

THE CORPORATION OF LONDON
STATEMENT OF ACCOUNTS FOR THE CITY FUND
YEAR ENDED 31ST MARCH 2000

CORPORATION OF LONDON

Statement of Accounts for the City Fund

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EXPLANATORY FOREWORD

INTRODUCTION

1. The Corporation's City Fund accounts for the year 1999/2000 are set out on pages 4 to 46. Excluded are the accounts of the Corporation relating to City's Cash and Bridge House Estates. The Corporation's City Fund Accounts consist of the:-

- Consolidated Revenue Account - which covers income and expenditure on City Fund services - page 8.
- Housing Revenue Account - which shows its ring-fenced income and expenditure - page 16.
- Summary DSO Revenue Account showing its trading for defined activities - page 19.
- Collection Fund Revenue Account which shows its Non-Domestic Rates, Council Tax and its distribution to the City Fund, precepting authorities and the National Non-Domestic Rates Pool - page 20.
- Consolidated City Fund Balance Sheet which sets out its financial position - page 24.
- The Total Movement in Reserves Statement which shows all gains and losses for the year both revenue and capital - page 32.
- The Cash Flow Statement which summarises the City Fund capital and revenue inflows and outflows of cash - page 40.
- The Statement of Responsibilities for the Statement of Accounts - page 42.
- Glossary of Terms - page 45.

These accounts are supported by the Statement of Main Accounting Policies on pages 4 to 7 and various notes.

REVENUE EXPENDITURE

2. Set out below is a comparison between the actual and revised estimates for the year:-

	Revised Estimate £M	Actual £M	Variation £M
Net cost of services	156	153	(3)
Exceptional item - impairment*	-	65	65
Interest Income	(20)	(21)	(1)
Asset Management Revenue A/C	(35)	(36)	(1)
Net Operating Expenditure	101	161	60
Net Contribution to (from) Reserves:			
Impairment*	-	(65)	(65)
Other	6	8	2
Deferred Charges Contra	(7)	(8)	(1)
Net Expenditure	100	96	(4)
Income from Government Grants and Local Taxpayers	(93)	(93)	-
Deficit to be met from Reserves	7	3	(4)

* Accounting treatment requires the cost of impairment and its financing to be shown separately. However, the overall impact on the revenue account is nil. Note 2 to the Consolidated Revenue Account explains the impairment.

3. Net expenditure was £96M compared with the revised estimate of £100M, a reduction of £4M. The major changes were as follows:-

Financing of Capital Expenditure	£M 2.6	Revenue contributions to capital expenditure were higher than anticipated due mainly to an adjustment to the apportionment of costs for the Guildhall Yard East Development between the City Fund and City's Cash.
Highways and Transportation	(2.2)	Primarily increased net income from off street parking, reduced expenditure on maintenance of roads and walkways, and reduced net expenditure on refuse collection.
Planning and Development	(1.0)	An increase in net income from Building Control services together with a number of small

		expenditure reductions on other services.
Interest Income	(1.0)	Higher interest rates and improved cash flow.
Central Contingency	(0.7)	The full contingency was not required.
General Reduced Requirement	(1.6)	There were reduced requirements for a number of Corporation Services.

CAPITAL EXPENDITURE

4. The approved capital budget for 1999/2000 totalled £118.6m. Actual capital expenditure during the year was £119.5m an overspend of £0.9m compared with the revised programme. This overspend was a net figure across services. The most significant individual variation was an increase of some £2m between projected and actual expenditure for the Guildhall Yard East project. This resulted from an adjustment following a reassessment of the proportion of the costs of all Guildhall Yard East related schemes which should be charged to each Corporation fund. The other most significant variation was an underspend of £0.8m on the repurchase of the underlease of 1 Bishop's Square from LIFFE.

OVERALL FINANCIAL POSITION

5. As at 31st March 2000, the Consolidated Balance Sheet indicates that total assets exceed total liabilities by £1,037M. This is represented by capital and revenue reserves of £841M and £196M respectively. However, part of the reserves relate to the method of capital accounting by local authorities and are not 'cash backed'. Consequently, not all of the reserves are available to finance future expenditure.

STATEMENT OF THE RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

6. Local Authorities are required to include in their statement of accounts a Statement of Responsibilities which sets out the respective responsibilities of the authority and relevant financial officer for the accounts. These respective responsibilities are set out on page 42.

Statement of Main Accounting Policies

1. General

The Accounts have been prepared in accordance with the Accounts and Audit Regulations 1996, Section 66(4) of the Local Government and Housing Act 1989, and the Code of Practice on Local Authority Accounting 1999, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Fixed Assets

Expenditure on fixed assets is capitalised provided that the asset yields benefits to the Corporation and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service accounts. All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

Operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties this is usually open market value. Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate. The current asset values used in the accounts (other than for Woodredon and Warlies Park and most of the investment properties which were valued by external valuers) are based upon valuations prepared by the City Surveyor. Since 1st April 1994, when all properties were originally valued, a rolling programme of revaluation has operated. All properties are revalued within a 5 year period with subsequent additions being included in the accounts at their cost of acquisition.

Revaluations and Impairment

Where a fixed asset is included in the balance sheet at current value, the difference between that value and the amount at which the asset was included in the balance sheet immediately prior to the latest (re) valuation is debited or credited to the fixed asset restatement reserve.

Where an impairment loss on a fixed asset is caused by a general fall in prices, the loss is recognised in the fixed asset restatement reserve. If an impairment loss is caused by a clear consumption of economic benefits (i.e. if the loss is similar in nature to depreciation), the loss is recognised in the asset management revenue account and the service revenue account. Should a reversal of an impairment loss be required, the accounting follows the original treatment applied.

Disposals

Income from the disposal of fixed assets is generally credited to the usable capital receipts reserve, and accounted for on an accruals basis. The reserved part of capital receipts relating to the disposal of Barbican flats on the open market is credited to a capital financing reserve.

Where a fixed asset is disposed of for other than a cash consideration, or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value. Upon disposal the net book value of the asset is written off against the fixed asset restatement reserve.

3. Depreciation

Conventionally, assets, other than land, are depreciated over their useful economic lives, except where the authority makes regular repairs and maintenance to extend the asset's useful life, so that any provision for

depreciation is not necessary. All City Fund buildings are maintained in a good state of repair and, consequently, depreciation is not normally required. However, where depreciation is provided for, assets are being depreciated using the straight line method over the following periods:

Infrastructure	10 years
Cars and light vans	5 years
Heavy vehicles and plant	7 years
Equipment	5 - 12 years

4. Deferred Charges

These represent expenditure which has been properly capitalised, but does not result in tangible fixed assets in the City Fund's ownership. This expenditure is written out in the year in which it is incurred.

5. Basis of Revenue Charges for Capital

Service revenue accounts are charged with capital charges for all fixed assets used in the delivery of services, comprising a provision for depreciation (where appropriate) and a notional interest charge based on the amount at which the fixed assets are included in the balance sheet at 1st April 1999. However, where the effect of major additions or disposals occurring during the year are material, these are also reflected in capital charges to service revenue accounts.

The notional rates of interest used are set by the Chartered Institute of Public Finance and Accountancy (CIPFA) and are 6% for both those fixed assets included in the balance sheet at current value and for infrastructure assets and community assets which are included in the balance sheet at historical cost.

6. Government grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account. Capital grants relating to fixed assets are credited to a government grants-deferred account. Amounts are released from the government grants-deferred account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

7. Capital Receipts

Capital receipts arise from the sale of assets such as land and council houses. They are held in a reserve until applied to finance capital expenditure. Proportions of capital receipts are set aside in the capital financing reserve where such a reserve is required by legislation. Otherwise capital receipts are shown on the Balance sheet as either 'Deferred Capital Receipts' or 'Usable Capital Receipts'.

8. Stocks

Stocks are valued at the lower of average cost and net realisable value.

9. Overheads

The cost of support service overheads with the exception of corporate and democratic core costs, is apportioned between all Committee revenue accounts on the basis of employee time spent on behalf of user services. Similarly, with the exception of vacant properties, the cost of support service buildings (including capital financing charges) are apportioned on the basis of the office area utilised by each service.

10. Debtors and Creditors

The accounts of the Corporation are maintained on an accruals basis. That is, sums due to or from the Corporation during the year are included whether or not the cash was actually received or paid in the year.

