

THE CORPORATION OF LONDON
STATEMENT OF ACCOUNTS FOR THE CITY FUND
YEAR ENDED 31ST MARCH 2002

CORPORATION OF LONDON

Statement of Accounts for the City Fund

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EXPLANATORY FOREWORD

INTRODUCTION

1. This document set out the Corporation's City Fund accounts for the year 2001/2002. 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 9.
 - Housing Revenue Account – showing its ring-fenced income and expenditure - page 19.
 - Collection Fund Revenue Account – income from Non-Domestic Rates and Council Tax and its distribution to the City Fund, precepting authorities and the National Non-Domestic Rates Pool - page 24.
 - Consolidated City Fund Balance Sheet – setting out its financial position - page 28.
 - The Total Movement in Reserves Statement - all gains and losses for the year, both revenue and capital - page 36.
 - The Cash Flow Statement which summarises the City Fund capital and revenue inflows and outflows of cash - page 46.
 - The Statement of Responsibilities for the Statement of Accounts - page 48.
 - Glossary of Terms - page 51.

These accounts are supported by the Statement of Main Accounting Policies on pages 5 to 8 and various notes.

REVENUE EXPENDITURE

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

	Revised Estimate £M	Actual £M	Variation £M
Net Cost of Services	184	171	(13)
Exceptional item – Impairment *	11	15	4
Interest Income	(15)	(17)	(2)
Asset Management Revenue Account	(53)	(53)	-
Net Operating Expenditure	127	116	(11)
Net Transfers to (from) Revenue Reserves	(2)	2	4
Net Transfers to (from) Capital Reserves *	3	(3)	(6)
Deferred Charges Contra	(13)	(11)	2
Net Expenditure	115	104	(11)
Income from Government Grants and Local Taxpayers	(97)	(97)	-
Deficit (surplus) for year	18	7	(11)

** Accounting treatment requires the cost of impairment and its financing to be shown separately (the financing is included within the line for 'Net Transfers to (from) Capital Reserves'. However the overall impact on the revenue account is nil. Note 2 to the Consolidated Revenue explains the impairment.*

3. Net expenditure was £104m compared with the revised estimate of £115m, a reduction of £11m. The major changes were as follows:-

	£M	
Financing of capital expenditure	(2.9)	Revenue financing of capital expenditure was less than anticipated due to slippage or reduced requirements on a number of projects.
Planning and Economic Development	(2.5)	Primarily lower running costs and increased rent income on the City Fund property portfolio; reduced net expenditure on Town Planning and a larger net surplus from Building Control Services.
Interest Income	(1.6)	Higher interest rates than assumed.
Highways	(1.5)	Increased net income from off-street parking together with a reduced requirement on highways and traffic management.
Central Contingencies	(1.1)	Not all of the contingencies were required.
Environment Health	(0.5)	Increased income from services at the Heathrow Animal Reception Centre and lower net expenditure on other Port and City health services.
Corporate and Democratic Core	(0.4)	Expenditure on those functions and activities that provide the infrastructure to facilitate the delivery of services was lower than anticipated.
Rates and Council Tax Collection	(0.4)	Reductions on most expenditure heads, particularly support services.
General reduced requirement	(0.1)	The aggregate of smaller variations on other services.
Total Reduced Requirement in Net Operating Expenditure	(11.0)	

CAPITAL EXPENDITURE

4. The approved capital budget for 2001/02 totalled £97.5m. Actual capital expenditure during the year was £82.6m, an underspend of £14.9m compared with the revised budget. This underspend was a net figure across services and comprises slippage and/or re-phasing of expenditure on a large number of schemes. The single largest item was slippage of £12.3m on redevelopment of the old Spitalfields market site.

OVERALL FINANCIAL POSITION

5. As at 31st March 2002, the Consolidated Balance Sheet indicates that total assets exceed total liabilities by £1,241m an increase of £86m compared to the previous year. The net assets are represented by capital and revenue reserves of £1,043m and £198m 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.

RISK IDENTIFICATION

6. The Corporation is committed to a programme of risk management as an element of its strategy to preserve its assets, enhance productivity for service users and members of the public, and protect its employees.
7. In order to embed sound practice a Risk management Group is being established to ensure that risk management policies are applied, that there is an ongoing review of risk management activity and that appropriate advice and support is provided to members and officers.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

8. 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 48.

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 2000, 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.

Properties regarded as operational have been valued at their Open Market Value in 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 have been valued on the basis of open market value. Investment properties are based on 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, the Barbican Centre, the Central Criminal Court, the Police Stations 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. Where a fixed asset (other than freehold land) is not depreciated or has a life of more than 50 years, an annual impairment review is carried out.

Disposals

Income from the disposal of fixed assets is generally credited to the usable capital receipts reserve, and accounted for on an accruals basis. However, as required by legislation, part of the capital receipts from the disposal of Barbican flats on the open market are credited to a capital financing reserve.

Where a fixed asset is disposed of for other than a cash consideration, or receipt 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

Depreciation is provided for on all fixed assets with a finite useful life, other than freehold land and investment properties, unless the depreciation charge would be immaterial e.g. due to the longevity of the asset.

The depreciation charge is calculated by allocating the balance sheet value of the asset, less its residual value, to the periods expected to benefit from their use; generally the straight line method has been adopted over the following indicative periods:

General operational buildings	50 years
Certain 'listed' operational buildings	100 years
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 that 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 2001. However, where the effects 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 historic 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 over the useful life of the asset to match the depreciation of the asset to which the grant relates.

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 included in 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 costs of support service overheads, with the exception of expenditure on the corporate and democratic core, are 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 costs of support service buildings (including capital 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.

The capital costs of added years and gratuity benefits awarded since 1st April 1998 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. Added years and gratuity benefits awarded prior to 1st April 1998 are 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 7.4% is paid by the Corporation to the Teachers' Pension Agency.

