CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2008-9

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Opinion on the Authority's accounting statements

I have audited the accounting statements and related notes of City of Bradford Metropolitan District Council, (the authority) for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies, and comprise:

- the Income and Expenditure Account,
- the Statement of the Movement on the General Fund Balance,
- the Balance Sheet, the Statement of Total Recognised Gains and Losses,
- the Cash Flow Statement;
- the Collection Fund; and
- the related notes.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Strategic Director of Corporate Services and the auditor

The Strategic Director of Corporate Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the City of Bradford Metropolitan District Council's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Signed

Paul Lundy
District Auditor

Kernel House
Killingbeck Drive
Leeds
LS14 6UF

Date 30 September 2009

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies and comprise:

- the Fund Account;
- the Net Assets Statement; and
- the related notes.

This report is made solely to the members of City of Bradford Metropolitan District Council as administering body for the West Yorkshire Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Strategic Director of Corporate Services and the auditor

The Strategic Director of Corporate Services' responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Signed

Paul Lundy
District Auditor

Kernel House
Killingbeck Drive
Leeds
LS14 6UF

Date 30 September 2009

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, the City of Bradford Metropolitan District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Signed

Paul Lundy
District Auditor

Kernel House
Killingbeck Drive
Leeds
LS14 6UF

Date 30 September 2009

Certificate

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

Signed

Paul Lundy
District Auditor

Kernel House
Killingbeck Drive
Leeds
LS14 6UF

Date 30 September 2009

Introduction to the Council's Accounts

This report sets out the Council's Statement of Accounts for the financial year 2008-9. One of the prime objectives of the report is to provide easily understood information, which gives an insight into how the Council has performed during the financial year.

Facts and figures have been presented as simply and clearly as possible. However the legal and accounting requirements imposed by the Code of Practice on Local Authority Accounting in the United Kingdom and the Accounts and Audit Regulations 2003 (as amended in 2006) mean that certain statements are unavoidably detailed.

This foreword includes a **Statement of Responsibilities** and is followed by an **Annual Governance Statement**. The accounting statements then follow, beginning with the **Report of the Strategic Director, Corporate Services**. This report summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2008-9. Information about the amount of money spent by the Council and where the money comes from is shown in a series of charts. A distinction is made between revenue spending (the annual cost of providing services) and capital expenditure (spending on schemes which will have a long-term benefit for the citizens of the Bradford District).

The **Statement of Accounting Policies** sets out in detail the accounting policies adopted by the Council. It is followed by the **main financial statements**. The first of which is a UK Generally Accepted Accounting Principles (UK GAAP) compliant **Income and Expenditure Account (I&E)**. The I & E brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers. The second statement is **The Statement of Movement on the General Fund Balance (SMGFB)** which reconciles the I & E with the amounts that have to be taken into account when calculating the authority's budget requirement and in turn its council tax demand. The third and final statement is the **Statement of Total Recognised Gains and Losses (STRGL**) which brings together the surplus or loss on the I & E with other gains and losses to show the total movement in the authority's net worth for the year.

The **Balance Sheet** identifies the value of the Council's land, buildings and vehicles and how much it has borrowed. It also shows how much the Council owed to suppliers and how much was owed to the Council at the year end. **The Cash Flow Statement** sets out in detail where the Council received cash from and what this cash was spent on.

Following on from the main financial statements is a consolidated set of notes to the accounts covering all of the main statements. Supplementary statements for the **Collection Fund**, showing how much money has been collected from council tax and non-domestic rates and how this money has been passed on to precepting authorities, and for the **West Yorkshire Pension Fund**, for which Bradford is the administering authority, complete the Council's single entity financial statements.

Following the sale of Leeds Bradford International Airport Ltd in May 2007, the authority has determined that it is no longer required to publish **Group Financial Statements.**

In order to help readers a **Glossary of Terms** widely used in relation to local authority finance and referred to within these accounts is included at the back of the document.

The financial statements are subject to audit by the authority's external auditors.

City of Bradford Metropolitan District Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director, Corporate Services
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the statement of accounts

The Strategic Director, Corporate Services' Responsibilities

The Strategic Director, Corporate Services is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting and the Accounts and Audit Regulations 2003 (as amended in 2006).

In preparing this statement of accounts, the Strategic Director, Corporate Services has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were both reasonable and prudent
- Kept proper and up to date accounting records
- Taken reasonable steps for the prevention and detection of fraud and other irregularities
- Complied with the Code of Practice

In addition Financial Services has issued

- A code of practice for all finance officers employed by the Council, outlining their individual responsibility for maintaining the highest professional standards
- A manual on the practices to be adopted in the preparation of the Council's year end accounts
- Various corporate standards giving guidance on specific accounting issues

Certification of the Accounts

I certify that the statement of accounts presents fairly the position of the City of Bradford Metropolitan District Council at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Signed:

Becky Hellard
Strategic Director, Corporate Services
Date: 25 September 2009

In accordance with the Accounts and Audit Regulations 2003 (as amended in 2006) I certify that the statement of accounts was approved by the Corporate Governance and Audit Committee on 25 September 2009

Signed:

Councillor Margaret Eaton
Chair of Corporate Governance and Audit Committee
Date: 25 September 2009

INTRODUCTION

Each local authority operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. Through this framework a local authority is accountable to its users, stakeholders and the wider community and the effectiveness of these arrangements can have a significant impact on how well it meets its aims.

It is generally acknowledged that good governance leads to good management, good performance and ultimately good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

SCOPE OF RESPONSIBILITY

The City of Bradford Metropolitan District Council (CBMDC) is responsible for ensuring that the Council's business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised.

The CBMDC is also the administering authority for the West Yorkshire Pension Fund (WYPF). The WYPF Governance Compliance statement has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (Amendment No. 3 Regulations 2007).

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, including the WYPF, facilitating the effective exercise of its functions as well as arrangements for the management of risk.

The Council has approved and adopted an amended and updated Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework - 'Delivering Good Governance in Local Government'. A copy of the code will be posted on the Council's website at www.bradford.gov.uk or can be obtained from City of Bradford Metropolitan District Council, City Solicitor at City Hall, Bradford BD1 1HY.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework has continued in place at the Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

The governance framework comprises the systems and processes, cultures and values, by which the Council and its partners are directed and controlled and its activities through which it accounts to and engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

KEY ELEMENTS OF THE GOVERNANCE FRAMEWORK

• The Constitution of the Council

The Council has a Constitution that sets out how it operates, how decisions are made and the procedures that are followed to ensure it is efficient, transparent and accountable to local people.

The Articles of the Constitution lay down the basic rules governing conduct of the Council's business. More detailed procedures and codes of practice are provided in separate rules and protocols contained in other parts of the Constitution. The Constitution was adopted in accordance with the requirements of the Local Government Act 2000 following extensive public consultation.

The Articles of the Constitution, the rules of procedure and codes of practice and protocols inform a number of the governance arrangements that make up the governance framework.

The Constitution is subject to an annual review which is undertaken by the Corporate Governance and Audit Committee. Recommendations from the Committee to amend the Constitution are submitted to Annual Council for approval.

• The Executive

The Constitution provides the framework within which the Executive takes decisions in discharge of the Council's functions, subject to the scrutiny of a number of Improvement Committees. The Executive is collectively responsible for the decisions it makes and its decision making arrangements are designed to be open, transparent and accountable.

• Corporate Governance & Audit Committee

A major strength in any governance framework is the establishment of a Corporate Governance & Audit Committee. The Committee in particular has responsibility for:

- approving the Council's 'Statement of Accounts which include the WYPF
- agreeing the annual 'Internal Audit Plan'
- receiving matters of a financial nature referred by External Audit
- reviewing the adequacy of all governance arrangements;
- considering the effectiveness of the risk management arrangements on the internal control environment.
- have legal and strategic responsibility for the WYPF

A mid-year review, update and progress report on the significant governance issues reported in the Council's Annual Governance Statement 2007-8 was presented to the Committee in January 2009. The Code of Corporate Governance was also reviewed and updated during the year.