11. Provisions

The Corporation sets aside provisions for any liabilities of uncertain timing or amount that have been incurred. Provisions are made when :

- (a) the Corporation has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation

Details of the operation of the provisions are set out in note 8 to the City Fund Balance Sheet.

12. Reserves

A number of specific reserves have been established for purposes falling outside the definition of provisions. Details of the Corporation's reserves are set out in the statement of total movement in reserves in note 10 to the City Fund Balance Sheet.

13. Interest Income

Interest is credited to the City Fund and Housing Revenue Account based upon average cash balances held by the Chamberlain of London, and invested by him in the London Money Markets.

14. Investments

Current asset investments are shown in the City Fund balance sheet at the lower of historic cost and net realisable value.

15. Leases

Rental payments under finance leases are charged to the asset management revenue account. Rentals payable under operating leases are charged to the appropriate service revenue account.

16. Pension Costs

With the exception of serving police officers and teachers, Corporation staff are eligible to contribute to the Corporation's Pension Fund, which is a fully funded defined benefits scheme.

Charges are made to revenue for pensions costs based on the recommendations of the Fund's Actuary so as to spread the full cost of retirement benefits to be met by the fund over the estimated average service lives of the Corporation's staff.

Since 1st April 1998 the capital costs of added years and gratuity benefits have been charged to the pension fund, to be recovered over a 5 year period on a corporate wide basis through the employer's pension fund contribution. Prior to 1st April 1998, payments relating to added years and gratuity benefits were charged direct to services.

As a result, the Corporation in common with other local authorities, does not fully comply with the requirement of SSAP24, "Accounting for Pension Costs", to recognise the full expected cost of providing for all pensions and related benefits on a systematic and rational basis over the period the Corporation derives benefit from its employees' services.

Charges to revenue and liabilities included in the balance sheet are accordingly understated in relation to these unfunded pension costs.

17. Other Pension Costs

The payment of pensions to former police officers is met on a "pay as you go" basis by means of a direct charge to revenue in accordance with Home Office regulations.

The payment of pensions to former teachers is the responsibility of the Teachers Pensions Agency. Consequently the teachers' pension fund contribution together with the employer's contribution rate of 7.2% is paid by the Corporation to the Teachers Pension Agency.

18. VAT and Social Security.

The Corporation accounts centrally for Value Added Tax and salary and wage deductions, as its registration as a Local Authority also includes other activities which do not form part of the City Fund. Consequently, VAT and social security deductions are not recognised in the City Fund accounts.

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2000

	NOTES	1999/2000			1998/99 RECLASSIFIED
		GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000	NET EXPENDITURE £000
EXPENDITURE ON SERVICES					
HIGHWAYS AND TRANSPORTATION		29,793	18,151	11,642	12,854
EDUCATION		5,590	2,063	3,527	3,085
SOCIAL SERVICES		7,464	1,876	5,588	5,405
HOUSING - H.R.A.		11,766	13,330	(1,564)	(1,506)
- NON H.R.A.		16,542	9,282	7,260	8,309
OTHER SERVICES					
- Cemetery and Crematorium		2,557	2,845	(288)	(154)
- Environmental Health		4,401	353	4,048	4,002
- Leisure		57,387	15,098	42,289	39,135
- Planning and Development		38,787	32,824	5,963	7,891
- Rate and Council Tax Collection		4,488	3,126	1,362	889
- Register of Electors		131	1	130	128
- Port Health Services		3,739	1,694	2,045	1,931
- Corporate and Democratic Core		5,307	107	5,200	4,671
HOME OFFICE AND CONSUMER PROTECTION					
- Police		66,481	7,920	58,561	60,548
- Magistrates and Other Courts		9,700	5,625	4,075	3,826
- Probation		51	-	51	48
- Security and Contingency Planning		465	83	382	383
- Consumer Protection		710	325	385	419
- Coroner's Court		92	-	92	88
MISCELLANEOUS	1	2,429	552	1,877	1,073
NET COST OF SERVICES		267,880	115,255	152,625	153,025

All activities are continuing in the current year.

	NOTES	1999/2000			1998/99 RECLASSIFIED
		GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000	NET EXPENDITURE £000
EXCEPTIONAL ITEM - IMPAIRMENT	2	65,314	-	65,314	-
Contribution to Trading Services - Spitalfields Market	3	3,380	3,389	(9)	130
Net Deficit/(Surplus) from DSOs		-	25	(25)	(83)
Precepts to Inner and Middle Temples		166	-	166	165
Interest on Balances		-	20,650	(20,650)	(30,022)
Asset Management Revenue Account	4			(36,542)	(32,043)
NET OPERATING EXPENDITURE				160,879	91,172
APPROPRIATIONS					
Transfer to (from) Revenue Reserves					
- Housing Revenue Account				1,564	1,506
- Earmarked reserves				(2,321)	(834)
- DSO reserve				(3)	(63)
Transfer to (from) Capital Reserves					
- Financing of capital expenditure	5			12,474	14,130
- Amount charged as depreciation				(3,342)	(2,487)
- Amount charged as impairment				(65,314)	-
- Government grants deferred				287	204
Deferred Charges				(7,739)	(8,836)
AMOUNT TO BE MET FROM GOVERNMENT GRANTS					
CITY'S OFFSET AND LOCAL TAXPAYERS				<u>96,485</u>	<u>94,792</u>
Collection Fund					
- City Offset				(6,500)	(6,500)
- Council tax and precept adjustment				(2,602)	(2,343)
Contribution from Non Domestic Rate Pool				(1,401)	(1,280)
Revenue Support Grant				(44,310)	(42,772)
Police Grant				(25,773)	(25,905)
SSA Reduction Grant				(7,421)	(12,159)
Central Support Protection Grant	6			(5,102)	-
				<u>93,109</u>	<u>90,959</u>
Balance 1st April 1999				5,625	9,458
Deficit for year				<u>(3,376)</u>	<u>(3,833)</u>
Balance 31st March 2000				2,249	5,625

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Miscellaneous

1998/99 RECLASSIFIED		1999/2000		
NET EXPENDITURE £000		GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000
545	Transfer to Collection Fund	750	0	750
0	Computers upgrade - Windows 98	507	0	507
234	Capital Charges on Guildhall land	234	0	234
128	Discretionary rate relief	167	0	167
114	Grants and subscriptions	154	0	154
118	Levies	130	0	130
118	Audit Fees	125	0	125
88	Electoral wards	107	1	106
29	Registration of births deaths and marriages	38	6	32
66	Parliamentary expenses	30	0	30
(513)	Loan repayment income on Guildhall Reconstruction	0	513	(513)
146	Other	187	32	155
1,073	TOTAL	2,429	552	1,877

2. Exceptional Item - Impairment

Impairment is the reduction in value of an asset that is not due to depreciation. In total, the sum included in the accounts for impairment is £65.314M and the largest element relates to the excess of capital cost over value for the Guildhall Yard East Development which was brought into operational use during the year.

3. Contribution to Trading Services - Spitalfields Market

Spitalfields Market is a horticultural market serving wholesalers, retailers and caterers from London and a wide area in the Home Counties.

4. Asset Management Revenue Account Transactions

The asset management revenue account is a specific requirement of the Accounting Code of Practice and offsets the impact of the capital charges borne by the service revenue accounts. It also includes the release of deferred government grants and contributions.