18. VAT, Social Security and season Ticket Advances

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

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002

	NOTES	2001/2002			2000/2001
		GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000	NET EXPENDITURE £000
EXPENDITURE ON SERVICES					
EDUCATION		5,790	2,556	3,234	3,553
SOCIAL SERVICES		8,870	2,599	6,271	5,838
HOUSING REVENUE ACCOUNT		18,920	13,521	5,399	(636)
HOUSING (NON-HRA)		25,098	13,432	11,666	8,910
HIGHWAYS		21,506	16,157	5,349	8,226
POLICE		71,595	11,522	60,073	59,286
PLANNING AND ECONOMIC DEVELOPMENT		45,666	37,598	8,068	3,177
RECREATION AND TOURISM					
Libraries		13,526	851	12,675	11,287
Museums and Galleries		6,953	110	6,843	6,764
Barbican Centre		40,014	15,723	24,291	22,774
Other		2,785	480	2,305	2,166
ENVIRONMENTAL HEALTH		12,906	5,993	6,913	6,059
REFUSE COLLECTION AND DISPOSAL		7,792	3,195	4,597	4,106
OTHER SERVICES					
Magistrates' and Other Courts		8,974	4,896	4,078	4,448
Probation		93	4	89	53
Security and Contingency Planning		528	98	430	368
Coroner's Court		80	-	80	82
Rates and Council Tax Collection		857	465	392	211
Registration and Election Expenses		220	1	219	124
Corporate and Democratic Core		8,192	1,572	6,620	6,858
Miscellaneous	1	1,559	548	1,011	1,314
NET COST OF SERVICES		301,924	131,321	170,603	154,968

All activities are continuing in the current year.

	NOTES	2001/2002			2000/2001
		GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000	NET EXPENDITURE £000
EXCEPTIONAL ITEM – IMPAIRMENT	2	14,658	-	14,658	-
Contribution to Trading Services	3	4,689	4,523	166	209
Precepts to Inner and Middle Temples		158	-	158	150
Interest on Balances		-	16,919	(16,919)	(20,144)
Asset Management Revenue Account	4	-	53,238	(53,238)	(42,275)
NET OPERATING EXPENDITURE				115,428	92,908
APPROPRIATIONS					
Transfer to (from) Revenue Reserves					
- Housing Revenue Account				627	636
- Earmarked reserves				1,047	1,305
Transfer to (from) Capital Reserves					
- Financing of capital expenditure	5			15,974	6,357
- Amount charged as depreciation				(5,681)	(5,304)
- Amount charged as impairment				(14,658)	-
- Government grants deferred				579	413
- HRA Major Repairs Reserve				943	-
Deferred Charges				(10,699)	(6,984)
AMOUNT TO BE MET FROM GOVERNMENT GRANTS CITY'S OFFSET AND LOCAL TAXPAYERS				<u>103,560</u>	<u>89,331</u>
Collection Fund					
- City Offset				(6,500)	(6,500)
- Council Tax and precept adjustment				(3,208)	(2,879)
Contribution from Non-Domestic Rate Pool				(1,766)	(1,567)
Revenue Support Grant				(55,273)	(44,830)
Police Grant				(28,410)	(27,492)
SSA Reduction Grant	6			(1,858)	(3,715)
Central Support Protection Grant				-	(7,076)
				<u>(97,015)</u>	<u>(94,059)</u>
(Surplus) Deficit for year				6,545	(4,728)
Balance 1st April 2001				<u>(6,977)</u>	<u>(2,249)</u>
Balance 31st March 2002				(432)	(6,977)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. **Miscellaneous**

	2001/2002			2000/2001
	GROSS EXPENDITURE £000	GROSS INCOME £000	NET EXPENDITURE £000	NET EXPENDITURE £000
Transfer to Collection Fund	710	-	710	740
Computers upgrade Windows 98	-	-	-	102
Capital charges on Guildhall land	373	-	373	377
Discretionary rate relief	173	-	173	172
Grants and subscriptions	44	-	44	42
Levies	156	-	156	136
Electoral wards	-	-	-	120
Registration of births, deaths & marriages	9	4	5	16
Loan repayment income on Guildhall reconstruction	-	514	(514)	(514)
Other	94	30	64	123
TOTAL	1,559	548	1,011	1,314

2. **Exceptional Item – Impairment**

Impairment is the reduction in value of an asset that is similar in nature to depreciation. Impairments totalling £14.6m arose in 2001/02. The largest element relates to the Barbican Centre where capital enhancements did not result in a corresponding increase in value.

3. **Contribution to (from) Trading Services**

	2001/2002			2000/2001
	EXPENDITURE £000	INCOME £000	DEFICIT (SURPLUS) £000	DEFICIT (SURPLUS) £000
Spitalfields Market	3,591	3,403	188	245
Cemetery and Crematorium Grounds Maintenance	538	538	-	(16)
Vehicle Maintenance	560	582	(22)	(23)
Walbrook Wharf Building Maintenance	-	-	-	3
TOTAL	4,689	4,523	166	209

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

During the year, the Corporation also operated the two internal trading organisations set out in the table above. The Walbrook Wharf Building Maintenance service ceased on 31st March 2001.

4. **Asset Management Revenue Account**

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 grants and provision for credit liabilities.

	2001/2002 £000	2000/2001 £000
<u>Income</u>		
Capital Charges - City Fund	49,783	44,591
- Housing Revenue Account	8,378	1,545
Exceptional Item – Impairment	14,658	0
Reimbursement and Government grant deferred	579	413
Release of provision for credit liabilities	1,007	1,030
	-----	-----
	74,405	47,579
<u>Expenditure</u>	-----	-----
Provision for Depreciation	6,509	5,304
Exceptional item – Impairment	14,658	0
	-----	-----
	21,167	5,304
	-----	-----
Balance to Consolidated Revenue Account	53,238	42,275

5. **Financing of Capital Expenditure**

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

	£000
Direct revenue financing	13,307
Highway Improvements Reserve	1,709
London Metropolitan Archives Reserve	25
Repairs and Renewals – General Reserve	933

Total Financing	15,974

6. **SSA Reduction Grant**

The SSA reduction grant comprises two elements:-

	£000
(1) SSA Review	760
(2) Police Funding Review	<u>1,098</u>
	<u>1,858</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 on publicity which is included within individual services, is set out in the table below:-

Publicity Expenditure

	2001/2002 £000	2000/2001 £000
Accounts and Statutory Reports	51	74
Statutory Notices	62	203
Recruitment Advertising	575	402
Barbican Centre	1,113	1,554
Public Relations/Economic Development	3,143	2,820
Other	360	312
Total	5,304	5,365

8. **Pension Costs**

Employees are eligible to contribute to the Corporation of London Pension Scheme which is a fully funded defined benefits scheme. The figures in the following notes relate to the aggregate sums for all three Corporation funds (i.e. the City Fund, City's Cash and Bridge House Estates).

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 employer's regular contribution rate from 10.55% to 10.6% of pensionable pay. In accordance with the pension fund regulations, the required adjustment to the employer's contribution rate has taken effect from 1st April 1999 and is reflected in the accounts for the years 1999/2000, 2000/01 and 2001/02.

The next triennial valuation as at 31st March 2001 has also been completed by Watson Wyatt Partners. This valuation indicated that the level of funding of the past service liabilities has decreased by 11.9 percentage points to 87.6% (from 99.5% in 1998). This together with the need to provide fully for

anticipated future service liabilities, results in an increase in the employer's regular contribution rate from 10.6% to 16.4% of pensionable pay. The required adjustment to the employer's contribution rate has taken effect from 1st April 2002 and will therefore be reflected in next years accounts.