The membership of the Committee comprises five cross party members none of whom are members of the Executive.

The Council has established two bodies to assist and support the Corporate Governance & Audit Committee oversee the WYPF:

- the WYPF Investment Advisory Panel and
- the WYPF Joint Advisory Group

The WYPF Investment Advisory panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity. In this capacity, the Panel will be responsible for formulating the broad future policy for investment. At meetings of the Panel the overall investment portfolio will be reviewed and any necessary adjustments to the spread of investments made as well as decisions taken about the investment of new money.

The WYPF Joint Advisory Group has overall responsibility for overseeing and monitoring the WYPF's pensions Administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the group will approve the budget estimates for the pensions Administration and investment Management functions of WYPF, and also receive WYPF's Annual Report and Accounts.

• Standards Committee

This Committee has responsibility for the Council's ethical framework, in particular ensuring the good conduct of members and officers and reviewing relevant protocols.

- advising the Council on the adoption or revision of the Members' code of conduct.
- monitoring the operation of this code.
- advising and training members of Council, voting co-opted members of Committees and Panels, independent members of the Standards Committee and church and parent governor representatives, on matters relating to the Members' code of Conduct.

• Risk Management Processes

The Council has continued to progress the development and embedding of risk management, both corporately and across service areas during 2008-9. The Executive reviewed the Strategy in 2008. No updates were required.

As a principle, the Strategy provides a systematic business approach utilising risk management methodologies. Risk management training is standard within project management and at particular key stages of project implementation.

The Council maintains both corporate and service risk registers and these also identify those actions required to mitigate any risks identified. The registers are regularly maintained, reviewed and updated. The Corporate Risk Register is reviewed quarterly by the Corporate Management Team and by the Executive through a formal report by the Chief Executive as part of an integrated monitoring and performance report.

In addition there is a separate risk register for the WYPF. Risks are monitored and management action plans are in place for risks assessed as requiring active management. Annually a risk management report is submitted to the WYPF Joint Advisory Group.

Through its work with the LAA, partnership plans have risks identified to promote a better understanding between partners and support better decision making and impact assessment. The Council has also sought to strengthen the governance around integrated commissioning arrangements between itself and its partners which involves the consideration of associated risks.

• Financial & Performance Management

General overview of Financial Management

The system of internal financial control is based upon a framework of providing regular monitoring and reporting information to the Corporate Management Team, performance clinics and the Executive on finance issues, financial regulations, administrative procedures and, management supervision within a structure of delegation and accountability.

A Service Area Budget Review (SABR) was completed and informed the budget setting process for 2009-10. SABR information will be built upon and developed during the year to support the budget for 2010-11 and ongoing. In particular it will focus on incorporating key issues identified into business/service planning and undertaking key strands of work. SABR identified cross cutting initiatives to be developed for efficiency and service improvement/value for money. These initiatives will be an integral part of future budget considerations.

The Medium Term Financial Strategy was revised in year and promoted the careful consideration of those risk factors which would impact on financial performance including budgetary provision at service level.

A project management approach, including a risk assessment matrix and whole life costing was strengthened to ensure focus on key capital projects, their timely delivery and best use of Council resources and outcomes. The reports are considered by the Corporate Programme Management Board chaired by the Chief Executive. The Capital Strategy and Capital Investment Plan will undergo a thorough review prior to the budget discussions of 2010-11.

Political engagement in the budget continues to evolve with the cross party Budget Strategy Group receiving financial and performance information to inform budget priorities.

Outline of Performance Management

Performance management reporting has, since the introduction of performance clinics, become a regular quarterly monitoring process of the Council. Performance clinics are embedded and demonstrate a clear Corporate Management Team commitment to establish a performance culture.

There is significant evidence of an effective performance management culture within departments and consistency across the Council continues to improve. The implementation of the new performance framework provides clarity and accountability for data quality and the role of members.

A clear cycle of integrated monitoring and reporting is in place at the corporate level, made up of the following elements:

Quarterly Performance Clinics by the Corporate Management Team which look at performance, risk and finance issues in relation to the Council's corporate priorities.

The Chief Executive's corporate integrated monitoring report to the Executive setting out the current position on performance, risk management and finance in relation to the Council's activities. The quarterly report sets out the key areas of progress, the key issues and areas for continued attention in relation to the Council's corporate priorities.

The Chief Executive is required to report back to the Corporate Improvement Committee what action has been taken to ensure progress in the key areas highlighted in the report or identified in the corporate risk register.

The Leader of Council now holds regular accountability meetings with each Portfolio Holder where the key issues for that portfolio are discussed. These meetings are part of the Council's Performance Framework and should support the Leader and each Portfolio Holder identify their key priorities for the coming months. These meetings are also attended by the Chief Executive and the relevant Strategic Director(s) in support roles.

Portfolio holders also receive regular performance briefings from officers.

In addition, the Executive receives detailed quarterly financial monitoring reports throughout the year which are discussed at the Corporate Management Team.

A key development ongoing is to integrate risk management with performance in the new Covalent system.

• Business Continuity Management

The Council is committed to undertaking business continuity management, as detailed in the Civil Contingencies Act 2004, in line with its visions and values to ensure it can provide all its key functions in the event of an emergency or disruption so far as is practicable.

The Emergency Management Team has put in place the policy and framework which sets the Council's policy for business continuity management and also on how the process will be integrated within the Council and the Emergency Management response structure.

As the process involves service continuity, it has been agreed that Assistant Directors will be the officers to lead on business continuity planning within their service areas. The Emergency Management Team has co-ordinated its introduction at service level and provided assistance and guidance to services with their planning.

• Internal Audit

The review of the effectiveness of the governance framework is informed by the work of the Internal Audit section which covers both the Council and the West Yorkshire Pension Fund. The key areas of assurance relate to the work detailed in their monitoring reports on the Council's control environment and are reported on a quarterly basis to Corporate Governance and Audit Committee. The Chief Internal Auditor is also required to prepare and present an annual report as prescribed in the Code of Practice.

Internal Audit's opinion on the overall adequacy and effectiveness of the Council's internal control environment is contained within the Annual Report which was presented to the 25th June 2009 Corporate Governance and Audit Committee meeting.

Internal Audit has concluded, based on the findings of the work they have undertaken, that there are sound systems of internal control in place. A number of operational governance issues have been identified and action is being taken to put improvements in place.

The triennial review of Internal Audit undertaken during the year confirmed that the section substantially met the Code of Practice for Internal Audit

• External Audit & Inspection Work

External Audit undertake a programme of work during the year covering areas such as value for money and internal control. Details are contained within the Audit and Inspection Plan, regular progress reports, the Comprehensive Performance Assessment, and the publication by the Audit Commission of the Council's Annual Audit and Inspection Letter. The results of this work have been taken account of when determining the measure of risk to the Council.

The Audit Commission's annual assessment of the Council's use of resources is an integral part of the Comprehensive Performance Assessment. The Council received a score of 3 for the Use of Resources performance in 2008.The Audit Commission said in their judgement that overall 'the Council performs well in the use of its resources. It has good arrangements for internal control and managing its spending within the available resources .It has improved its financial reporting'.
A score of 3 means the Council was judged to be consistently above minimum requirements and performing well. The Council's overall direction of travel was judged to be improving adequately. The scores for the individual themes were as follows:

	Score 2008
Financial Reporting	2
Financial Management	3
Financial Standing	3
Internal Control	3
Value for Money	2

• Group Activities

Bradford City Centre Urban Regeneration Company Limited is a company in the group and the Council has obtained assurances concerning their governance arrangements. The company is to be wound up later this year.

REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's Annual Report, and also by comments made by External Auditors and other review agencies and inspectors.