1998/99 £000		1999/2000 £000
	<u>Income</u>	
32,637	Capital Charges - City Fund	37,929
1,456	- Housing Revenue Account	1,352
-	Exceptional Item - Impairment	65,314
203	Reimbursement and Government grant deferred	287
240	Release of provision for credit liabilities	315
-----		-----
34,536		105,197
-----	<u>Expenditure</u>	-----
2,487	Provision for Depreciation	3,341
-	Exceptional item - Impairment	65,314
6	Finance Lease Payments	0
-----		-----
2,493		68,655
-----		-----
32,043	Balance to Consolidated Revenue Account	36,542
-----		-----

5. Financing of Capital Expenditure

Revenue financing of capital expenditure was met from the following sources:-

	£000
Direct revenue financing	8,025
Highway Improvements Reserve	1,287
London Metropolitan Archives Reserve	23
Repairs and Renewals - General Reserve	3,139
TOTAL FINANCING	12,474

6. SSA Reduction Grant

The SSA reduction grant comprises two elements:-

	£m
(1) SSA Review	3.0
(2) Police Funding Review	4.4
	<u>7.4</u>

7. Publicity

Section 5 (i) of the Local Government Act 1986 requires local authorities to keep a separate account of their expenditure on publicity. Details of the Corporation's City Fund expenditure which is included within the individual services, is set out in the table below:-

Publicity Expenditure

1998/99		1999/2000
£000		£000
107	Accounts and Statutory Reports	76
194	Statutory Notices	211
230	Recruitment Advertising	325
1,476	Barbican Centre	1445
2,579	Public Relations/Economic Development	2,609
280	Other	322
4,866	Total	4,988

8. Section 137

Section 137 of the Local Government Act 1972 enabled the Corporation in 1999/2000, to spend up to the product of £3.55 multiplied by 150,000, (equivalent to £532,500), for the benefit of people in its area on activities or projects not specifically authorised by other powers. Expenditure amounted to £273,100 in 1999/2000 (1998/99 £40,200), and is included within the appropriate services.

9. Pension Costs

In accordance with statutory regulations, a triennial valuation of the Pension Fund as at 31st March 1998 was completed by the Corporation's actuary Watson Wyatt Partners. The valuation revealed that the level of funding of the past service liabilities had increased by 4.5 percentage points to 99.5% (from 95% in 1995). This, together with the need to provide fully for anticipated future service liabilities, resulted in an increase in the employers contribution rate from 10.55% of pensionable pay in 1998/1999 to 10.6% in 1999/2000, 2000/2001, and 2001/2002. In accordance with the pension fund regulations, the required adjustment to the employer's contribution rate has taken effect from the period commencing 1st April 1999.

Employees are eligible to contribute to The Corporation of London Pension Fund which is a fully funded defined benefits scheme. In 1999/2000 the Corporation made a total employer's contribution to the Pension Fund of 10.91% amounting to £7.8M for all three funds (i.e. City Fund, City's Cash and Bridge House Estates). In 1998/99 the comparable figures were 10.55% of pensionable pay which amounted to £7.4M for all three funds.

The ongoing pension payments relating to added years benefits awarded prior to 1st April 1998 are charged direct to services and amounted to £577,200 in 1999/2000 (i.e. 0.71% of pensionable pay).

The capital cost of added years awarded since April 1998 are being recovered over five years through an increase in the employer's contribution. In this respect, the 10.91% for 1999/2000 comprises the 10.6% regular contribution plus a 0.31% contribution to cover one fifth of the capital cost of added years benefits awarded in 1998/99.

If the capital costs of added years benefits awarded in 1999/2000 had been charged across the three funds, the employer's contribution would have been increased from the £7.8M above to an estimated £8.9M (1998/99 increased from £7.4M to an estimated £8.4M).

Teachers

In 1999/2000 the Corporation's contribution to the Teachers Pension Agency in respect of teachers' pension costs was £32,625 which represents 7.2% of teachers' pensionable pay. In addition, the Corporation is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 1999/2000 these amounted to £4,112, representing 0.9% of pensionable pay and are included within the Education Service.

Uniformed Police

The cost of police pensions are met on a 'pay as you go' basis. In 1999/2000 the net cost of pensions and other benefits amounted to £8.2M representing 29.3% of pensionable pay. This cost is included within the Police Service.

It is estimated that if the cost of the benefits under the scheme had been determined in accordance with SSAP24, the employer's regular contributions for the year would have been 19.8% of pensionable pay, amounting to £4.2M. The cost of spreading the unfunded accrued liability over 40 years would have been £8.6M which represents 41% of pensionable pay. These estimates have been based on global membership data using the simplified method of calculation recommended by CIPFA. An actuarial valuation was, therefore, not required.

10. Agency Services

The Corporation carries out work on an agency basis for which it is fully reimbursed. The major service is the design, maintenance and improvement of sewers on behalf of Thames Water Utilities (T.W.U.). During 1999/2000 £107,796 of expenditure, (1998/1999 £136,802), was recovered from the T.W.U. and is included within Highways and Transportation.

The Corporation also provides support services to the London Traffic Control Systems Unit which is the responsibility of the Transport Committee for London. The income and expenditure of the London Traffic Control Systems Unit is not included within the City Fund's Consolidated Revenue Account.

11. Leasing

No assets were acquired during the year through finance leases. Payments of £49 were made in respect of ex-ILEA leases. Rent of £382,348 was paid in respect of operational leases for police computer equipment. £769,704 was paid in rent for 36 leased properties and open spaces.

Outstanding undischarged obligations in respect of operating leases are estimated to be £24.990M which can be banded as follows:

<u>Lease Expiring Within</u>	<u>Estimated Obligation</u>
	£M
0-5 Years	2.872
6-10 Years	1.291
11-15 Years	0.121
16-20 Years	5.624
< 20 Years	15.082
	<u>24.990</u>

12. Remuneration of Senior Employees

The number of officers whose emoluments in the year were £40,000 or more grouped in rising bands of £10,000 is set out in the following table. The table has been classified between those employees charged wholly to the City Fund, including Police Officers, and those employees charged partially to the City Fund and partially to other non-rates Funds of the Corporation.

Salary Range £	Wholly charged to City Fund				Partially charged to City Fund	
	1999/00	1998/99	1999/00	1998/99	1999/00	1998/99
	Police Officers		Other			
40,000 - 49,999	96	64	46	35	68	60
50,000 - 59,999	8	6	14	10	12	15
60,000 - 69,999	5	3	9	9	13	9
70,000 - 79,999	1	1	-	-	-	-
80,000 - 89,999	1	2	1	1	2	3
90,000 - 99,999	1	1	1	-	1	1
100,000 - 109,999	-	-	1	1	1	1
120,000 - 129,999	-	-	-	-	1	-
160,000 - 169,999	-	-	-	-	-	1

13. Single Regeneration Budget Partnership Scheme

The Corporation is accountable body for two Single Regeneration Budget (SRB) Grant partnership schemes: the City Fringe partnership, and the Pool of London partnership. Central Government through the Government Office for London (GOL), have made money available for suitable regeneration schemes, and these two partnerships will be claiming back in total between £3M and £5M per annum for the next 4 years. The Corporation as accountable body claims the money from GOL and reimburses partners for their SRB expenditure, but little of the regeneration expenditure relates to the Square Mile itself, although some administration costs can be reclaimed. This means that, apart from the contribution in kind of some Corporation staff time and office facilities (which counts as SRB public sector leverage expenditure), the net financial effect of SRB on the Corporation is almost negligible when compared with the overall expenditure. The partners consist primarily of London Boroughs, various training bodies, the Port of London Authority, and some private sector companies and charitable organisations. The statement of accounts include revenue expenditure and income of £2.5M and capital expenditure and income of £2.3M.

14. Building Control Account

The Building Control Account required by the Building Act 1984, and specifically the Local Authority Building Control Charges Regulations, is summarised below. The entries are included within the service line for planning and development.

	Chargeable £000	Non Chargeable £000	Total £000
Expenditure			
Employees	1,004	251	1,255
Supplies and Services	21	5	26
Support Services	135	34	169
Total Expenditure	1,160	290	1,450
Income from Building Regulation Charges	(2,879)	0	(2,879)
(Surplus) Deficit for Year	(1,719)	290	(1,429)

15. Related Party Transactions

The code of practice on local authority accounting requires the Corporation to disclose information on "related party transactions" in accordance with the "financial reporting standard 8" within the statement of accounts for 1999/2000.

Standing Orders

The Corporation has adopted the following standing orders in relation to declarations of financial interest:

"Any Member having a financial interest, direct or indirect, otherwise than solely as a trustee in any matter under consideration in the Court of Common Council or any Committee thereof shall:-

- (a) forthwith declare his interest;
- (b) not speak or vote thereon; and
- (c) forthwith withdraw from the room whilst the matter is under consideration; providing that a shareholding in a body not exceeding a total nominal value of £5,000 or one-hundredth of the nominal value of the issued share capital (whichever is the less) is not a financial interest for the purposes of sub paragraphs (b) and (c).