In 2001/02 the total employer's contributions to the Pension Fund were £9.2m amounting to 11.6% of pensionable pay. In 2000/01 the comparable figures were £8.9m and 11.3% respectively

The ongoing pension payments relating to added years and early retirement benefits awarded prior to 1st April 1998 are charged direct to services and amounted to £574,200 in 2001/02 which is 0.79% of pensionable pay (2000/01 = £568,800 and 0.71%). The estimated capital cost of discretionary added years awarded prior to 1st April 1998 that has not been provided for in the accounts is £6.5m. This estimate has been calculated using the method recommended by CIPFA in consultation with the Association of Consulting Actuaries Local Government Committee.

The capital costs of added years and early retirement benefits awarded each year since April 1998 are being recovered over five years through an increase in the employer's contribution. In this respect, the 11.59% for 2001/02 comprises the 10.6% regular contribution plus 0.99% to recover the appropriate proportions of the capital costs of added years and early retirements. The estimated capital cost of discretionary added years awarded since April 1998 that has not been provided for in the accounts is £3.5m calculated as follows.

Year Awarded	One Fifth of Capital Costs £000	Years Remaining No	Not Funded £000
1998/99	210	2	420
1999/00	270	3	810
2000/01	188	4	752
2001/02	301	5	<u>1,505</u>
			<u>3,487</u>

Teachers

The teachers' pension scheme is unfunded and administered by the Department for Education and Skills (DfES) as a multi-employer defined benefit scheme. The pension cost charged to the accounts is the contribution rate set by the DfES on the basis of a notional fund. In 2001/02 the Corporation's contribution to the Teachers' Pension scheme was £37,136 which represents 7.4% of teachers' pensionable pay (2000/01 = £34,861 and 7.4%). The rate charged on pensionable pay has increased to 8.35% from April 2002.

In addition, the Corporation is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2001/02 these amounted to £4,295, representing 0.85% of pensionable pay (2000/01 = £4,160 and 0.9%) and are included within the Education Service.

Uniformed Police

The cost of police pensions are met on a 'pay as you go' basis. In 2001/02 the net cost of pensions and other benefits amounted to £9.38m representing 43.8% of pensionable pay (2000/01 = £8.9m and 31.4%). This cost is included within the Police Service.

FRS 17

This standard requires the disclosure of specific information on each pension scheme. The information is set out in notes 14 to 16 accompanying the Consolidated Balance Sheet.

9. Agency Services

The Corporation carries out work on an agency basis for which it is fully reimbursed. The design, maintenance and improvement of sewers is undertaken on behalf of Thames Water Utilities (T.W.U.). During 2001/02, £133,228 (2000/01 £143,667) was recovered from the T.W.U.

Maintenance of highways within the City was undertaken on behalf of the Greater London Authority. The cost of £451,732 was fully reimbursed by the GLA.

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 Consolidated Revenue Account.

10. Leasing

No assets were acquired during the year through finance leases. Rent of £331,193 (2000/01 = £381,018) was paid in respect of operational leases for police computer equipment. £987,971 (2000/01 = £896,735) was paid in rent for 35 (2000/01 = 37) leased properties and open spaces.

Outstanding undischarged obligations in respect of operating leases are estimated to be £23.4m which can be banded as follows:

<u>Lease Expiring Within</u>	<u>Estimated Obligation</u>
	£M
0-5 Years	0.4
6-10 Years	2.2
11-15 Years	1.4
16-20 Years	4.2
➤ 20 Years	15.2

11. 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 funds of the Corporation.

Salary Range £	Wholly charged to City Fund				Partially charged to City Fund	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
	Police Officers		Other			
40,000 - 49,999	148	85	40	46	63	65
50,000 - 59,999	25	12	21	13	31	12
60,000 - 69,999	10	3	9	9	8	11
70,000 - 79,999	6	1	3	1	8	1
80,000 - 89,999	1	1	2	1	3	1
90,000 - 99,999	0	1	3	1	1	2
100,000 - 109,999	1	0	0	0	3	2
110,000 - 119,999	0	0	1	1	0	1
120,000 - 129,999	0	0	0	0	1	1
140,000 - 149,999	1	0	0	0	0	0
160,000 - 169,000	0	0	0	0	1	0

12. **Single Regeneration Budget Partnership Scheme**

The Corporation is the 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 London Development Agency (LDA), has made money available for suitable regeneration schemes. The Pool of London will be claiming grant of approximately £1m per annum until 2006/07. Next year (2002/03) is the last year for the City Fringe partnership and it is anticipated that some £1.8m will be claimed in grant during the year. The Corporation as accountable body claims the money from LDA and reimburses partners for their SRB expenditure, including the Corporation for some administration costs. Little of the regeneration expenditure relates to the City itself. 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 Corporation does not control the Partnerships' grant awarding processes and consequently it is not appropriate for all SRB transactions channelled through the Corporation to be recognised in the accounts. Accordingly, only such grant as is ultimately receivable by the Corporation together with the associated expenditure is included. On this basis, the accounts include revenue expenditure and income of £602,000 and capital expenditure and income of £260,000.

13. **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 Economic Development.

	Chargeable	Non	Total
	£000	Chargeable £000	£000
Expenditure			
Employees	977	244	1,221
Supplies and Services	106	27	133
Support Services	422	105	527
Total Expenditure	1,505	376	1,881
Income from Building Regulation Charges	(2,374)	-	(2,374)
(Surplus) Deficit for Year	(869)	376	(493)

14. **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’.

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; and
- (b) may speak but not vote thereon.”

Disclosure

Members and Chief Officers have been requested to disclose transactions in 2001/02 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 has made transactions with the Corporation. A number of disclosures have been received but none are considered material to the accounts.

Related Party Transactions with the Museum of London

The Museum of London is financed jointly by the Corporation and the Department for Culture, Media and Sport. The Corporation's contribution in 2001/02 was £ 4,519,000 (2000/01 = £4,480,500). Half 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
Precepts from other Authorities

Pension Fund
Staff car loans

HOUSING REVENUE ACCOUNT FOR YEAR ENDED 31ST MARCH 2002

The Housing Revenue Account (HRA) 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, management, rent rebates, capital charges, and how these are met by rents, subsidy and other income. The 2001/02 HRA reflects a form of resource accounting introduced by the Government and, consequently, not all headings are comparable between 2000/01 and 2001/02.