Senior management within the Council have responsibility for the development and maintenance of the governance arrangements. Confirmations have been sought from Strategic Directors and the Chief Executive that reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations. They have been asked to confirm that risk management is embedded in their departments and to report on the level of compliance with key controls that are set out in the Key Control Booklets.

The Council operates an effective governance framework, as demonstrated by the following attributes:-

There is a clear vision of the Council's purpose and intended outcomes for citizens and service users that is clearly communicated

• The Council's 2020 Vision - the 20 year vision for the district - sets out the long term broad vision for the district based on future projections and informs strategic planning and ownership amongst all key partners.

• The Big Plan 2008-2011 is the overarching strategy for the district. The purpose of the Big Plan is to deliver the strategic vision for the district in the medium term. It will inform corporate planning and ownership amongst key partners as well as establishing the critical issues and key priorities for the district over the next three years.

With the Big Plan 2008-2011 now in place and the new LAA as the main delivery vehicle for the Local Strategic Partnership, the Council's Corporate Plan has been reviewed for the period 2009-2012.

At its meeting of 14th October 2008, the Executive agreed 20 strategic delivery priorities for the Council which are the improvement priorities and major projects on which it will focus its resources in the medium term in support of The Big Plan and the Council's improvement and efficiency agenda. These priorities reflect and take account of:

- The shared outcomes, transformational and other priorities of The Big Plan
- The Council's commitment and contribution to the various Partnership Delivery Plans
- The major projects and programmes that the Council is undertaking
- Improvements identified in response to the Council's Corporate Assessment 2008.

The strategic delivery priorities, together with the Service Area Budget Review process carried out in Autumn 2008 have informed the development of the Council's Medium Term Financial Strategy and 2009-11 budget agreed by full Council on 26th February.

The draft Corporate Plan, to be presented at Executive on 23rd June with a recommendation to Council for approval emphasises:

- an increased focus on the transformational priorities of education, regeneration and skills
- an improved cross referencing to the Big Plan, to minimise duplication of information.
- the Council's contributions at a strategic level to the Big Plan

• The Corporate Plan establishes the direction and key priorities of the Council for the next three years. It informs the Medium Term Financial Strategy, the priority - led budget setting process and service plans.

• Community Pride establishes clear channels of communication with all sections of the community and other stakeholders

• The Council is currently formulating action plans in response to the recent corporate inspection and in readiness for the implementation of the Comprehensive Area Assessment (CAA).

Arrangements are in place to review the Council's vision and its implications for its governance arrangements

• The Council's Corporate Plan has been reviewed and enforces an increased emphasis on the transformational priorities of the Council.

• The Council's Corporate Plan, the three year strategic plan, is reviewed and updated annually. This is influenced by external inspections, and their findings as well as meeting the requirements of the External Auditors Key Lines of Enquiry for corporate assessments, Use of Resources and CAA preparations.

• The Council's Constitution is reviewed and approved by Council at its annual meeting

Arrangements exist for measuring the quality of services for users, ensuring services are delivered in accordance with the Council's objectives and represent the best use of resources

• Performance Clinics are embedded and demonstrate a clear Corporate Management Team commitment and actions to establish a performance culture. There is significant evidence of an effective performance management culture within departments and consistency across the Council continues to improve.

• The implementation of the new performance framework provides clarity for accountability, for data quality and the role of members. The Audit Commission judged the Council's data quality management arrangements as satisfactory. However, their follow up work found that plans had not progressed as quickly as indicated in the action plan.

• The Council is currently investing in the development of an observatory to enable partners to share data and improve effective performance management arrangements.

• Customer satisfaction surveys are conducted regularly and action plans developed from the concerns raised by respondents.

• Citizen's panels and customer forums are held.

• Departments carry out their own mini performance clinics.

• The Council has a Value for Money framework and the Government's efficiency targets for local authorities require delivery of 3% cashable efficiency savings.

• Additionally the Council has 7 Improvement Committees which are required to contribute to the better decision making of the council, secure continuous improvement in service delivery as well as review the development of community participation in council activities. These committees receive and consider quarterly performance clinic reports.

The roles and responsibilities of the Executive, the non-executive, scrutiny and officer functions including clear delegation arrangements and protocols for effective communication are clearly defined

• The Articles of the Constitution of the Council set out the role and responsibilities of the Executive. The Executive is responsible for all the functions of the Council other than the exceptions detailed in the Constitution.

• The terms of reference of members of the Council, Committees and sub-Committees, including their roles and functions, are set out in the Articles of the Constitution.

- Overview and Scrutiny procedure rules, the arrangements for the scrutiny of matters and the rules governing the conduct of any matter proposed to be subject to scrutiny by a committee are contained in the Constitution of the Council.

• The Council has in place a Corporate Governance and Audit Committee to strengthen and consolidate its governance arrangements.

• The Constitution sets out the functions of the Council's designated posts. The Head of Paid Service is the Chief Executive, the Monitoring Officer is the Assistant Director, City Solicitor and the S151 responsibilities are undertaken by the Strategic Director, Corporate Services.

• The Articles of the Constitution set out the delegation of functions to officers by the Council and the Executive and the rules that officers shall follow in discharging delegated functions.

• Protocols for effective communications of Committee decisions are contained in the Council's Constitution. Similarly the Constitution lays out the rules governing decisions taken by officers, however there are concerns about awareness and the accuracy of recording these decisions. A programme of training for officers has been determined and a programme of governance training is being developed for the Autumn 2009.

Codes of conduct defining the standards of behaviour for members and staff are in place and are communicated and embedded across the organisation

• The Articles of the Constitution set out that the Standards Committee has the role and function of promoting and maintaining high standards of conduct by members of Council and monitoring the operation of the Members' code of conduct.

• The Articles of the Constitution contain a code of members' conduct which members must observe. Training, on the code of conduct is offered to all members.

• A protocol on member- officer relations in the Articles of the Constitution provides rules and guidance for members, co-opted members and officers in their working relations.

• There are protocols for members on gifts and hospitality and members use of Council resources including the use of email and the internet in the Constitution.

• The Articles of the Constitution set out general principles of conduct for employees of the Council. There is a need to develop a complete code of practice for employees as recommended by the Department of Communities and Local Government. The statutory code of conduct for local government employees however is still awaited.

Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals clearly define how decisions are taken and the processes and controls required to manage risks are implemented

• Council standing orders for contracts and financial regulations are contained in the Constitution of the Council. They are subject to annual review by officers before approval at the Corporate Governance and Audit Committee and adoption by full Council at the annual meeting.

• Key control booklets are maintained by Internal Audit, updated as required and placed on the Council's intranet.

• Job descriptions and personnel specifications for all senior officers detail their key responsibilities.

The Council undertakes the core functions of an audit committee, as identified in CIPFA Audit Committees-Practical Guidance for Local Authorities

• The Articles of the Constitution sets out the role and functions of the Corporate Governance and Audit Committee. These include maintaining an overview of the Council's corporate governance framework, partnership arrangements and the risk management of the control environment.

Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

• The Monitoring Officer, under the Articles of the Constitution, is required to maintain an up to date version of the Constitution and to make amendments and/or improvements as necessary to take account of changes in legislation, guidance, Council policy, decisions of the Council and the Executive.

• The Monitoring Officer, following consultation with the Chief Executive and the Section 151 Officer, is required to report to the Executive if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. To assist the Monitoring Officer in this role, Legal Services monitor new legislation and disseminate this information to service departments.

• The Section 151 officer, under the articles of the Constitution, following consultation with the Chief Executive and the Monitoring Officer, is required to report to the Executive and the Council's External Auditor if she considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficit.

• Each Strategic Director and the Chief Executive are required to confirm in an annual letter to the Section 151 officer that they have taken reasonable steps to ensure compliance with established policies, procedures, laws and regulations, including how risk management is embedded in the Departments. This is underpinned by performing the key control self assessment and levels of non compliance are duly considered.

