire Fire and Rescue Authority (NYFRA). The Council's share, £882k (£133k), is included in the Balance Sheet as a fund balance. The sums due to the NYPA and the NYFRA (£167k (£25k) and £50k (£8k) respectively) are included within creditors.

5. Community Charge

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

GLOSSARY

Accounting Concepts

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

Accounting Period

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

Accounting Policies

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

Accruals

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

Actuarial Gains and Losses

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

Agency

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

Amortisation

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

Appropriation of Land or Buildings

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

Asset

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

Asset Management Revenue Account (AMRA)

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

Assets Under Construction

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

GLOSSARY

Authorised Limit

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

Balance Sheet

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

Capital Charge

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

Capital Expenditure

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

Capital Expenditure charged to Revenue Account (CERA)

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

Capital Financing

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

Capital Financing Account

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

Capital Programme

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

Capital Receipts

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

Cash Flow Statement

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

Charging Authority

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

GLOSSARY

Collection Fund

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

Commutation Option

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

Community Assets

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

Community Charge

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

Consistency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Council Tax

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

Creditors

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

GLOSSARY

Current Assets

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

Current Liabilities

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

Current Service Cost

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

Curtailment

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

Debtors

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

Deferred Charges

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

Deferred Consideration

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

Deferred Credits

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

Deferred Debtors

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

Deferred Liabilities

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

GLOSSARY

Defined Benefit Pension Scheme

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

Defined Contribution Pension Scheme

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

Depreciation

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

Emoluments

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

Exceptional Items

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

Expected Rate of Return on Pension Assets

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

Extraordinary Items

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

Fees and Charges

Income arising from the provision of services.

Financial Reporting Standards (FRSs)

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

GLOSSARY

Financial Year

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

Fixed Asset Restatement Account

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

Fixed Assets

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

General Fund

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

Going Concern

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

Government Grants

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

Housing Revenue Account (HRA)

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

Impairment

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

Income and Expenditure Account

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

Infrastructure Assets

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

Intangible Fixed Asset

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

GLOSSARY

Interest Cost

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

Investment

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

Investment Properties

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

Landfill Allowance Trading Scheme

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

Leasing

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

Liability

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

Liquid Resources

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

Long-Term Contracts

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

Minimum Revenue Provision (MRP)

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

GLOSSARY

Monitoring Officer

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Non-Operational Assets

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

Operational Assets

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

Operational Boundary

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

Past Service Cost

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

Post Balance Sheet Events

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

Precept

The amount that a Precepting Authority requires from a Charging Authority to meet its expenditure requirements.

Precepting Authority

Local Authorities, including parish councils and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Authorities (District Councils).

GLOSSARY

Prior Year Adjustments (or Prior Period Adjustments)

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

Provisions

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

Prudence

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

Prudential Indicators

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

Public Works Loan Board (PWLB)

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

Realisable Value

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

Related Party

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

Reserves

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

Residual Value

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

Retirement Benefits

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

GLOSSARY

Revenue Account

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

Revenue Support Grant (RSG)

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

Scheme Liabilities

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

Section 151 Officer (S151)

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves. In York the Section 151 Officer is Simon Wiles, Director of Resources.

Settlement

An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements can include: a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Statement of Recognised Practice (SORP)

This is the guidance issued by CIPFA to enable Council's to ensure that the Accounts published comply with UK GAAP as it applies to local authority financial matters.

Statement of Standard Accounting Practice (SSAPs)

Statements prepared by the Accounting Standards Committee. Many of these have been replaced by Financial Reporting Standards (FRSs), but any departure from them must be disclosed in the published accounts.

Stocks

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

Support Services

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

GLOSSARY

Tangible Fixed Assets

These are assets with a physical substance that yield benefits to the Council and the services it provides for a period of more than one year.

Temporary Borrowing/Investment

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

Trading Services

These are activities of the Council where the workers are directly employed to carry out specified tasks. Such organisations were formerly known as Direct Service Organisations (DSO). In York the work is undertaken under the name of Neighbourhood Services.

Trust Funds

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

UK GAAP

This is the "generally accepted accounting practice with respect to accounts of UK companies that are intended to give a true and fair view for the purposes of the relevant provisions of the Companies Acts". It includes, but is not limited to, Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs) issued by the Accounting Standards Board and its predecessors.

Unapportionable Central Overheads

These are overheads from which no user benefits, and therefore they cannot be allocated to a service area.

Useful Life

The period over which the Council will derive benefits from the use of an asset.

Vested Rights

In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

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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