	NOTES	2001/02 £000	2000/01 £000
Income			
Dwelling rents (gross)	1	6,417	6,304
Non-dwelling rents (gross)		1,297	1,246
Charges for services and facilities		1,169	1,175
HRA Subsidy receivable (including MRA)	2	4,638	3,235
Total Income		13,521	11,960
Expenditure			
Repairs and maintenance		3,670	3,401
Supervision and management		4,329	4,242
Rents, rates, taxes and other charges		(8)	9
Rent rebates	3	2,477	2,423
Increased provision for bad or doubtful debts	6	74	27
Cost of capital charge	11	7,550	0
Depreciation		828	0
Total Expenditure		18,920	10,102
Net Cost (Income) of Services		5,399	(1,858)
Reversal of cost of capital charge	11	(7,550)	0
Interest on loans debit		619	794
Investment income		(309)	(309)
Net Operating Expenditure (Income)		(1,841)	(1,373)
Revenue contribution to capital expenditure		0	461
Loan repayment debit		271	276
Transfer to Major Repairs Reserve		943	0
Total Deficit (Surplus) for year		(627)	(636)
Balance at 1st April		(4,148)	(3,512)
Balance at 31st March		(4,775)	(4,148)

HOUSING REVENUE ACCOUNT

NOTES TO THE ACCOUNT

1. Dwelling Rents

The total rent income from dwellings was £6.417m (2000/01: £6.304m) after allowance for voids. On average during the year, routine and non-routine vacant properties were 0.54% of HRA stock (2000/01: 0.67%). As at 31st March 2002 average rents were £60.32 a week. (31st March 2001: £58.71)

2. Housing Subsidy

The Government pays a subsidy to the Housing Revenue Account. Subsidy is based on Government formulae that are used to calculate a number of elements in a notional account:

HRA Subsidy Entitlement	2001/02 £000	2000/01 £000
Management allowance	2,677	2,792
Maintenance allowance	2,227	2,290
Major repairs allowance	1,771	0
Tenant participation allowance	21	23
Resource accounting allowance	39	42
Charges for capital	998	1,256
Rent rebates	2,502	2,384
Rent income	(5,594)	(5,545)
Interest on receipts	(3)	(7)
Total HRA Subsidy	4,638	3,235

The Major Repairs Allowance (MRA) is a new element of subsidy introduced in 2001/02. It should be received annually and in the Government's words 'it represents the estimated long term average amount to maintain stock in its current condition'. The MRA can only be used to finance capital expenditure.

3. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. Approximately 43% (2000/01: 43%) of the Corporation's HRA tenants receive some help with the costs of rent.

4. Housing Stock

As at the 31st March 2002 the Corporation's HRA rental stock was 2040 dwellings. The HRA also includes costs and service charge income relating to sold properties of which there were 716 as at 31st March 2002.

Rental Stock	2001/02 No.	2000/01 No.
Houses and Bungalows	27	27
Flats	2,013	2,050
Total	2,040	2,077

Change in the Stock	2001/02 No.	2000/01 No.
Stock at 1 st April	2,077	2,114
Sales	(37)	(38)
Additions	0	1
Stock at 31st March	2,040	2,077

5. **Rent, Service Charge and Other Arrears**

As at 31st March 2002 rent arrears in respect of current residential tenants were 1.87% of gross rent income due for the year (31 March 2001: 1.86%). The total arrears for rent, service charges and other charges is £441,000 (31 March 2001: £444,000) as follows:-

	31/3/2002 £000	31/3/2001 £000
Former residential tenants	93	109
Current residential tenants	141	139
Commercial tenants	18	33
Service charges	89	90
Other charges	100	73
Total arrears	441	444

6. **Provision for Bad and Doubtful Debts**

	2001/02 £000	2000/01 £000
Provision at 1st April	265	255
Bad Debts written off	(39)	(17)
Increase/(Decrease) in Provision	74	27
Provision at 31st March	300	265

7. **HRA Fixed Assets**

	Operational Assets		Non – Operational Assets £000	Total £000
	Dwellings £000	Other Land and Buildings £000		
Balance Sheet value 1 st April	109,207	2,075	14,548	125,830
Depreciation	(690)	(42)	(96)	(828)
Additions	720	-	1	721
Disposals	(2,048)	-	-	(2,048)
Revaluation	5,741	-	362	6,103
Balance Sheet value 31 st March	112,930	2,033	14,815	129,778

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The vacant possession

value at 31st March 2002 is estimated to be £240.275m which has been reduced to £112.930m to reflect social housing use. This social housing use value is included in the City Fund Consolidated Balance Sheet. The reduction of £127.345m is a measure of the economic cost to Government of providing council housing at less than open market rents.

8. **Major Repairs Reserve**

	£000
Balance 1 st April	-
Depreciation from HRA	(828)
Additional transfer from HRA	(943)
Capital expenditure	721
Balance 31 st March	(1,050)

From 1st April 2001 councils are required to establish and maintain a Major Repairs Reserve in relation to their HRA property. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. Where HRA depreciation charges are less than the MRA it is a requirement that an amount equal to the difference is also transferred from the HRA to the MRR. The reserve is used to finance capital expenditure and the balance is included with other capital reserves in the City Fund Consolidated Balance Sheet.

9. **HRA Capital Expenditure**

Expenditure for capital purposes during 2001/02 and methods of financing are set out below.

	£000
Expenditure in year	
Fixed assets	721
Deferred charges	352
	1,073
Methods of financing	
Major repairs reserve	721
Reimbursements	352
	1,073

10. **HRA Capital Receipts**

Capital receipts from the sale of dwellings, land and other property during 2001/02 are as follows.

	£000
Dwellings	2,569
Land	-
Other	-
Total	2,569

11. **The Cost of Capital Charge**

This charge is calculated as 6% of the balance sheet value of assets as at the start of the year and acts as a measure of the cost of capital tied up in such assets. However, in order that the charge does not distort the net HRA operating expenditure it is reversed out through an adjustment below the line for net cost of services. This adjustment replaces the charge with the actual interest payable on loans.

THE COLLECTION FUND

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002

<u>INCOME</u>	Notes	2001/02 £000	2000/01 £000
Income from Business Ratepayers	1	474,696	387,652
Discretionary Rate Relief		173	171
Council Taxes	2	2,554	2,274
Council Tax Benefit		154	145
Contribution from City Fund	3	710	740
Provision for Uncollectable Amounts	4	3,531	-
		481,818	390,982
		Df	Df
<u>EXPENDITURE</u>			
Contribution to the National Non-Domestic Rate Pool		470,122	379,306
Provision for Uncollectable Amounts	4	-	48
Cost of Collection Allowance	5	1,822	1,911
Precept from Greater London Authority		183	168
Precept from City Fund			
- City Offset	6	6,500	6,500
- Council tax	7	3,208	2,879
		Df	Df
Total Expenditure		481,835	390,812
Surplus/(Deficit) for Year		(17)	170
Balance 1st April		1,132	962
Balance 31st March		1,115	1,132

COLLECTION FUND

NOTES TO THE ACCOUNT

1. Income from Business Rates

The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate with a National Non-Domestic Rate (NNDR) set by the Government. In 2001/02 the Corporation set a rate of 43.0p which equalled the National Non-Domestic Rate.