• The reports of Internal and External auditors consider and inform compliance with regulations, policies and procedures.

• All reports to Executive must be cleared by the Council's Management Team, the Monitoring Officer and the Assistant Director – Finance.

Arrangements are in place for whistle blowing and for receiving and investigating complaints from the public

• The Council has a whistle blowing policy embodied in the confidential Reporting Code for Employees as well as a Corporate Anti-fraud Strategy Statement. These can both be accessed on the Council's intranet site.

• Under the Articles of the Constitution, the Corporate Governance and Audit Committee has a function to consider the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements.

• Internal Audit has dedicated resources to undertake independent investigations and report on allegations of impropriety. The section has purchased the Focus on Fraud and Corruption Training Package which will be rolled out to all staff.

• The Council has a formal 'Comments, Complaints and Compliments' procedure on the "Contact us" section of the Council's website. All members of the public have the right to complain to the Council in writing, by telephone or by speaking to a member of staff.

• The Standards Committee has the responsibility to deal with alleged failure by members to comply with the code of conduct, practice or protocol approved by the Council.

Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

• The Council is committed to supporting members in undertaking their varied and evolving roles and responsibilities. A dedicated officer has recently been appointed and is currently working up, in consultation with members, a full training and development programme.

• The Council recognises that alongside members, employees are an important resource - the development of the two goes hand in hand. The key outcomes identified in the People Strategy focus on effective workforce planning and development, embracing leadership and skills training for all staff.

• A key priority for the Council is the further development of strategic workforce planning and for it to be fully embedded within the business planning process.

Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

• Area Committee arrangements and Neighbourhood Forums. The Council has five Area committees to encourage community engagement and participation. A principal form of securing dialogue with communities is by establishing and operating neighbourhood forums.

• The Executive's Forward Plan is published at least 14 days before the start of the four month period covered by the plan. It is available for inspection free of charge during normal office hours and is published on the Council's website. The Forward Plan contains matters which the Leader of the Council believes will be the subject of key decisions to be taken by Executive.

• Overview and scrutiny arrangements provide for meetings to be open to the public, except where confidential information or exempt information is likely to be disclosed.

• The Council's website provides a communication and wide ranging information link.

• The Annual Statement of Accounts provides a report on the Council's financial activities for the year. The Council's Medium Term Financial Plan will be available from July.

• Publications, Community Pride and other publicity arrangements including specific area community newsletters such as Streets Ahead provide communication channels with the district's citizens.

• Financial and other information is issued with Council Tax bills.

The Council has incorporated good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflects these in the Council's overall governance arrangements

• The Constitution of the Council sets out the role and functions of the Corporate Governance and Audit Committee which includes maintaining an overview of the Council's partnership arrangements.

• Good governance principles have been incorporated into contractual relationships with partners such as Bradford i (IBM), Education Bradford (Serco) and the Local Education Partnership (LEP) under the Building Schools for the Future programme.

• The new revised Local Strategic Partnership will be working to the new Sustainable Community Strategy and Local Agreement 2008-2011 and will identify all our partnerships and develop an action plan.

• A partnership delivery team has been established to support the Local Strategic Partnership supported by the Accountable Body Guidance Manual. Training on the application of this guidance has been provided to partners.

AREAS OF IMPROVEMENT FOR SIGNIFICANT GOVERNANCE ISSUES

The annual review has established that the Council has arrangements in place which provide a sound governance framework and system of internal control. However the Council is not complacent and seeks to continually improve the arrangements it has in place. Whilst recognising improvements to date, the emphasis going forward is to address identified weaknesses and put in place an improvement plan to address known areas of concern. The Corporate Governance and Audit Committee will be kept informed of progress.

The Council adopts a process of risk management and departmental and corporate risk registers are maintained and reviewed on a quarterly basis. The Corporate Risk Register is scheduled for a complete review and update over the summer period.

Significant progress has been made during the year with regard to the Supporting People Action Plan. The judgement from the inspection in January 2009 gave recognition to many examples of positive outcomes for service users and a range of strengths outlining corporate commitment to the delivery and improvement of the service. The Council was assessed as one star with promising prospects – a significant step forward. Following up on the recommendations of the Supporting People Inspection is seen as a key area for continued attention by senior management.

The Council is making progress in the introduction of a new pay structure under the 1997 Single Status Agreement. However, the timescales for achieving implementation remain challenging and moderation and negotiation will be impacted as the national agenda evolves.

The Council's performance on sickness absence, whilst showing some signs of improvement remains a priority.

Work has already begun to assess and manage the impact on the Council and district of two new emerging issues:

Creating a more prosperous district
The economic downturn and recession will have a financial impact on the Council's finances and an increased demand for services. The economic downturn is adversely impacting on council tax and business rates collection levels. Increased unemployment, deprivation and debt have all had an impact. Year end collection rates are below target. Attention is being addressed to a number of key areas.

Improving the environment
Progress with the interim contract to deal with the district's waste in advance of the 2015 PFI has been disappointing and action to bring the procurement to a conclusion is a priority. The cost of alternative methods of dealing with waste in the interim period is prohibitive and represents a serious risk to the Council. Whilst recycling has seen a 3% improvement during the year, the performance of the service overall is still in the bottom quartile. It was hoped that the interim contract would provide a significant boost to performance and without this, potential for growth in recycling is limited.

The overall adequacy and effectiveness of the Council's internal control environment is reviewed on a continual basis by Internal Audit. Monitoring reports throughout the year have demonstrated an improvement in the controls in operation and working effectively compared to the corresponding period in 2007-8. However a number of operational controls are required to be improved.
Management have been instructed to improve the segregation of duties and control arrangements in two areas of work although there have been no reports or incidences of maladministration. Development work is still outstanding on reports generated through the ESS/MSS system for recording annual leave, however work to configure SAP to directly produce P11D statements is progressing satisfactorily.

The Council during the year has refined a number of financial processes to strengthen target setting, service delivery and performance management:

The Service Area Budget review (SABR) process informed the budget setting process and this will be built upon for future years. Cash limited budgets reflecting key pressures such as demographic and legislative impacts, a revised and strengthened Medium Term Financial Strategy and the Project Appraisal Group to inform the Council's investment all supported a more focussed approach to financial and service planning. Further enhancements are planned for implementation in 2009-10 – in particular linking more clearly financial and performance information, programme management in respect of capital investment and resourcing initiatives and strategic workforce planning and business planning.

We have followed up from various sources of evidence – a review of the Corporate Plan 2008-09, Outturn Performance Report and by obtaining direct comments from senior management about the latest position regarding the significant governance issues that require attention - that appropriate actions are being taken to address the issues and the need for improvement.

Councillor Kris Hopkins, Leader of Council

Tony Reeves, Chief Executive
25 September 2009

Report by Becky Hellard, Strategic Director, Corporate Services

On 28 February 2008 the Council set its budget and council tax for 2008-9. Spending of £416.185m was approved for the authority. This was to be funded from government grants and local taxation totalling £408.601m and £7.584m from corporate reserves.

Included within the £416.185m was £8.570m held corporately for Waste Management Strategies and the implementation of Single Status. In 2008-9 both the nature and timescale on these strategies changed. As a consequence the £8.570m of budget earmarked for Waste Management Initiatives and Single Status was not required and the corporate reserves set aside to fund the initiatives remained intact at the year end.

Overall services have underspent by £2.193m after withdrawing a net £1.784m from service earmarked departmental reserves held for specific purposes. Non service areas over performed by £4.230m. Of the total under spend position of £6.423m, services have requested that £4.673m is transferred into a Better Use of Budget Reserve. The resulting net revenue underspending of £1.750m (0.4%) against a budget set for 2008-9 of £406.851m has been credited to the General Fund balance at the year-end.