That in respect of the Court of Common Council or any Committee thereof when matters relating to the Corporation's Housing or Barbican Residential Estates are considered in pursuance of the Housing Act 1996 or the Housing Associations Act 1985 (or any subsequent enactment or re-enactment thereof) which relate to land in which a member is beneficially interested, then that Member:-

- (a) shall forthwith declare his interest
- (b) may speak but not vote thereon."

Disclosure

Members and Chief Officers have been requested to disclose transactions in 1999/2000 of £5,000 or more, or where the individual has a controlling interest in a company transacting with the Corporation, the higher of £5,000 or 1% of business turnover. Members and Chief Officers have also been requested to make disclosures in instances where their close family have made transactions with the Corporation.

Summary of Relevant Transactions in 1999/2000

The Museum of London is financed jointly by the Corporation and the Department for Culture, Media and Sport. The Corporation's contribution in 1999/2000 was £4,360,500. 50% of the appointments to the Board are made by the Corporation of London.

Summary of Related Party Transactions Disclosed Elsewhere in the Accounts

Government Grants	Pension Fund
Precepts from other Authorities	Staff car loans

HOUSING REVENUE ACCOUNT FOR YEAR ENDED 31ST MARCH 2000

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates, capital financing costs, and how these are met by rents, subsidy and other income.

1998/99 £000		NOTES	1999/00 £000
	Income		
6,438	Dwelling rents (gross)	1	6,520
1,152	Non-dwelling rents		1,209
895	Charges for services and facilities		1,105
3,986	Housing Revenue Account Subsidy receivable	2	3,666
	Interest		
13	- Mortgage interest		7
150	- Interest on cash balances		241
12,634	Total Income		12,748
	Expenditure		
2,880	Repairs and maintenance		3,389
3,674	Supervision and management		3,928
19	Rents, rates, taxes and other charges		6
2,554	Rent rebates	3	2,600
88	Bad or doubtful debts	6	(21)
1,456	Capital financing costs		1,149
457	Capital expenditure charged to revenue		133
11,128	Total Expenditure		11,184
1,506	Surplus (allocated to reserve)		1,564
442	Balance at 1st April		1,948
1,948	Balance at 31st March		3,512

HOUSING REVENUE ACCOUNT

NOTES TO THE ACCOUNT

1. Dwelling Rents

The total rent income from dwellings was £6,520,000 after allowance for voids. On average during the year, routine and non-routine vacant properties were 0.51% of HRA stock (1998/99: 0.27%). As at 31st March 2000 average rents were £58.73 a week, an increase of 3.1% or £1.77 over the previous year.

2. Housing Subsidy

The Government pays a subsidy to the Housing Revenue Account. The calculation of subsidy is based on a notional account which is prepared using Government formulae.

3. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. Approximately 46% (1998/99: 44%) of the Corporation's HRA tenants receive some help with the costs of rent.

4. Housing Stock

As at the 31st March 2000 the Corporation's HRA rental stock was 2,111 dwellings. The HRA also includes the costs and service charge income relating to the sold properties of which there were 641 as 31st March 2000.

1998/99 No.	Rental Stock	1999/2000 No.
30	Houses and Bungalows	27
2,153	Flats	2,087
—		—
2,183	TOTAL	2,114
—		—

Change in the stock

1998/99 No.		1999/2000 No.
2,226	Stock at 1st April	2,183
(43)	Sales	(73)
-	Additions	4
—		—
2,183	Stock at 31st March	2,114
—		—

5. Rent, Service Charge and Other Arrears

As at 31st March 2000 rent arrears in respect of residential tenants were 3.2% of gross rent income due for the year (31/3/99: 4.2%). The total arrears for rent, service charges and other charges is £432,000 (31 March 1999: £554,000) as follows:-

	31/3/99 £000	31/3/2000 £000
Former residential tenants	81	85
Current residential tenants	183	130
Commercial tenants	57	34
Service charges	153	111
Other charges	<u>80</u>	<u>72</u>
	554	432
	—	—

6. Provision for Bad and Doubtful Debts

	1998/99 £000	1999/2000 £000
Provision at 1st April	273	312
Bad Debts written off	(49)	(36)
Increase/(Decrease) in Provision	88	(21)
	—	—
Provision at 31st March	312	255
	—	—

THE SUMMARY DIRECT SERVICE ORGANISATION REVENUE
AND APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2000

DIRECT SERVICE ORGANISATION	INCOME	EXPENDITURE	1999/2000 SURPLUS (DEFICIT)	1998/99 SURPLUS (DEFICIT)
	£	£	£	£
Housing Catering	180,362	203,136	(22,774)	713
Cemetery and Crematorium grounds Maintenance	391,388	386,258	5,130	4,570
Vehicle Maintenance	611,004	579,255	31,749	40,254
Walbrook Wharf Building Maintenance	331,022	322,499	8,523	23,237
Total			22,628	68,774
Interest Earned			2,672	13,898
Surplus for year			25,300	82,672
Net contribution to City Fund			(27,593)	(146,327)
Total net Surplus/(deficit)			(2,293)	(63,655)
Reserves 1st April 1999			135,635	219,265
* Equipment met direct from reserve			-	(19,975)
Reserves 31st March 2000			133,342 =====	135,635 =====

* During 1998/99 the Cemetery and Crematorium D.S.O. purchased equipment valued at £19,975 which was met direct from their reserve.

NOTES

- During 1999/2000 the Corporation operated four direct service organisations (D.S.Os). The above statement summarises their operations. The Housing Catering D.S.O. ceased on 31st March 2000. Full accounts for each of the D.S.Os can be obtained from the Chamberlain's Department, Guildhall, London EC2P 2EJ.
- Section 21 of the Local Government Act 1999 repealed the compulsory competitive tendering provisions in the Local Government Planning and Land Act 1980, the Local Government Act 1988 and the Local Government Act 1992 with effect from 2 January 2000. Notwithstanding this change, the Corporation's D.S.Os have continued to operate in accordance with the arrangements that applied under compulsory competitive tendering. However, there are no longer requirements to produce financial objectives statements; to submit accounts and statements to the Department of the Environment, Transport and the Regions (DETR); or to have the DSO accounts separately audited.

THE COLLECTION FUND

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2000

1999 £000	INCOME	Notes	2000 £000
417,527	Income from Business Ratepayers	1	334,869
128	Discretionary Rate Relief		167
1,832	Council Taxes	2	2,079
130	Council Tax Benefit		143
545	Contribution from City Fund	3	750
420,162 -----			338,008 -----
	<u>EXPENDITURE</u>		
409,646	Contribution to the National Non-Domestic Rate Pool		329,053
203	Provision for Uncollectable Amounts	4	(1,931)
1,373	Cost of Collection Allowance	5	1,432
126	Precept from London Fire and Civil Defence Authority		140
	Precept from City Fund		
6,500	- City Offset	6	6,500
2,343	- Council tax	7	2,602
420,191 -----	Total Expenditure		337,796 -----
(29)	Surplus/(Deficit) for Year		212
779	Balance 1st April		750
			16
750 =====	Balance 31st March		962

NOTES TO THE ACCOUNT

1. Income from Business Rates

The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate by a National Non-Domestic Rate (NNDR) set by the Government. In 1999/2000 the Corporation set a rate of 48.9p which equalled the National Non-Domestic Rate.

1999 £000		2000 £000
266,584	Non-domestic rateable income	293,573
173,882	Government transition scheme	68,078
<u>440,466</u>	Gross non-domestic rateable value	<u>361,651</u>
(13,598)	Less: Voids	(17,563)
(6,080)	Mandatory and discretionary relief	(4,565)
(709)	Write-offs	(3,695)
(2,552)	Interest	(959)
<u>417,527</u>	Net income from business ratepayers	<u>334,869</u>

The total rateable value of the City at 31st March 2000 was £634M.

2. Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1st April 1993 replacing the Community Charge. The Act prescribes the detailed calculations that the Corporation, as a billing authority, has had to make to determine the Council Tax amounts. The Corporation set a basic amount of £508.43 for a band D property calculated as follows:-

	£000	£000
Corporation's Original Budget		93,110
Less:-		
Distribution from Non-Domestic rates pool	1,401	
Government grants	82,607	
City's offset	6,500	
Estimated collection fund surplus	739	91,247
Estimated amounts to be raised from Council Tax		1,863
Divided by:-		
Council tax base for the City area (number of band D equivalent properties)		3,663.92
Basic amount for Band D Property		£508.43

To this amount is added £27.57 in respect of the precept from the London Fire and Civil Defence Authority to arrive at the total council tax of £536 for a band D property. Prescribed proportions are applied to this basic amount to determine the council tax amounts for each of the bands:-

<u>Band</u>	<u>Proportion</u>	<u>Council Tax</u> £
A	6/9	357.33
B	7/9	416.89
C	8/9	476.45
D	9/9	536.00
E	11/9	655.11
F	13/9	774.22
G	15/9	893.33
H	18/9	1,072.00

TAX BASES 1999/2000

The table below shows the number of chargeable dwellings in each valuation band converted to an equivalent number of band D dwellings. The totals for each area are described as "aggregate relevant amounts". These amounts, multiplied by the collection rate of 95% produces the tax base for each of the areas shown.

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A		-	7.00	7.00
B		-	131.44	131.44
C		-	391.56	391.56
D		-	473.25	473.25
E	4.58	1.22	1,375.92	1,381.72
F	29.61	15.89	492.19	537.69
G	25.42	43.75	735.42	804.59
H	-	3.00	126.50	129.50
AGGREGATE RELEVANT AMOUNTS	59.61	63.86	3,733.28	3,856.75
COLLECTION RATE	95%	95%	95%	95%
TAX BASES	56.63	60.67	3,546.62	3,663.92

3. Contribution from City Fund

In accordance with Government direction, £750,000 has been transferred from the City Fund to moderate the Corporation's council tax for 2000/2001.

4. Provision for uncollectable amounts

This provision has been re-assessed at £8.6M a decrease of £1.9M against the 1998/99 provision of £10.5M.

5. Cost of Collection allowance

In accordance with paragraph 6 of Schedule 1 to the Non-Domestic Rating Contributions (England) Regulations, the Corporation is allowed to deduct collection costs of £1,432,488 for 1999/2000 from the gross amount of rates receivable.

6. City Offset

The City Offset is the special deduction from the national non-domestic rates pool allowed for by the Government. It is provided in order that the City's residents do not face an excessive level of council tax which would otherwise arise due to its very small resident population, but high daytime population.

7. Council Tax

This represents the sums payable to the City Fund in respect of:-

	£000
- Council Taxes	1,863
- the estimated collection fund balance at 31 st March 1999	<u>739</u> <u>2,602</u>

CITY FUND
CONSOLIDATED BALANCE SHEET AT 31ST MARCH 2000

		31st March 2000		31st March 1999
	Notes	£000	£000	£000
FIXED ASSETS	1			
Council Dwellings		143,588		
Other Land and Buildings		211,420		
Vehicles, Plant and Equipment		8,561		
Infrastructure and Community Assets		15,595		
Investment Properties		<u>381,456</u>		
			760,620	633,808
DEFERRED CHARGES	2		1,000	1,000
LONG TERM DEBTORS	3		2,184	2,551
CURRENT ASSETS				
Stocks		392		526
Debtors and Payments in Advance	4	15,605		14,080
Investments		426		427
Cash and Bank		<u>341,692</u>		<u>402,775</u>
			358,115	<u>417,808</u>
LESS CURRENT LIABILITIES				
Creditors and Receipts in Advance	5		(76,314)	(50,602)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,045,605</u>	<u>1,004,565</u>
LONG TERM BORROWING	6		(1,000)	(1,000)
DEFERRED CREDITS				
Deferred Capital Receipts	7		(749)	(1,077)
PROVISIONS	8		(2,599)	(2,909)
GRANTS AND CONTRIBUTIONS DEFERRED ACCOUNT	9		(4,357)	(4,266)
TOTAL ASSETS LESS LIABILITIES			<u>1,036,900</u> =====	<u>995,313</u> =====
CAPITAL RESERVES	10		841,546	795,644
REVENUE RESERVES	10			
Earmarked			127,881	116,849
Other Revenue Reserves			67,473	82,820
TOTAL EQUITY			1,036,900	995,313

.....
Chamberlain of London

Dated 15th September 2000

NOTES TO THE CONSOLIDATED CITY FUND BALANCE SHEET

1. Fixed Assets

Movement of Fixed Assets during 1999/2000 was as follows:-

	Council Dwellings	Other land and buildings	Vehicles, plant and equipment	Infra- Structure Assets	Community assets	Investment properties	Total
	£000	£000	£000	£000	£000	£000	£000
Net book value as at 31 March 1999	91,763	244,588	8,091	7,449	7,494	274,423	633,808
Depreciation/Impairment	0	(46,306)	(1,888)	(934)	-	(19,527)	(68,655)
Additions	654	7,313	2,464	1,586	-	102,085	114,102
Disposals	(9,183)	(188)	(106)	-	-	(5,025)	(14,502)
Revaluation at 31 March 2000	60,354	6,013	-	-	-	29,500	95,867
Net book value as at 31 March 2000	143,588	211,420	8,561	8,101	7,494	381,456	760,620

Expenditure for capital purposes (including deferred charges) during 1999/2000 and methods of financing are set out below:

<u>Capital Expenditure</u>	1999/2000 £000	1998/99 £000
Expenditure in year		
- Fixed assets	114,102	16,660
- deferred charges	7,739	8,836
Reduction in creditors	761	1,332
	<hr/>	<hr/>
	122,602	26,828
	<hr/>	<hr/>
<u>Methods of Financing</u>		
Direct revenue financing:		
City Fund	12,474	14,130
Housing revenue account	133	457
Usable Capital receipts	75,655	4,373
Grants and Contributions		
- received in year	4,343	4,564
- deferred in year	379	662
Use of Supplementary Credit approval	259	344
Provision for credit liabilities	29,359	2,298
	<hr/>	<hr/>
	122,602	26,828
	<hr/>	<hr/>

Analysis of Fixed Assets

	31 March 1999	31 March 2000
<u>Commercial Properties</u>		
Housing	101	102
Investment Properties	87	90
Barbican Residential	16	16
	204	208
<u>Operational Properties</u>		
The Barbican Centre	1	1
Courts	3	3
Education Building	1	1
Art Galleries	1	1
Police Buildings	4	4
Police Housing	10	7
Information Centre - St Paul's	1	1
Sundial Court - Student Accommodation	1	1
Cemetery	1	1
Crematorium	1	1
Animal Reception Centre	1	1
New Spitalfields Market	1	1
Off-Street Car Parks	6	6
Finsbury Circus Pavilion	1	1
Public Conveniences	11	11
Walbrook Wharf	1	1
Reference Libraries	3	3
Lending Libraries	3	3
Manuscripts Areas, Guildhall Yard	1	1
Keats House	1	1
Roman Remains, Guildhall Yard East	1	1
Woodredon & Warlies Park Estate	1	1
	55	52
<u>Housing Properties</u>		
Housing Revenue Account	2,183	2,111
Barbican Residential	270	227
Former Spitalfields Market	21	20
	2,474	2,358

Fixed Asset Valuation

Properties regarded as operational have been valued on Open Market Value for the Existing Use, or where this could not be assessed because there was no market for the subject asset, the Depreciated Replacement Cost. In some cases, specialist properties have required specialist valuation assumptions or alternative use valuations have been carried out.

Properties regarded as non-operational property have been valued on the basis of Open Market Value.

Vehicles, plant and equipment are shown at depreciated cost, as a proxy for value.

Community assets in existence at 1st April 1994 are each shown at a notional £1 to which subsequent additions have been added at cost.

Infrastructure in existence at 1st April 1994 was valued at nil since there was no loan debt outstanding on this category of asset. Subsequent outlay has been added at cost.

The following have been revalued at 31st March 1999 in accordance with the Rolling Five Year Programme of Revaluation:-

Council dwellings and most commercial properties at the Barbican Estate

Housing Committee dwellings and associated commercial properties
Non-operational properties

Guildhall site land (City Fund Element)

Police Houses

Guildhall Yard East Building (City Fund Element)

City Fund - Capital Commitments

Significant capital commitments are estimated to total approximately £25M at the 31st March 2000. The majority of this total - some £17M - relates to expenditure on the redevelopment of the Old Spitalfields Market site, following the Corporation's acquisition of the LIFFE underlease during 1999/00.