	2001/02 £000	2000/01 £000
Non-domestic rates income	635,907	602,022
Government transition scheme	(124,674)	(168,284)
Non-domestic rates income after transition scheme	511,233	433,738
Less: Voids	(28,838)	(37,465)
Mandatory and discretionary relief	(5,745)	(4,490)
Partly occupied allowance	(857)	(1,813)
Interest	(1,097)	(2,318)
Net income from business ratepayers	474,696	387,652

The total rateable value of the City at 31st March 2002 was £1,552m (31st March 2001 = £1,530m).

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 £547.73 or a band D property calculated as follows:-

	£000	£000
Corporation's Original Budget		97,015
Less:-		
Distribution from Non-Domestic rates pool	1,766	
Government grants	85,540	
City's offset	6,500	
Estimated collection fund surplus	894	94,700
Estimated amounts to be raised from Council Tax		2,315
Divided by:-		
Council tax base for the City area (number of band D equivalent properties)		No: 4225.91
Basic amount for Band D Property		£547.73

To this amount is added £32.03 in respect of the precept from the Greater London Authority to arrive at the total council tax of £579.76 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	386.50
B	7/9	450.92
C	8/9	515.34
D	9/9	579.76
E	11/9	708.60
F	13/9	837.44
G	15/9	966.26
H	18/9	1,159.52

TAX BASES 2001/02

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% produce the tax base for each of the areas shown.

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A	-	-	6.17	6.17
B	-	-	139.22	139.22
C	-	-	363.03	363.03
D	-	-	564.50	564.50
E	3.67	1.22	1,478.89	1,483.78
F	26.72	16.61	708.14	751.47
G	21.25	42.08	918.33	981.66
H	-	4.00	154.50	158.50
AGGREGATE RELEVANT AMOUNTS	51.64	63.91	4,332.78	4,448.33
COLLECTION RATE	95%	95%	95%	95%
TAX BASES	49.06	60.71	4,116.14	4,225.91

3. **Contribution from City Fund**

In accordance with Government direction, £710,000 has been transferred from the City Fund to moderate the Corporation's council tax for 2002/03.

4. **Provision for uncollectable amounts**

This provision has been re-assessed and reduced from £8.614m (31st March 2001) to £5.083m (31st March 2002).

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 £1,822,174 for 2001/02 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	2,314
- the estimated collection fund balance at 31 st March 2001	<u>894</u>
	<u>3,208</u>

CITY FUND
CONSOLIDATED BALANCE SHEET AT 31ST MARCH 2002

		31 st March 2002		31st March 2001
	Notes	£000	£000	£000
FIXED ASSETS	1			
Council Dwellings		164,446		154,114
Other Land and Buildings		253,472		227,824
Vehicles, Plant and Equipment		7,564		7,682
Infrastructure and Community Assets		19,935		15,628
Investment Properties		<u>545,729</u>		<u>455,702</u>
			991,146	860,950
DEFERRED CHARGES	2		1,000	1,000
LONG TERM DEBTORS	3		3,744	1,919
CURRENT ASSETS				
Stocks		418		461
Debtors and Payments in Advance	4	15,578		17,653
Investments		426		426
Cash and Bank		<u>299,982</u>		<u>327,450</u>
			316,404	345,990
LESS CURRENT LIABILITIES				
Creditors and Receipts in Advance	5		(61,716)	(46,176)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,250,578</u>	<u>1,163,683</u>
LONG TERM BORROWING	6		(1,000)	(1,000)
DEFERRED CREDITS				
Deferred Capital Receipts	7		(407)	(546)
PROVISIONS	8		(1,726)	(2,227)
GRANTS AND CONTRIBUTIONS DEFERRED ACCOUNT	9		(6,834)	(5,239)
TOTAL ASSETS LESS LIABILITIES			<u><u>1,240,611</u></u>	<u><u>1,154,671</u></u>
CAPITAL RESERVES	10		1,043,206	952,400
REVENUE RESERVES	10			
Earmarked			141,193	123,831
Other Revenue Reserves			56,212	78,440
TOTAL EQUITY			1,240,611	1,154,671

..... 10th September 2002
Peter Derrick
Chamberlain

NOTES TO THE CONSOLIDATED CITY FUND BALANCE SHEET

1. Fixed Assets

Movement of Fixed Assets during 2001/02 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 2001	154,114	227,824	7,682	8,133	7,495	455,702	860,950
Impairment	-	(9,483)	-	-	-	(5,175)	(14,658)
Depreciation	(750)	(2,908)	(1,649)	(1,202)	-	-	(6,509)
Additions	1,696	12,196	1,563	4,725	786	48,917	69,883
Disposals	(6,319)	-	(32)	-	(2)	(4,170)	(10,523)
Revaluation at 31 March 2002	15,705	25,843	-	-	-	50,455	92,003
Net book value as at 31 March 2002	164,446	253,472	7,564	11,656	8,279	545,729	991,146

Expenditure for capital purposes (including deferred charges and loans for capital purposes) during 2001/02 and methods of financing are set out below:

<u>Capital Expenditure</u>	2001/02 £000	2000/01 £000
Expenditure in year		
- Fixed assets	69,883	15,403
- Deferred charges	10,699	6,984
- Loan for capital purposes	2,000	-
Reduction (increase) in creditors	<u>(2,275)</u>	<u>(330)</u>
	<u>80,307</u>	<u>22,057</u>
<u>Methods of Financing</u>		
Direct revenue financing:		
City Fund	15,341	6,357
Housing revenue account	721	461
Usable Capital receipts	48,242	5,998
Grants and Contributions		
- Received in year	2,972	2,034
- Deferred in year	2,175	1,294
Provision for credit liabilities	<u>10,856</u>	<u>5,913</u>
	<u>80,307</u>	<u>22,057</u>