	£000	£000
Variations in spending by Departments 2008-9		
Children's Services	-689	
Corporate Services	-906	
Environment & Neighbourhoods	-1,434	
Regeneration	1,918	
Other departments (net)	-1,082	**-2,193**
Variations in other costs		
Interest and YPO surplus	-1,574	
Contingencies not used	-1,568	
Internal insurance premiums	-1,356	
Other costs	268	**-4,230**
Total variations in spending		**-6,423**
Transfer to Better Use of Budget Reserve		**4,673**
Net Underspending transferred to the General Fund Balance		**-1,750**

- Children's Services: The net underspend of £689k occurred out side the area of schools spending which is funded directly through the Dedicated Schools Grant. Principal areas of underspend occurred in the Skills for Work Service of (£209k), Learning Services (£222k), education rates (£175k). Delays in establishing the new Children Services Department added a further (£346k) to the underspend. Areas of underspending were offset against two significant areas of pressure mainly the Industrial Services Group (£281k) and costs of Social Care (£123k).

- Corporate Services: the service faced a significant pressure during the financial year as a consequence of the current economic recession. This particularly affected land charges income resulting in an overspend of £568k. Other services within Corporate Services under spent, giving a gross underspend of £1.474m, (net underspend £906k). These underspends were largely due to deferred implementation of projects or planned to meet known pressures in 2009-10.

- Environment and Neighbourhoods. The department incurred an underspend of £1.434m due in the main to an underspend of £1.115m on Area Action and Area Initiatives budgets. These specific budgets were allocated to each of the five areas within the district as part of the 2008-9 budget. Plans are currently being drawn up for specific initiatives and programmes of work for future implementation. The district has also seen a reduction in waste taken to landfill of 14,000 tonnes. The resulting saving on landfill disposal costs was used to offset other budget pressures within waste disposal service and services involving ground and winter maintenance.

- Regeneration: overall Regeneration overspent by £1.918m in 2008-9, after the use of reserves totalling a net £1.106m. The main causes of the overspend were the impact of the down turn in the economy on the Planning Section (£1.311m) and the severe winter weather on Highway Maintenance (£621,000).

- The significant underspendings in other departments were £496,000 in the Deputy Chief Executive's Office and £275,000 in Adult Services.

- Interest and investment income: The combination of average cash balances of over £180m and investments that had been fixed in 2007-8 for twelve months meant that the full impact of the fall in interest rates in the latter half of 2008-9 had only a partial effect in 2008-9.

- Contingencies: The underspending of £1.568m relates in the main to residual balances earmarked for Waste Management Initiatives and other smaller pressures.

- Internal insurance premiums: Following a successful insurance tender exercise and improved claims experience, there was a net saving on internal insurance premiums in 2008-9 of £1.356m.

Schools

There was a net surplus on schools' delegated budgets of £4.321m, and as a result the overall level of school balances increased from £25.907m at 31 March 2008 to £30.228m at 31 March 2009. The net surplus is made up of deficit balances of £982,000 and surplus balances of £31.210m. The number of schools in deficit has been reduced from 6 to 3 over the year. These sums have been carried forward to schools' budgets in 2009-10 in accordance with delegated arrangements. Schools are legally entitled to carry forward 8% of primary school budgets, and 5% of secondary school budgets.

General Fund Balance

The General Fund balance acts as a necessary contingency against unforeseen events. At 31 March 2009 the General Fund balance totalled £12.724m, compared to £10.974m at 31 March 2008, an increase of £1.750m which represents the surplus for the year. This is in line with the Council's policy of maintaining a prudent level of reserves of 2.5% of the next financial year's budget.

More Details

The Strategic Director, Corporate Services presented her report "Outturn Position and Statement of Accounts for the Financial Year Ended 31 March 2009" to the meeting of the Council's Executive on 23rd June 2009. The report provides more details of the Council's financial performance in 2008-9. It is a public document and can be viewed via the Council's Internet site www.bradford.gov.uk

How Much Money Did the Council Spend?

In 2008-9 the gross revenue expenditure on the provision of services was £1,343.249m. This included £20.606m paid to the West Yorkshire Passenger Transport Authority and £764,000 paid in local precepts to Parish Councils. For a further breakdown of the amount spent on individual services see either the chart following or the Income and Expenditure Account (page 24).

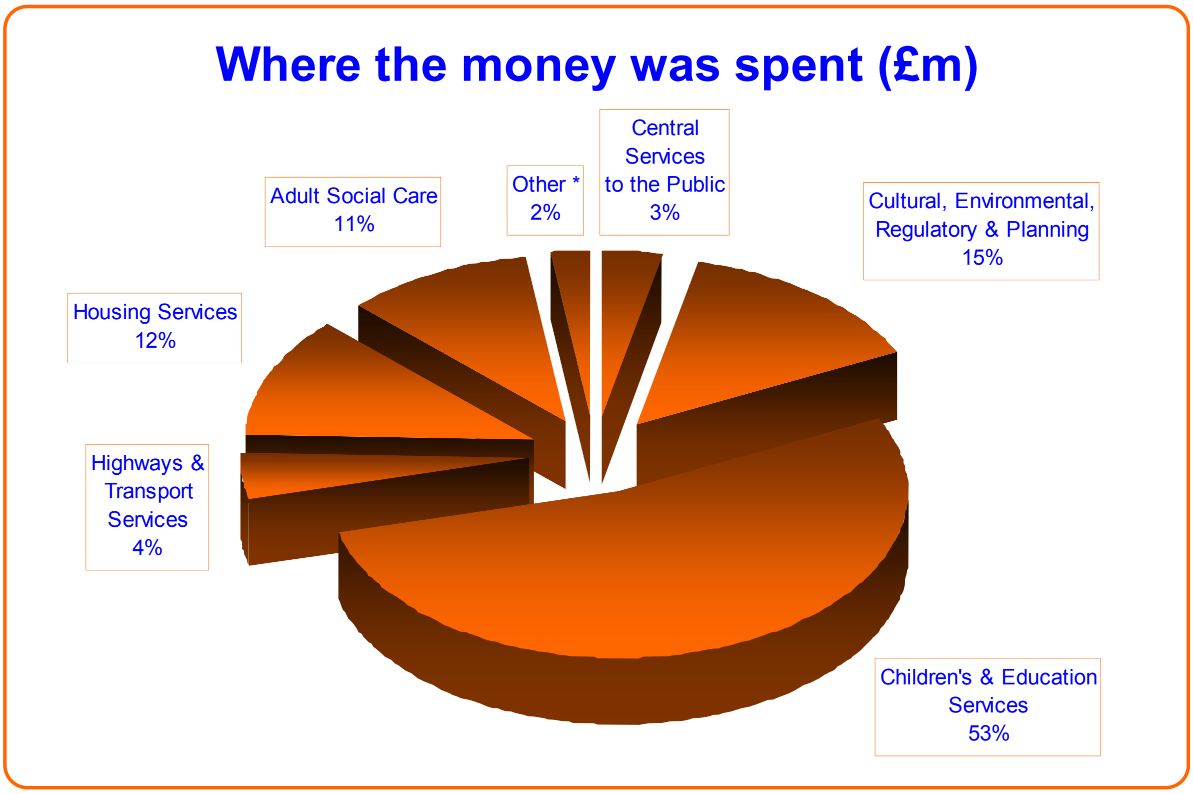
The spending statements on services follow the expenditure analyses for services set out in the Best Value Accounting Code of Practice (BVACOP), the purpose of which is to facilitate comparisons between different authorities. As the service analysis is mandatory for all local authorities' financial statements, it does not necessarily match the current management structure and financial monitoring framework of the Council.

Where Did the Council Get Its Money?