2. Deferred Charges

	<u>£000</u>	<u>£000</u>
Balance as at 1 April 1999		1,000
Expenditure - Improvement grants	4	
- Other	<u>7,735</u>	7,739
Amounts written off to revenue account		(7,739)

Balances as at 31 March 2000		1,000

The balance at 31 st March 2000 of £1M represents the outstanding capital cost of purchasing the right of the Church Commissioners to levy a tithe rate in the City. The right was acquired in accordance with the Tithe Extinguishment Act 1947 whereby the Corporation issued £1M of 3% Coupon Stock redeemable in 2007.		

3. Long Term Debtors

1999 £000		2000 £000
1,078	Mortgages on the sale of Housing Properties	753
1,401	Loan to Museum of London	1,372
72	Service Charge Loans	59
-----		-----
2,551		2,184
=====		=====

4. Debtors and Payments in Advance falling due within a year

1999 £000		2000 £000
2,720	Rents	2,528
14,576	Ratepayers	10,051
6,802	Sundry	10,817
387	Car Loans to Employees	353
2,074	Prepayments	2,026
-----		-----
26,559		25,775
(12,479)	Provision for Doubtful Debts	(10,170)
-----		-----
14,080		15,605
=====		=====

5. Creditors and Receipts in Advance

1999 £000		2000 £000
6,199	Ratepayers	12,409
30,954	Sundry	34,980
11,136	Government - payments to National Non-Domestic Rates Pool	26,751
2,313*	Spitalfields Market Tenants Fund	2,174
-----		-----
50,602		76,314
=====		=====

* Financial Reporting Standard 12 clarifies the circumstances under which provisions may be created. Consequently this item, which was previously included as a provision, has been re-stated as a creditor.

6. Long-Term Borrowing

This comprises £1M of 3% stock maturing in 2007.

7. Deferred Capital Receipts

Deferred capital receipts consist of the sum left outstanding on properties sold to tenants under the Housing Act. Balances are reduced annually by the amount of the principal element of the mortgage repayments to the Corporation.

1999 £000		2000 £000
2,356	Balance 1 st April	1,077
-	New Advances in Year	-
(1,279)	Repayments and Redemptions	(328)
-----		-----
1,077		749
=====		=====

8. PROVISIONS

1999		2000		
£000		Receipts in Year £000	Payments in Year £000	Balance 31 st March £000
473	Tithe Extinguishment Sinking Fund	-	-	473
67	Pre 1990 rating adjustments	-	14	53
2,369	Police pension liabilities	1,413	1,709	2,073
-----		-----	-----	-----
2,909*		1,413	1,723	2,599
=====		=====	=====	=====

* Financial Reporting Standard 12 clarifies the circumstances under which provisions may be created. Consequently, £6,689,000 for backlog repairs expenditure has been excluded from provisions and re-stated as an earmarked reserve for general renewals and repairs; and the Spitalfields Market Tenants Fund of £2,313,000 which is operated on behalf of market tenants who make annual contributions to help even out the impact of peaks and troughs in repairs and maintenance expenditure has been re-stated as a creditor.

Tithe Extinguishment Sinking Fund - this balance represents the sums of money which have been accumulated to enable the outstanding stock to be redeemed in the year 2007. As sufficient 'nominal' investments have now been made to enable £1m stock to be redeemed and to meet associated administrative expenses, contributions to the provision have been suspended.

Pre 1990 Rating Adjustments - Appeals are still being settled in relation to pre April 1990 rateable values. Provision has been made for the Corporation's estimated liability.

Police Pension Liabilities

This provision has been created to enable sufficient sums to be set aside to meet the committed pension liabilities arising from payments due to those officers with 30 years service who are eligible for retirement, but who have not yet done so.

9. Grants and Contributions Deferred Account

	<u>£000</u>	<u>£000</u>
Balance as at 1st April 1999		4,266
Deferred in year		
- Grants	333	
- Contributions	45	378
	<hr/>	<hr/>
		4,644
Released to Asset Management Revenue Account in Year		
- Grants	(205)	
- Contributions	(82)	(287)
	<hr/>	<hr/>
Balance as at 31st March 2000		4,357
		<hr/>
<p>When the acquisition of a fixed asset has been financed by a government grant or contribution, the amount of grant or contribution is credited to this account. Subsequently, amounts are released to the asset management revenue account to match the depreciation charged on the asset to which it relates.</p>		

10. Total Movement in Reserves

	CAPITAL RESERVES					REVENUE RESERVES			
	£000 FIXED ASSET RESTATE- MENT	£000 CAPITAL FINANCING	£000 USABLE CAPITAL RECEIPTS	£000 LIFFE BUILDING FUTURE CAPITAL	£000 SUB TOTAL	£000 UNALL- OCATED	£000 CITY FUND	£000 EAR MARKED	£000 TOTAL
Balance 1st April 1999	509,452	149,533	136,659	-	795,644	77,195	5,625	116,849	995,313
Net transfers in year	-	(92,976)	(29,082)	18,800	(103,258)	(11,971)	-	9,231	(105,998)
Net Surplus/(deficit) For year	-	-	-	-	-	-	(3,376)	1,801	(1,575)
Unrealised gains (losses) from re- valuation	95,867	-	-	-	95,867	-	-	-	95,867
Cost or value of Assets disposed of	(14,501)	-	-	-	(14,501)	-	-	-	(14,501)
Proceeds of disposals	-	6,621	14,605	-	21,226	-	-	-	21,226
Financing of fixed Assets	-	122,223	(75,655)	-	46,568	-	-	-	46,568
Balance 31st March 2000	590,818	185,401	46,527	18,800	841,546	65,224	2,249	127,881	1,036,900

Notes to Total Movement in Reserves

The purpose of the statement is to consider all gains and losses recognised in an accounting period and not just those reported through the income and expenditure accounts.

A. Fixed Asset Restatement reserve

This reserve represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1st April 1994, adjusted to take account of subsequent disposals (at net book value) and revaluations. The movement on the reserve can be broken down between the City Fund and Housing Revenue Account as follows:-

	<u>City Fund</u> £000	<u>H.R.A.</u> £000	<u>Total</u> £000
Balance 1st April 1999	456,342	53,110	509,452
Unrealised gains or losses on revaluation of fixed assets	51,451	44,416	95,867
Disposal of fixed assets	(12,667)	(1,834)	(14,501)
Balance 31st March 2000	495,126	95,692	590,818

B. Capital Financing Reserve

	PROVISION FOR CREDIT LIABILITIES £000	FINANCING OF CAPITAL EXPENDITURE £000	OTHER £000	TOTAL £000
BALANCE BROUGHT FORWARD 1ST APRIL 1999	31,213	152,183	(33,863)	149,533
RESERVED CAPITAL RECEIPTS 1999-2000	6,621	-	-	6,621
FINANCING OF CAPITAL				
- FROM CITY FUND REVENUE ACCOUNT	-	12,474	-	-
- FROM HOUSING REVENUE ACCOUNT	-	133	-	-
- FROM USABLE CAPITAL RECEIPTS	-	75,655	-	-
- FROM GRANTS AND REIMBURSEMENTS	-	4,343	-	-
- FROM PROVISIONS	-	29,359	-	-
- FROM CREDIT APPROVALS	-	259	-	122,223
USE OF RESERVED CAPITAL RECEIPTS				
- TO MEET CAPITAL OUTLAY	(29,360)	-	-	-
- TO UTILISE CREDIT APPROVAL	(259)	-	-	-
SOCIAL HOUSING GRANT SET ASIDE	2,812	-	-	-
VOLUNTARY SET ASIDE RELATING TO 1999-2000 HRA CREDIT APPROVAL	259	-	-	-
USABLE RECEIPTS SET ASIDE AS CREDIT COVER FOR CREDIT ARRANGEMENTS	10,023	-	-	-
RELEASE OF CREDIT COVER RE LEASES	(315)	-	-	(16,840)
RELEASE OF DEFERRED GRANTS AND CONTRIBUTIONS	-	-	287	-
DEPRECIATION/IMPAIRMENT PROVISION	-	-	(68,655)	-
WRITE DOWN OF DEFERRED CHARGES	-	-	(7,739)	-
LOAN REPAYMENTS RECEIVED	-	-	(29)	(76,136)
BALANCE 31ST MARCH 2000	20,994	274,406	(109,999)	185,401

The capital reserve incorporates the provision for credit liabilities, and includes entries for the financing of capital expenditure and other capital transactions. The reserve contains the amounts which are required by statute to be set aside from capital receipts and the amount of capital expenditure financed from revenue, capital receipts and other sources. It is reduced by the amounts provided for depreciation and for the write-down of deferred charges.