Analysis of Fixed Assets

	31 March 2002	31 March 2001
<u>Commercial Properties</u>		
Housing	102	102
Investment Properties	93	87
Barbican Residential	16	16
	211	205
<u>Operational Properties</u>		
The Barbican Centre	1	1
Guildhall Complex	1	1
Courts	3	3
Education Building	1	1
Art Galleries	1	1
Police Buildings	4	4
Police Housing	2	5
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	8	8
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
	45	48
<u>Housing Properties</u>		
Housing Revenue Account	2,040	2,077
Barbican Residential	187	202
Former Spitalfields Market	18	18
	2,245	2,297

Fixed Asset Valuation

Properties regarded as operational have been valued at their Open Market Value in 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 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 2002 in accordance with the Rolling Five Year Programme of Revaluation:-

- Police Properties
- London Metropolitan Archives
- Cemetery and Crematorium
- Fish Imports Building
- Barbican Estate – residential properties and Public Services Building
- Housing Committee dwellings and commercial properties
- Guildhall Yard East (City Fund Element)
- Barbican Centre
- Spitalfields Market
- Non-operational properties

The current asset values used in the accounts for the Barbican Centre, Central Criminal Court, Woodredon and Warlies Park, Police Stations and most of the investment properties are based on assessments by external valuers. All other asset values have been prepared by the City Surveyor.

City Fund - Capital Commitments

Capital commitments are estimated to be £49.91m at the 31st March 2002. This sum excludes commitments for which the expenditure is considered to be recoverable. The most significant items within the £49.91m relate to the acquisition of investment properties, schemes at the Barbican Centre and highway improvements.

2. Deferred Charges

	<u>£000</u>	<u>£000</u>
Balance as at 1 April 2001		1,000
Expenditure – Improvement grants	-	
- Other	<u>10,699</u>	10,699
Amounts written off to revenue account		(10,699)
Balances as at 31 March 2002		<u>1,000</u>
The balance at 31 st March 2002 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

	31/3/2002 £000	31/3/2001 £000
Mortgages on the sale of Housing Properties	408	547
Loan to Museum of London	3,309	1,341
Service Charge Loans	<u>27</u>	<u>31</u>
	3,744	1,919
	=====	=====

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

	31/3/2002 £000	31/3/2001 £000
Rents	3,431	2,162
Ratepayers	7,503	13,474
Sundry	8,552	9,610
Car Loans to Employees	739	331
Prepayments	<u>1,932</u>	<u>2,157</u>
	22,157	27,734
Provision for Doubtful Debts	<u>(6,579)</u>	<u>(10,081)</u>
	15,578	17,653
	=====	=====

5. **Creditors and Receipts in Advance**

	31/3/2002 £000	31/3/2001 £000
Ratepayers	13,464	8,993
Sundry	23,873	24,802
Government - National Non-Domestic Rates Pool	12,418	714
Spitalfields Market Tenants Fund	1,956	1,819
Receipts in advance	7,237	7,166
Deposits	<u>2,768</u>	<u>2,682</u>
	61,716	46,176
	=====	=====

6. **Long-Term Borrowing**

This comprises £1m of 3% stock maturing in 2007. The stock was issued in connection with the Tithe Extinguishment Act 1947 to provide funds for purchasing the right of the Church Commissioners to levy a tithe rate in the City.

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.

	2002 £000	2001 £000
Balance 1 st April	546	749
New Advances in Year	-	-
Repayments and Redemptions	(139)	(203)
	-----	-----
Balance 31 st March	407	546
	=====	=====

8. **Provisions**

	2002			2001
	Receipts in Year £000	Payments in Year £000	Balance 31 st March £000	Balance 31 st March £000
Tithe Extinguishment Sinking Fund	-	-	473	473
Police Pension Liabilities	94	594	1,253	1,753
	-----	-----	-----	-----
	94	594	1,726	2,226
	=====	=====	=====	=====

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.

Police Pension Liabilities - Sums set aside to meet the pension liabilities of those officers 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 1 st April 2001		5,239
Deferred in year		
- Grants	542	
- Contributions	<u>1,632</u>	2,174
Released to Asset Management Revenue Account in Year		
- Grants	(387)	
- Contributions	<u>(192)</u>	(579)
Balance as at 31 st March 2002		<u>6,834</u>
<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. Statement of Total Movement in Reserves

	CAPITAL RESERVES						REVENUE RESERVES			TOTAL
	FIXED ASSET RESTATE -MENT £000	CAPITAL FINANC- ING £000	USABLE CAPITAL RECEIPTS £000	LIFFE BUILDING FUTURE CAPITAL £000	HRA MAJOR REPAIRS £000	SUB TOTAL £000	UNALL- OCATED £000	CITY FUND £000	EAR- MARKED £000	£000
Balance 1st April 2001	681,049	195,845	62,592	12,914	-	952,400	71,463	6,977	123,831	1,154,671
Net transfers in year	-	(36,080)	(3,489)	-	1,771	(37,798)	(15,683)	-	16,752	(36,729)
Net surplus/(deficit) for year	-	-	-	-	-	-	-	(6,545)	610	(5,935)
Unrealised gains (losses) from re-valuation	92,001	-	-	-	-	92,001	-	-	-	92,001
Cost or value of assets disposed of	(10,521)	-	-	-	-	(10,521)	-	-	-	(10,521)
Proceeds of disposals	-	3,489	14,153	-	-	17,642	-	-	-	17,642
Financing of fixed assets	-	78,444	(43,299)	(4,942)	(721)	29,482	-	-	-	29,482
Balance 31st March 2002	762,529	241,698	29,957	7,972	1,050	1,043,206	55,780	432	141,193	1,240,611

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 2001	565,707	115,342	681,049
Unrealised gains or losses on revaluation of fixed assets	86,630	5,371	92,001
Disposal of fixed assets	(8,473)	(2,048)	(10,521)
Balance 31st March 2002	643,864	118,665	762,529

B. Capital Financing Reserve

	PROVISION FOR CREDIT LIABILITIES £000	FINANCING OF CAPITAL EXPENDITURE £000	OTHER £000	TOTAL £000
Balance brought forward 1 st April 2001	22,581	289,695	(116,431)	195,845
Reserved capital receipts 2001-2002	3,489			3,489
Financing of capital				
- from City Fund Revenue Account		15,341		
- from Housing Revenue Account		721		
- from usable capital receipts		48,241		
- from grants and reimbursements		2,973		
- from reserved capital receipts		10,856		78,132
Use of reserved capital receipts to meet capital outlay	(10,856)			(10,856)
Social housing grant set aside	6,586			6,586
Usable receipts set aside as credit cover for credit arrangements	-			-
Release of credit cover releases	(1,007)			(1,007)
Release of deferred grants and contributions			579	579
Depreciation / Impairment			(20,339)	(20,339)
Write down of deferred charges			(10,699)	(10,699)
Loan repayments received			(32)	(32)
Balance carried forward 31 st March 2002	20,793	367,827	(146,922)	241,698