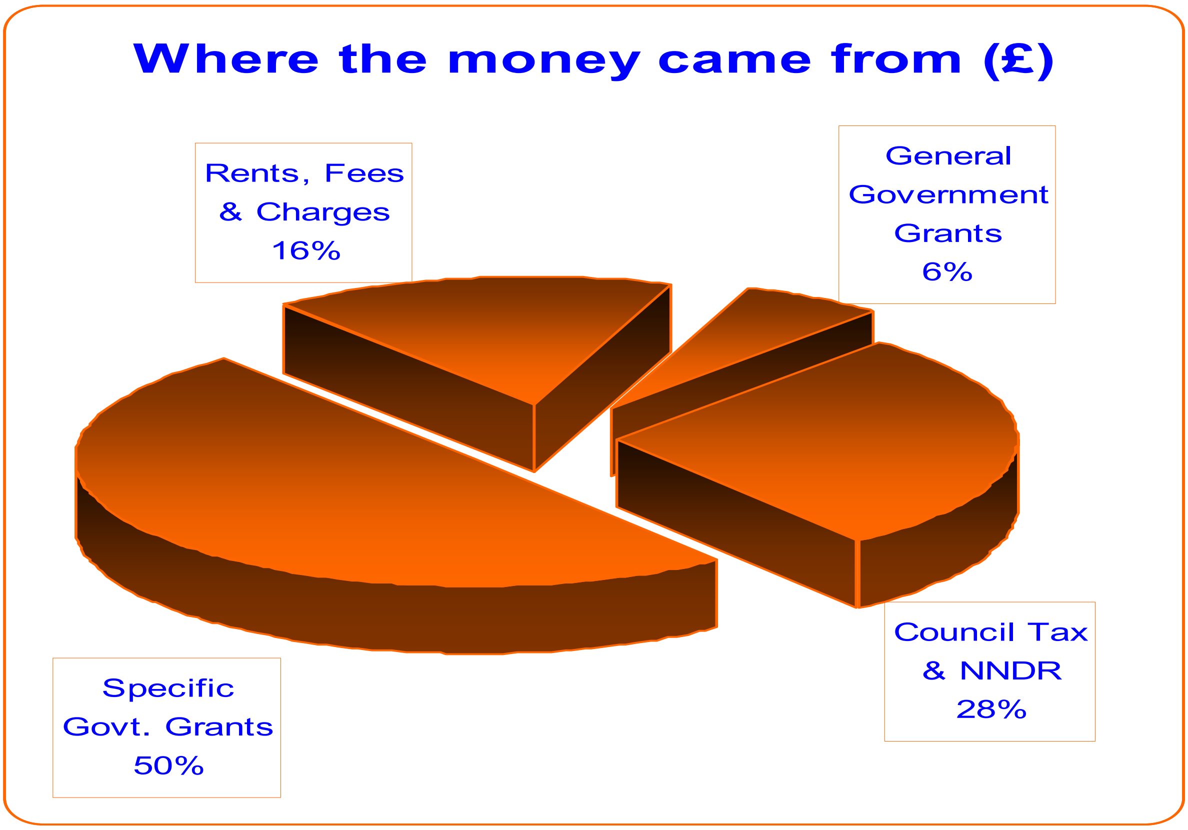
The Council's General Fund revenue spending is funded through general government grants (£78.960m), council tax (£154.989m) and redistributed non-domestic rate income (£223.291m). The government through specific grants provides a further £667.232m of funding, of which £326.808m is a Dedicated Schools Grant (DSG). The Council itself raises the remaining money (£218.777m) in the form of rents and fees and charges for services provided.

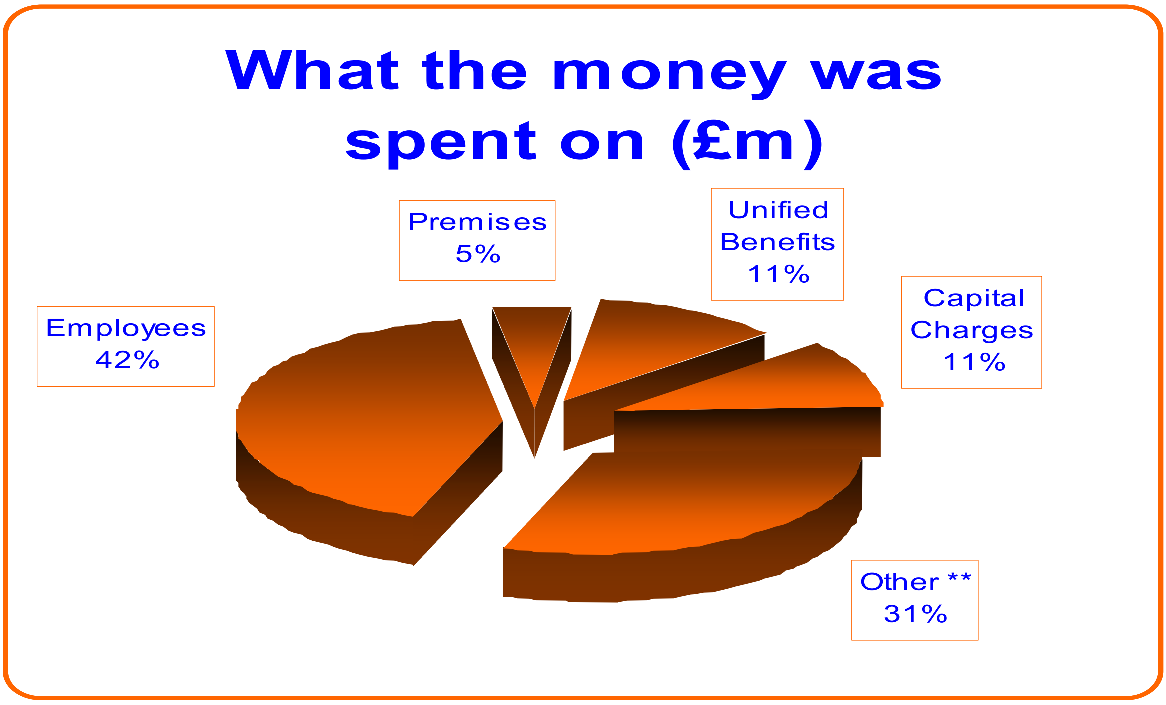
What Is the Money Spent On?

Local authority services are labour intensive with staff direct and indirect costs accounting for £561.727m of revenue expenditure. In 2008-9 spending on other operating costs and capital financing costs was £630.318m and council tax and rent benefits together totalled £151.204m.



* "Other" includes corporate management, democratic representation and management, non distributed costs, & court services.





** “Other” includes transport; supplies and services; third party payments and support services.

Capital Expenditure

The Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities together provide a regulatory framework for capital expenditure by local authorities. The framework allows authorities the freedom to borrow to fund capital investment. However, authorities must borrow responsibly and at affordable levels. The Prudential Code requires authorities to demonstrate this by setting and observing a range of prudential indicators covering the level of capital expenditure and the cost of financing it. The indicators also include the authority's own limits on the level and structure of its external borrowing.

The cost of most authority borrowing is supported by Government revenue grant. Where authorities borrow prudentially (i.e. above the level supported by grant) they must meet the full cost of the borrowing.

Other than borrowing, authorities continue to receive capital grants towards certain projects and to be able to reinvest their capital receipts or use revenue to fund capital spending.

Capital Spending in 2008-9

The Council spent £113.3m, in the year, a variance of £29.8m against the planned level. The variance is made up of slippage on planned expenditure, inaccurate initial phasing of projects and underspendings. The variance does not create spare resources, as schemes will slip forward and spending will take place in 2009-10 rather than 2008-9.

Where the Money Came From

The spending of £113.3m was funded as follows:

- £48.0m (42%) by external borrowing generating capital financing charges which will form part of future revenue spending.
- £49.6m (44%) from government and other grants.
- £10.8m (10%) from revenue contributions and the use of the Renewal and Replacements Reserve and other revenue reserves.
- £4.9m (4%) from capital receipts from the sale of land and buildings.