Provision for Credit Liabilities

The Corporation has a statutory obligation to set aside sums as provision for credit liabilities under the local Government and Housing Act 1989. Since the Corporation is debt-free, the make up of this provision is limited to the setting aside of certain capital receipts as specified in the Local Authorities (Capital Finance) Regulations 1997, and it also contains sums voluntarily set aside as credit cover. Under special regulations for debt-free authorities, certain reserved capital receipts may be used to finance capital expenditure. The amount of these reserved receipts as at 31st March 2000 was £9,432,695.

C. Movement In Earmarked Reserves

		Balance - 31/3/99 £000s	Net transfer (to)/from CRA £000s	Net transfer (to)/from Unallocated Reserves £000	Other Net Transfers £000	Sub-Total Net Transfers £000	Balance - 31/3/2000 £000s
Highway improvements	(i)	12,890	3,620	-		3,620	16,510
Renewals and repairs :	(ii)						
London Fruit Exchange		334	(154)	-		(154)	180
London Metropolitan Archives		2,234	(23)	-		(23)	2,211
Old Spitalfields Market Maintenance Fund		512	-	-		-	512
New Spitalfields Market Building Defects General*		-	191	-		191	191
		6,689	(3,140)	-		(3,140)	3,549
School's reserve	(iii)	58	(31)	-		(31)	27
Police future expenditure	(iv)	3,895	(584)	-		(584)	3,311
Barbican Centre	(v)	658	404	-		404	1,062
Insurance	(vi)	995	-	-		-	995
Plant & Equipment replacement Fund	(vii)	36,652	-	-	(21,352)	(21,352)	15,300
General reserve	(viii)	25,000	-	-	21,352	21,352	46,352
Millennium Pavilion	(ix)	3,000	(3,000)	-		(3,000)	-
Future Revenue requirement	(x)	15,864	-	(8,420)		(8,420)	7,444
Committed capital programme	(xi)	5,000	-	20,000		20,000	25,000
Maintenance of Graves	(xii)	234	301	-		301	535
Products of animal origin	(xiii)	-	95	-		95	95
Direct Service Organisations	(xiv)	136	-	-	(3)	(3)	133
Housing Revenue Account	(xv)	1948	-	-	1,564	1,564	3,512
Collection Fund	(xvi)	750	-	-	212	212	962
Sub-total		116,849	(2,321)	11,580	1,773	11,032	127,881

* Financial Reporting Standard 12 clarifies the circumstances under which provisions may be created. Consequently this item, which was previously included as a provision for backlog repairs expenditure, has been re-stated as an earmarked reserve for general renewals and repairs.

- (i) Highway Improvements - This reserve has been created from on-street car parking surpluses to finance future highway improvement schemes as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.
- (ii) Repairs and Renewals - these items comprise:-
 - London Fruit Exchange Building - Sums set aside to maintain the building which was part of the Old Spitalfields Market.
 - The London Metropolitan Archives Building - The objective is to provide for either the refurbishment of existing premises or the acquisition of additional accommodation.
 - Old Spitalfields Market Maintenance Fund - This sum represents the accumulated interest earned on the maintenance fund. The principal element has been paid to former tenants who contributed to the fund. Counsel has advised that the Corporation is the absolute owner of the unexpended balance of the interest credited to the fund, and has no power to pay such balance to the tenants. The fund may be used in meeting the cost of any claims that might be made in the future by former tenants, and to finance future capital expenditure at the new market.
 - New Spitalfields Market Building Defects - Sums obtained from the developer of the new building to fund repairs to the market, particularly the concrete slab.
 - General - To finance capitalised repairs to Corporation properties.
- (iii) School's Reserve - The cumulative unspent balance from the budgets delegated to the Sir John Cass Foundation Primary School.
- (iv) Police Future Expenditure - Under the terms of the Police and Magistrates Courts Act 1994, revenue expenditure for the City Police service is cash limited. However, underspendings against this limit may be carried forward as a reserve to the following financial year. The City Police have therefore set-aside £3.3M to finance revenue expenditure in subsequent years.
- (v) Barbican Centre - This reserve represents the accumulated underspendings against that part of the Centre's budget which is cash limited.
- (vi) Insurance Reserve - The reserve's objective is to reduce the cost of premiums paid by the Corporation by allowing a degree of self insurance.
- (vii) Plant and Equipment Replacement Fund - This reserve is to provide monies for the replacement of major items of plant and equipment.
- (viii) General Reserve - This reserve is to meet costs which may arise from damage by terrorism or other cause to uninsured infrastructure assets such as highways, and additional expenses which may be incurred in order to assist businesses and others to resume their normal operation.
- (ix) Millennium Pavilion - A financial contribution of £3M has been made from the City Fund towards the Millennium Dome in relation

to the financial services industry zone. A further £3M has been provided from City's Cash.

- (x) Future Revenue Requirement - This reserve has been established to meet the anticipated shortfall between the Corporation's revenue expenditure in 2000/2001 and its income from local taxpayers, the Corporation's offset, and government grant.
 - (xi) Committed Capital Programme - This reserve represents the estimated sum necessary to finance the Corporation's most significant capital commitments.
 - (xii) Maintenance of Graves - To meet the future liabilities arising from the maintenance of private graves and memorial dedications leased to the bereaved.
 - (xiii) Products of Animal Origin - Created from income in excess of the cost of service provision to fund any unforeseen expenditure arising as a result of Products of Animal Origin related Port Health work.
 - (xiv) Direct Service Organisations - The Corporation's practice is to allow each DSO to retain an accumulated reserve of up to 10% of its annual turnover.
 - (xv) Housing Revenue Account - By Section 74 of the Local Government and Housing Act 1989 the Housing Revenue Account must be accounted for separately. The reserve represents the accumulated surplus.
 - (xvi) Collection Fund - The surplus is being used to reduce the council tax amounts in 2000/01.
11. Educational Trust Funds - In accordance with the accounting code of practice, the Corporation is required to show a summarised statement of income and expenditure for charitable trusts for which it acts as sole trustee. The Corporation has responsibility for the following trust funds:
- (i) Higher Education and Special Expenses Research Fund - The object of this trust is to provide study grants to teachers and lecturers working within the former London County Council area. The fund balance at 31st March 2000 was £359,139.
 - (ii) Archibald Dawnay Scholarship - The Trust's objective is to provide scholarships to students following approved courses with a technical component, preference being given to courses connected with civil engineering held at colleges, schools or other institutions approved by the Trustees. The fund balance at 31st March 2000 was £152,604.
 - (iii) Robert Blair Fellowship for Applied Science and Technology - The Scheme's provisions include;
 - the promotion of postgraduate study and research in applied science and technology with a preference for engineering science;
 - grants to be awarded for work in the United States, the Dominions or other countries;
 - grants to be awarded every two or three years according to resources;
 - candidates should have been trained in a relevant field. Preference is given to those who have completed a course of study in London or who have been identified with the London

teaching service, but the scheme is also open to those engaged in engineering.

The fund balance at 31st March 2000 was £184,632.

Summary revenue accounts for the three Trust Fund are attached overleaf.

12. Contingent Liabilities

An appeal is being made to the VAT Tribunal over HM Customs and Excise's decision concerning the tax liability of certain Corporation services which could affect the Corporation's 5% de minimis position. The appeals process is likely to be lengthy and, until concluded, it is not possible to determine whether liability exists. The potential liability for the City Fund could be £0.5M in total for 1998/99 and 1999/2000, and £0.2M p.a. thereafter.

13. Year 2000

Throughout 1999/2000 work has been undertaken in relation to the year 2000 issue. An inventory of IT systems, hardware, software, personal computers and other non-IT plant and equipment with embedded chips was compiled to identify items that needed modification. The Corporation was in contact with all major suppliers of IT systems to ensure they had their own plans for compliance and to agree joint action plans. The work was carried out as part of a comprehensive IT strategy and the projected estimate is that the City Fund's share of these costs was £133,000. Non-IT plant and equipment was assessed for year 2000 compliance and upgrade and replacement projects undertaken where necessary as part of normal cyclical works and costs have not therefore been separately identified. All year 2000 work was completed before the end of 1999 and no problems were experienced.