The capital financing 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 receipts governed by the special regulations was £10,075,015 at 31st March 2002

C. Movement In Earmarked Reserves

		Balance – 31/3/01 £000	Net transfer (to)/from CRA £000	Net transfer (to)/from Unallocated Reserves £000	Other Net Transfers £000	Balance - 31/3/02 £000
Highway improvements	(i)	20,924	3,283	-	-	24,207
Renewals and repairs:	(ii)					
London Fruit Exchange		146	(108)	-	-	38
London Metropolitan Archives		2,206	(463)	-	-	1,743
Old Spitalfields Market Maintenance Fund		512	-	-	-	512
New Spitalfields Market Building Defects		175	(39)	-	-	136
General		932	(932)	-	-	-
School's reserve	(iii)	7	20	-	-	27
Police future expenditure	(iv)	3,854	1,235	-	-	5,089
Barbican Centre	(v)	-	65	-	-	65
General Reserve	(vi)	46,352	-	-	-	46,352
Future Revenue Requirement	(vii)	2,963	-	1,799	-	4,762
Committed Capital Budget	(viii)	38,000	-	11,910	-	49,910
Housing Revenue Account	(ix)	4,148	627	(22)	22	4,775
Collection Fund	(x)	1,132	-	-	(17)	1,115
Service projects	(xi)	2,480	(2,014)	1,996	-	2,462
Total		123,831	1,674	15,683	5	141,193

- (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 that was part of the Old Spitalfields Market.

The London Metropolitan Archives Building - The objectives are to provide for the refurbishment of existing premises and for historic property related commitments.

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.

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 budget 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 £5.089m to finance revenue expenditure in subsequent years.
- (v) Barbican Centre - This reserve represents the accumulated balance against that part of the Centre's budget which is cash limited.
- (vi) General Reserve - 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.
- (vii) Future Revenue Requirement - This reserve provides for the anticipated shortfall between the Corporation's revenue expenditure in 2002/2003 (excluding the financing of capital) and its income from local taxpayers, the Corporation's offset, and government grants.
- (viii) Committed Capital Budget - This reserve represents the estimated sum necessary to finance the Corporation's capital commitments (net of recoverable items).
- (ix) 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.

- (x) Collection Fund – The surplus is being used to reduce the council tax amounts in 2002/03.
- (xi) Service Projects - A number of reserves for service specific projects and activities have been aggregated under this generic heading.

11. **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:

Education

- (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 2002 was £318,037.
- (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 2002 was £133,587.
- (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 2002 was £159,398.

Summary revenue accounts for the three Trust Funds are shown below.

	HIGHER EDUCATION RESEARCH & SPECIAL EXPENSES FUND £000	ARCHIBALD DAWNAY £000	ROBERT BLAIR FELLOWSHIP £000
INCOME	(9)	(4)	(5)
EXPENDITURE	4	2	6

NET (INCOMING) OUTGOING RESOURCES	(5)	(2)	1
UNREALISED LOSSES (GAINS) ON INVESTMENT ASSETS	27	12	14
NET MOVEMENT IN FUNDS	22	10	15
FUND BALANCE 1 st April 2001	(340)	(143)	(174)
FUND BALANCE 31 March 2002	(318)	(133)	(159)

Keats House

The object of this charity is to preserve, maintain and restore for the education and benefit of the public the Keats House property as a museum and live memorial to John Keats and as a library meeting place and centre. A summarised statement of the income and expenditure of the Trust is set out below.

	£000
Income	(191)
Expenditure	<u>216</u>
Net outgoing resources	25
Funds brought forward 1 st April 2001	<u>(29)</u>
Funds carried forward 31 st March 2002	<u>(4)</u>

Barbican Centre Trust Limited

The Trust is a controlled company in accordance with the "Local Authorities" (Companies) Order 1995. The Trust is limited by guarantee and therefore the directors have no shareholding interest. The object of the Trust is to foster and promote the maintenance, improvement and development of artistic taste and the knowledge, understanding, education and appreciation of the arts amongst the inhabitants of the City and generally.

	£000
Income	(10)
Expenditure	<u>16</u>

Net outgoing resources	6
Funds brought forward 1 April 2001	<u>(8)</u>
Funds carried forward 31 st March 2002	<u>(2)</u>

12. **Contingent Liabilities**

The Corporation is awaiting the decision of the VAT Tribunal with regard to an appeal against HM Customs & Excise's ruling concerning the tax liability of certain Corporation services. The outcome of the appeal could affect the Corporation's 5% de minimis position. The appeals process is likely to be lengthy as, once the Tribunal's decision is known, it is possible that further appeals may ensue, and, until concluded, it is not possible to determine whether liability exists. The potential liability for City Fund could be £1.296m up to 2001/02 and £353,000 per annum thereafter.

The Corporation's employers' liability insurance was placed with the Independent Insurance Company Limited from June 1997 to July 2000. Following the provisional liquidation of the Independent Insurance Company Limited in June 2001, the Corporation's outstanding claims, and any future claims where the event occurred during the period of insurance, are likely to be treated as unsecured creditors. Consequently, the Corporation may not be paid in full. The potential value of the claims presently outstanding is estimated to be in the region of £0.45m in total across all three Corporation Funds.

13. **The Euro**

Preparations for the Euro will not be accelerated until the timetable for its introduction becomes firmer. Consequently, a reasonable estimate of likely cost is not available at this stage. However, the replacement of the Corporation's major financial systems is due to commence within the next year and these systems provide for Euro compliance.

14. **The Corporation of London Pension Fund**

The Corporation administers a defined benefit scheme. At 31st March 2002 its share of assets and liabilities in the pension fund, determined in accordance with Financial Reporting Standard 17 were as follows: -

	£m
Liabilities	429.4
Assets	<u>323.8</u>
Net Liability	<u>105.6</u>

The City Fund, City's Cash and Bridge House Estates participate in the pension scheme. It has not been possible to split the assets and liabilities between the three funds and therefore the total assets and liabilities are disclosed above. If the net liability of £106m were to be deducted from the total reserves in the City Fund balance sheet, these would reduce from £1,241m to £1,135m.

Liabilities have been valued by the Corporation's consulting actuaries based upon their latest triennial valuation, at 31 March 2001. They have used the projected unit method, which assesses the future liabilities of the fund from the contribution rate that meets the costs of benefits accruing in the year after the valuation date. The main assumptions used in the calculations are set out below. The discount rate assumption is based on a 3.5% real rate as directed by the 'Code of Practice on Local Authority Accounting in the United Kingdom 2000 – Update Bulletin 2'.