Schools capital receipts are ring fenced for future investment in Building Schools for the Future (BSF).

Major Capital Schemes in 2008-9

The table below shows the expenditure in 2008-9 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes Expenditure 2008-9

	Main Schemes £000	Total Spend £000
Adult Services		**204**
Children's Services		**72,071**
Devolved Formula Capital	7,218	
Special Schools Reorganisation	47,043	
Additional Places	5,407	
Children's Centres	1,754	
Modernisation Grant	3,911	
E Learning	1,867	
Corporate Services		**3,516**
Forensic Science Centre	2,788	
Customer Services		**1,443**
Bradford-i	1,183	
Culture Tourism & Sport		**3,149**
Cartwright Hall	982	
Keighley Market	326	
Roberts Park	317	
Manningham Library	470	
Environment and Neighbourhood		**3,567**
Replacement of Vehicles	1,058	
Waste Performance Infrastructure	852	
Ward Based Investment Fund	747	
Manywells Landfill	546	
Asset Management		**22**
City Hall Boiler Replacement	22	
Housing		**10,438**
Disabled Housing Facilities Grant	2,796	
Renewal Areas	2,394	
Housing Market Renewal	3,268	
Economic Development		**5,100**
Manningham Mill Mind the Gap	1,641	
Integrated Development Plan	1,292	
Local Enterprise Growth Initiative (LEGI)	1,850	
Transportation Design and Planning		**13,805**
LTP Maintenance	6,930	
LTP Integrated transport	4,088	
Connecting the City	427	
Street Lighting	891	
Landscape Environmental Improvements	531	
Total		**113,315**

Capital Borrowing

The Prudential Code defines the Capital Financing Requirement (CFR) as the measure of an authority's borrowing for capital purposes. It is one of the indicators an authority must set and monitor against each year to ensure capital spending and borrowing are affordable.
The Council's CFR at 31 March 2009 is £427.707m, which is within the indicator it set for the year of £475.119m.

Capital Financing Requirement 2008-9	
	£000
Balance at 1 April 2008	400,773
Capital spending in the year financed from borrowing	48,026
Provision made in the year for the repayment of capital borrowing	-21,092
Balance at 31 March 2009	**427,707**

Council Tax Collection

At 31 March 2009, the Council had collected 93.8% of the value of council tax bills sent out for 2008-9, the comparative percentage for 2007-8 93.3%. The recovery process continues for outstanding arrears.

Pensions Liabilities

Financial Reporting Standard 17 requires the Council to include in its balance sheet the Council's share of the West Yorkshire Pension Fund's assets and liabilities.
At 31 March 2009 the deficit on the pensions reserve calculated by the actuary was £377.0m a decrease of £20.5m when compared to the restated figure at 31 March 2008 of £397.7m.

The deficit takes into account a change to the Local Government Pension Scheme (LGPS) regulations which allow scheme members retiring on or after 6 April 2006 to take a higher lump sum in exchange for a lower retirement pension.

Building Schools for the Future

Bradford Council is a pathfinder for the government's Building Schools for the Future Programme (BSF). Through this initiative all secondary schools in the District will benefit from renewal or refurbishment and six new special schools will be built.

The Bradford BSF will be delivered by the Integrated Bradford Local Education Partnership (LEP). A new type of public private company which is owned by the Council (10%), Partnership For Schools (10%) and private sector partners Costain and Ferrovial Agroman (UK) Ltd, formerly Amey, (80%).

In December 2006 a contract was awarded for Phase 1 of the programme which saw three new schools built at Buttershaw, Salt and Tong. The total cost of the contract (excluding utilities costs of £9m) which commenced in the summer of 2008 is £313m. In addition to the design and build of the new schools the contract will cover facilities management and maintenance of these sites for 25 years. The Council has secured funding support from the Department for Children, Schools and Families (DCSF) via PFI Credits which total £225m (including utilities credits) over the 25 year contract.

In 2008-9 the Council was successful in securing further PFI credits in support of Phase 2 of the local programme which will result in £385m over 25 years, subject to DCSF acceptance of the final business case. The contract is anticipated to be awarded in summer 2009, with the PFI schools scheduled to open in early 2011.

BSF Phase 2 development costs of £1,973,192 have been charged in 2008-9 to Children's Services.

Accounting Developments

Authorities are required to comply with the Statement of Recommended Practice on Local Authority Accounting in the UK 2008 (the 2008 SORP) when preparing their 2008-9 Statements of Accounts. Following on from two consecutive years of substantive changes, the changes, introduced in the 2008 SORP have required the authority to make only minor changes to its Accounting Statements. These include:

- The renaming of deferred charges as Revenue Expenditure Funded from Capital under Statute.
- The introduction of a new general Area Based Grant and
- Using the indirect method, to produce the Cash Flow Statement.

International Financial Reporting Standards

The council will be required to produce accounts under International Financial Reporting Standards (IFRS) from 1st April 2010, although comparative figures will be needed from 1st April 2009. To ensure that the authority meets the deadline and carries out a complete transition of the new standards a project has been undertaken to achieve this.

The project is following the timetable set by CIPFA LAAP Bulletin 80, which sets out the project milestones that an Authority is required to meet to ensure that a successful project is completed. A project plan has been constructed to ensure that that a regular review can take place. To date the Authority has carried out a number of actions to ensure that its meets all the required milestones. These include a workshop involving key departments across the authority, presentations to key departments, training of senior finance staff and quarterly project meetings.

The Council is well placed to meet these future requirements.

General Principles

The accounts have been prepared in accordance with;

- the Accounts and Audit Regulations 2003 (as amended in 2006)
- the Code of Practice on Local Authority Accounting in the United Kingdom 2007, A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)
- Financial Reporting Standards (FRS) issued by the Accounting Standards Board
- CIPFA's Treasury Management in the Public Service Code of Practice
- the Best Value Accounting Code of Practice (BVACOP)

The following accounting concepts have been applied and policies adopted in preparing the financial accounts:

Fundamental Accounting Concepts

The financial statements, other than the cash flow statement, are prepared on an accruals basis. This means that revenue and capital expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.

Consistent accounting policies have been applied both within the year and between years unless otherwise identified.

The accounts have been prepared on a going concern basis and reflect the reality or substance of the transactions and activities underlying them, rather than their formal character.

The concept of materiality has been used such that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided in aggregate they would not affect the interpretation of the accounts.

Where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

Where estimation techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is disclosed separately.

Accounting Policies

Income and Expenditure (Debtors and Creditors)

Income and expenditure are accounted for in the year in which they arise by the creation of debtors and creditors. There are a small number of exceptions to this accruals concept.

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- There remain a small number of loans taken out before April 1988 for which, in accordance with previous practice, interest is not accrued. Non accrual of interest amounted to £139,710 at 31 March 2009.
- Expenditure on rent allowances is accounted for on a 52-week basis, with an occasional 53rd week being charged into the accounts.

Costs of Support Services

In accordance with current accounting practice, the costs of central support services are recovered from users either by cost apportionments (based on time spent or usage) or by charges under service level agreements. The costs of Corporate and Democratic Core (CDC) and Non Distributed Costs (NDC) as required by CIPFA's BVACOP are not charged to services but are shown on the face of the Income and Expenditure (I & E) Account.

Retirement Benefits

West Yorkshire Pension Fund

The council pays an employers contribution into the West Yorkshire Pension Fund, which is a fully funded defined benefits scheme administered by the City of Bradford MBC.

Financial Reporting Standard 17 requires the authority to account for retirement benefits when the benefit entitlements are earned, even if the actual payments will be many years hence.

The authority's pension liabilities have been measured on an actuarial basis using the projected unit method. The approach is approximate in nature but the authority is not aware of any circumstances that would invalidate it.