14. The Euro

Preparations for the potential introduction of the Euro are not sufficiently advanced to facilitate the calculation of a realistic estimate of likely costs. The replacement of the Corporation's major financial systems is at the early stages of evaluation and Euro compliance is a requirement of the specifications. In the meantime, the suppliers of the Corporation's existing general ledger system have given an undertaking that the system will be updated to facilitate use for the Euro. A working party has been established to consider the broader implications of the Euro for the Corporation.

EDUCATION TRUST FUNDS - SUMMARY REVENUE ACCOUNTS 1999/2000

	HIGHER EDUCATION RESEARCH AND SPECIAL EXPENSES FUND £	ARCHIBALD DAWNAY £	ROBERT BLAIR FELLOWSHIP £
INCOME	14,412	6,225	7,499
EXPENDITURE	(5,998)	(7,365)	(8,407)
NET INCOMING (OUTGOING) RESOURCES	8,414	(1,140)	(908)
UNREALISED (LOSSES)/GAINS ON INVESTMENT ASSETS	(20,009)	(8,706)	(10,405)
NET MOVEMENT IN FUNDS	(11,595)	(9,846)	(11,313)
FUND BALANCE 1st April 1999	370,734	162,450	195,945
FUND BALANCE 31 March 2000	359,139	152,604	184,632

CASH FLOW STATEMENT

	1999/2000			1998/99
	£000	£000	£000	£000
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to and on behalf of employees	98,671			93,737
Other operating Cash payments	128,043			181,082
Housing Benefit paid to tenants not in council housing	1,673			1,292
Non-domestic rate payments to National Pool	313,437			435,889
Precepts to LFCDA and Temples	306			291
	<hr/>	542,130		<hr/> 712,291
Cash Inflows				
Rents (after deducting rebates)	(43,606)			(40,338)
Non-domestic rates receipts	(347,513)			(419,940)
Council Tax income	(2,173)			(1,915)
NNDR receipts from National Pool	(1,401)			(1,280)
City's Offset	(6,500)			(6,500)
Government Grants - Revenue Support and Police	(82,606)			(80,836)
Government Grant for Housing Benefit paid to tenants				
Not in council housing	(1,204)			(1,012)
Other Government Grants	(11,477)			(11,775)
Fees, charges and other income	(59,274)			(112,131)
	<hr/>	(555,754)		<hr/> (675,727)
Revenue activities net cash out flow (in flow)			<hr/> (13,624)	<hr/> 36,564
SERVICING OF FINANCE				
Interest received			(20,650)	(30,022)
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of Fixed Assets			120,348	26,370
Cash Inflows				
Sale of fixed assets			(21,611)	(21,190)
Reimbursements			(169)	(301)
Capital Grants received			(3,172)	(7,571)
Other			(39)	(12)
			<hr/> (24,991)	<hr/> (29,074)
Capital Activities net cash out flow (in flow)			95,357	(2,704)
DECREASE IN CASH			<hr/> 61,083	<hr/> 3,838

	1999/2000 £000	1998/99 £000
NOTES TO THE ACCOUNT		
(1) Reconciliation between net deficit/(surplus) on income and expenditure accounts to the revenue activities net cash flow.		
Net deficit/(surplus) Consolidated Revenue Account	3,376	3,833
Net deficit/(surplus) Housing Revenue Account	(1,564)	(1,506)
Net deficit/(surplus) Collection Fund	(212)	29
Net deficit/(surplus) D.S.Os	(25)	84
	-----	-----
Total net deficit	1,575	2,440
Interest	20,650	30,022
Non-Cash Transactions:		
Contribution from reserves and provisions	2,659	452
Contribution to Capital	(13,894)	(17,911)
Items on an accruals basis:		
Increase (decrease) in stock	(134)	(136)
Increase (decrease) in debtors	1,970	(6,897)
Decrease (increase) in creditors	(26,450)	28,594
	-----	-----
NET CASH OUT FLOW (IN FLOW) FROM REVENUE ACTIVITIES	(13,624)	36,564
	=====	=====
(2) Movement in cash balances		
Balance 1st April	402,775	406,613
Balance 31st March	341,692	402,775
	-----	-----
Cash out flow	61,083	3,838
	=====	=====
(3) Government grants		
Revenue Support grant	44,310	42,772
Police grant	25,773	25,905
SSA Reduction grant	7,421	12,159
Central Support Protection grant	5,102	-
	-----	-----
	82,606	80,836
	=====	=====

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Corporation's Responsibilities

The Corporation is required:

- . to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. This officer is the Chamberlain.
- . to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") are required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year.

In preparing this statement of accounts, the Chamberlain has:

- . selected suitable accounting policies and then applied them consistently
- . made judgements and estimates that were reasonable and prudent
- . complied with the Code.

The Chamberlain has also:

- . kept proper accounting records which were up to date.
- . taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chamberlain's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the City Fund of the Corporation of London at the 31st March 2000 and its income and expenditure for the year then ended.

Dated this 15th day of September 2000

.....
Chamberlain of London

At a meeting of the Finance Committee held at Guildhall on 27th September 2000, the Consolidated City Fund Accounts were approved and adopted on behalf of the Court of Common Council.

.....
Chairman of the Finance Committee

.....
Deputy Chairman of the Finance Committee

AUDITORS' REPORT TO THE CORPORATION OF LONDON

We have audited the statement of accounts on pages 1 to 43 which have been prepared in accordance with the accounting policies applicable to local authorities.

Respective Responsibilities of the Chamberlain and Auditors

As described on page 42, the Chamberlain is responsible for the preparation of the statement of accounts. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Corporation. (We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.)

Basis of Opinion

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant audit standards.

Our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also included an assessment of the significant estimates and judgements made by or on behalf of the fund in the preparation of the financial statements and of whether the accounting policies are appropriate to the Corporation's circumstances, consistently applied and adequately disclosed.

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

Opinion on the Authority's accounts

In our opinion the statement of accounts presents fairly the financial position of the City Fund of the Corporation of London at 31 March 2000 and its income and expenditure for the year then ended.

Certificate

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

Dated this day of October 2000
PricewaterhouseCoopers

GLOSSARY OF TERMS

Capital Charge - a charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure - expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Reserve - this reserve incorporates the provision for credit liabilities and includes entries for the financing of capital expenditure and other capital transactions.

Capital Receipt - the proceeds from the sale of a fixed asset such as land and council houses.

City's Cash - The Corporation's private funds which are accounted for separately and do not form part of the City Fund Statements.

Collection Fund - statutory account showing transactions in relation to the collection of council tax, payments to the London Fire and Civil Defence Authority, and the administration of the National Non-Domestic Rates.

Community Assets - assets that the Corporation intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and gardens or historic buildings.

Current Asset - an asset held which will be consumed or cease to have value within the next financial year, examples are stock and debtors.

Current Liability - an amount which will become payable or could be called in within the next accounting period, examples are creditors and cash overdrawn.

Deferred Capital Receipts - these result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long-term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

Deferred Charge - expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets.

Depreciation - the loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Direct Revenue Financing - expenditure on the provision or improvement of capital assets met directly from revenue account.

Impairment - a reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets - fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways, footpaths, bridges and sewers.

Investment Properties - interest in land or buildings which is held for investment potential.

Levies - these are charges incurred by the Corporation to meet London-Wide services. They include payments to the London Borough Grants Committee, the Environment Agency and the London Planning Advisory Committee.

National Non-Domestic Rates (NNDR) - a flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the Corporation, and after deducting the 'City offset' which is a special allowance to the Corporation granted by the Government, is passed on to Central Government.

Net Current Replacement Cost - the cost of replacing a particular asset in its existing condition and in its existing use.

Net Realisable Value - the open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Operational Assets - fixed assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties.

Provision - an amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:

- (a) the Corporation has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

Reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision. Certain reserves are allocated for specific purposes and are described as earmarked reserves.

Revenue Expenditure - the day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.

Useful Economic Life - the period over which benefits will be derived from the use of a fixed asset.