<u>Assumptions</u>	Nominal % per annum 31 March 2002	Real % per annum 31 March 2002
Price Increases	2.5	-
Salary Increases	4.3	1.8
Pension Increases	2.5	-
Discount Rate	6.1	3.6

Assets are valued at fair value, principally market value for investments, and consist of:

	£m
Equity Investments	296.6
Gilts	12.9
Other Bonds and Property	3.9
Cash	<u>10.4</u>
Total	<u>323.8</u>

The following expected rates of return have been assumed:

	2002/03 %
Equities	7.5
Gilts	5.25
Other Bonds and Property	6.0
Cash	4.5

15. **The Teachers Pension Scheme**

The teachers' pension scheme is unfunded and administered by the Department for Education and Skills (DfES) as a multi-employer defined benefit scheme. As it is not possible to identify the assets and liabilities at individual employer level, the pension arrangements are treated as a defined contribution scheme in the Corporation's accounts.

16. **The Police Pension Scheme**

The police pension scheme is defined benefit and unfunded. As it is administered by the Corporation in accordance with Home Office regulations it is not a multi-employer scheme. At 31st March 2002 the estimated liabilities of the Police Pension Scheme determined in accordance with Financial Reporting Standard 17 were £285m. As the scheme is unfunded, it has no assets. The main assumptions used in calculating the liabilities are the same as set out in note 14 above for the Corporation of London Pension Fund. If the net liability of the Corporation of London Pension Fund

(£106m) and the liability of the Police Pension Fund (£285m) were both to be deducted from the total reserves in the City Fund balance sheet, these would reduce from £1,241m to £850m.

CASH FLOW STATEMENT

	2001/02			2000/01
	£000	£000	£000	£000
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to and on behalf of employees	105,573			102,743
Other operating cash payments	135,088			138,262
Housing Benefit paid to tenants not in council housing	1,435			1,493
Non-domestic rate payments to National Pool	458,419			405,343
Precepts to GLA and Temples	<u>341</u>			<u>318</u>
		<u>700,856</u>		<u>648,159</u>
Cash Inflows				
Rents (after deducting rebates)	(50,956)			(48,273)
Non-domestic rates receipts	(486,209)			(383,504)
Council Tax income	(2,563)			(2,287)
NNDR receipts from National Pool	(1,766)			(1,567)
City's Offset	(6,500)			(6,500)
Government Grants – Revenue Support and Police	(85,540)			(83,113)
Government Grant for Housing Benefit paid to tenants not in council housing	(1,042)			(1,326)
Other Government Grants	(17,980)			(13,341)
Fees, charges and other income	<u>(61,370)</u>			<u>(69,168)</u>
		<u>(713,926)</u>		<u>(609,079)</u>
Revenue activities net cash out flow (in flow)			<u>(13,070)</u>	<u>39,080</u>
SERVICING OF FINANCE				
Interest received			<u>(16,919)</u>	<u>(20,144)</u>
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets			<u>80,621</u>	<u>22,136</u>
Cash Inflows				
Sale of fixed assets			(14,127)	(20,674)
Reimbursements			(1,078)	(1,553)
Capital Grants received			(7,959)	(4,456)
Other			<u>(0)</u>	<u>(147)</u>
			<u>(23,164)</u>	<u>(26,830)</u>
Capital Activities net cash out flow (in flow)			57,457	(4,694)
DECREASE IN CASH			<u>27,468</u>	<u>14,242</u>

	2001/02 £000	2000/01 £000
NOTES TO THE CASH FLOW STATEMENT		
(1) Reconciliation between net deficit/(surplus) on income and expenditure accounts to the revenue activities net cash flow.		
Net deficit/(surplus) Consolidated Revenue Account	6,545	(4,728)
Net deficit/(surplus) Housing Revenue Account	(627)	(636)
Net deficit/(surplus) Collection Fund	17	(170)
Net deficit/(surplus) D.S.Os	(22)	(36)
Total net deficit (surplus)	<u>5,913</u>	<u>(5,570)</u>
Interest	16,919	20,144
Non-Cash Transactions:		
Contribution from (to) reserves and provisions	(1,575)	(897)
Contribution to Capital	(18,129)	(7,529)
Items on an accruals basis:		
Increase (decrease) in stock	(43)	69
Increase (decrease) in debtors	(2,027)	1,524
Decrease (increase) in creditors	(14,128)	31,339
NET CASH OUT FLOW (IN FLOW) FROM REVENUE ACTIVITIES	<u>(13,070)</u>	<u>39,080</u>
(2) Movement in cash balances		
Balance 1st April	327,450	341,692
Balance 31st March	299,982	327,450
Cash out flow	<u>27,468</u>	<u>14,242</u>
(3) Government Grants		
Revenue Support Grant	55,273	44,830
Police Grant	28,410	27,492
SSA Reduction Grant	1,857	3,715
Central Support Protection Grant	-	7,076
	<u>85,540</u>	<u>83,113</u>

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; and
- complied with the Code.

The Chamberlain has also:

- kept proper accounting records which were up to date; and
- 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 2002 and its income and expenditure for the year then ended.

..... 10th September 2002
Peter Derrick
Chamberlain

ADOPTION OF THE CITY FUND ACCOUNTS

At a meeting of the Finance Committee held at Guildhall on 24th September 2002, 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 which have been prepared in accordance with the accounting policies applicable to local authorities.

Respective Responsibilities of the Chamberlain and Auditors

As described, 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 2002 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 November 2002

PricewaterhouseCoopers

GLOSSARY OF TERMS

Asset Management revenue Account – is charged with depreciation and impairment and receives as its income the capital charges made to services together with the release of deferred grants and provision for credit liabilities. In general terms, the net income on the account represents the extent to which charges to services exceed depreciation and impairment.

Bridge House Estates - a Trust relating to the maintenance and support of four Corporation owned bridges and the making of grants for the benefit of Greater London, particularly for the provision of transport, and access to it, for the elderly and disabled. The Trust is accounted for separately and does not form part of the City Fund Statements although references are made to Bridge House Estates in certain parts of the statements.

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 that 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 or council houses.

City's Cash – the Corporation's private funds that are accounted for separately and do not form part of the City Fund Statements, although references are made to City's Cash in certain parts of the statements.

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

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.

Defined Benefit 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.

Defined Contribution 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 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.

Fixed Asset Restatement 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.

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 that are held for investment potential.

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

National Non-Domestic Rate (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.

Projected Unit Method – An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- b) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries

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.

Scheme Liabilities – the liabilities of a defined benefits 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.

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.

Vested Rights – in relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- b) for deferred pensioners, their preserved benefits;
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.