In service accounts the cash payments made to the West Yorkshire Pension Fund (WYPF) have been replaced with the current service cost calculated by the actuary. The current service cost which represents the true economic pension cost of employing people in a financial year has been apportioned to services pro rata to employer's cash pension contributions. The 2008-9 current service costs take into account changes to the Local Government Pension Scheme which were introduced with effect from 1 April 2008. In the main these changes only affect benefits accruing and member's contributions from 1 April 2008 onwards.

The discount rate adopted by the Actuary is based on a weighted average of "spot yield" on AA related corporate bonds.

In 2008-9 the appropriate real discount rate used increased from 2.3% (5.4% discount rate less 3.1% price inflation) at 1 April 2007 to 2.5% (6.1% discount rate less 3.6% price inflation) at 1 April 2008. Whilst a higher discount rate would normally result in a reduction in the current service cost, in 2008-9 the current service cost measured as a percentage of pensionable pay actually increased from 16.8% in 2007-8 to 18.6 % in 2008-9. This is the combined effect of the introduction of the new look Local Government Pension Scheme with effect from 1 April 2008, changes in financial assumptions from 1 April 2007 to April 2008 and the introduction of updated post retirement mortality assumptions.

Local Government Pension Scheme members retiring on or after 6 April 2006 can elect to take a higher lump sum in exchange for a lower retirement benefit. The commutation terms mean that it is less costly for the scheme to provide the lump sum than the pension, as more members take up this option, employers' pension costs are reduced. Since its inception in 2006-7 it has been assumed that 50% of members will take up the option to increase their lump sum to the maximum available. As the authority has calculated the actual experience at Bradford for this period to be 48%, the 2008-9 figures have been based on 48% take up as opposed to the Actuary's assumption of 50%.

In accordance with the 2008 SORP quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid- market value. This is a change in accounting policy and the value of scheme assets at 31 March 2008 has been restated from £1,056m to £1,053m. The decrease of £2.647m has increased the overall pension deficit at 31 March 2008 from £395.063m to £397.710 m.

The asset performance of the WYPF has been based on asset splits as at 31 December 2008 and investment returns for the year of -18.194%. See Note 26, on page 35.

Additional pension costs such as early retirement costs, for which the WYPF recharge the authority direct, have been included in the liabilities and contributions for FRS 17 purposes.

As FRS 17 requires that all defined benefits awarded to employees are recognised in the pension liability, an actuarial calculation of the liabilities in respect of the compensatory added years benefits awarded to teachers has been obtained and included within the overall pension liability.

The difference between the value of the pension fund assets calculated by the actuary and the present value of scheme liabilities is shown in the Pensions Reserve. Note 27 on page 37 gives further details.

Teachers Pensions

The payment of statutory pensions to former teachers is the responsibility of the Teachers' Pension Agency (TPA) and contributions from teachers together with the employer's contribution are paid by the council to the TPA. The arrangements for this scheme mean that liabilities for future benefits cannot be identified to the council. The scheme is therefore accounted for as a defined contribution scheme.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. These benefits are fully accrued in the pension liability.

Tangible Fixed Assets

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets, above the de minimis level of £10,000 is capitalised on an accruals basis provided that the asset yields benefits to the Council 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 revenue accounts. Additions are initially included at their cost of acquisition.

Measurement

The fixed asset values used in the accounts are based on valuations backdated to the 1 April 2008, carried out by officers in the Asset Management service.

Authorities are required to revalue each asset at least once every five years, and the practice is to revalue a minimum of 20% of assets each year.

Increases in valuations are recognised as unrealised gains in the revaluation reserve (or credited to the income and expenditure account where they arise from the reversal of impairment previously charged to a service revenue account). The revaluation reserve contains revaluations gains recognised since 1st April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

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

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets and community assets – depreciated historic cost

Net current replacement cost is assessed as:

- Non – specialist operational properties –existing use value
- Specialised operational properties (where there is no active market) - depreciated replacement cost
- Investment properties and surplus assets – market value

Intangible Fixed Assets

Intangible assets are assets in respect of which the Council controls access to the economic future benefits either through custody or legal protection. This includes computer software licences and the development of computer software. Expenditure on intangible assets is capitalised on an accruals basis at historic cost. After the year of acquisition they are amortised on a straight-line basis over the period that benefit is received. It is assumed that there will be nil residual value. Intangible assets are reviewed annually for impairment.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may not be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. This includes grants and other assistance given to outside bodies and individuals for capital purposes. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balances so there is no impact on the level of council tax.

Depreciation

Depreciation is charged on all fixed assets (other than non-depreciable land and non-operational investment properties) if it is material. Accordingly:

- Operational are depreciated over their individually estimated useful economic life.
- Non-operational investment properties have not been depreciated except where they are leased and have an unexpired term of 20 years or less (these have been depreciated over the unexpired term of the lease on a straight-line basis).
- Infrastructure assets are depreciated on a straight-line basis over 30 years
- Vehicles, plant and equipment are depreciated over 3 to 7 years, as appropriate.

Assets are not depreciated in their year of acquisition. Revalued assets do not have their useful economic life (UEL) or depreciation charges amended until the year following the revaluation.

Impairment

The Authority has carried out an impairment review of all assets over £10,000, this has been carried out by indexing all valuations to 1st April 2008, using as appropriate figures averaged from two building cost indices. Two figures have been used to reflect impairment this year across the estate due to the economic downturn. All operational buildings valued using Open Market Value or Open Market Value Equivalent use have been reduced by 20%. All land by 30% and the land element of depreciated replacement cost valuations by 30%. Also site values have been reduced by 30%.

Where impairment has been identified either as part of this review or as a result of a valuation exercise, it is accounted for as follows:

- if the impairment is due to the clear consumption of economic benefit a charge to the relevant service revenue account is made
- if the impairment is due to other causes it is written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Capital Receipts

These result from the sale of Council assets and are included in the accounts on an accruals basis. All receipts from disposals are credited in the first instance to the Income and Expenditure Account as part of the gain or loss on the disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. A part of all housing receipts must be paid to the Government as part of the national pooling of such receipts. The balance of housing receipts and all other receipts are held in the Usable Capital Receipts Reserve until used to finance new capital expenditure or to repay debt.

Grants and Contributions

All grants receivable and contributions are included in the accounts on an accruals basis.

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. Amounts are released from the Government Grants Deferred Account to the appropriate service revenue account in line with the depreciation charged to the revenue account in respect of the assets concerned.

All other grants are included in the net cost of services.

Charges to Revenue for Fixed Assets

In accordance with UK GAAP service revenue accounts are charged with the following amounts to reflect the cost of using fixed assets during the year:

- depreciation
- impairment losses attributable to the clear consumption of economic benefits
- amortisation of intangible fixed assets.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisation. Instead it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing.

Repayment of Debt

The authority charges to revenue an annual provision for the repayment of external loans. The amount charged complies with the minimum revenue provision requirements under the Local Government Act 2003. The repayment provision for prudential borrowing is matched to the estimated life of the assets acquired.

In the Statement of Movement on the General Fund Balance depreciation, impairment losses and amortisation are replaced by a revenue provision by an adjusting transaction within the Capital Adjustment Account for the difference between the two.

Private Finance Initiative (PFI)

The Council's Private Finance Initiative Building Schools for the Future (BSF Phase 1) has been accounted for in accordance with Application Note F of FRS 5 – Reporting the Substance of Transactions (Private Finance Initiatives and similar contracts), which specifies that properties used to provide services under PFI contracts should be recognised as an asset by whichever party has access to the risks and benefits of the property.

The Authority has concluded that none of the three new schools built as part of BSF Phase 1 are required to be recognised as an asset on its balance sheet. In accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 (SI 3146) as amended by the Local Authorities (Capital Finance and Accounting) (England) Regulation 20043 (SI 534), payments made under that contract are accounted for as expenditure for capital purposes in relation to a credit arrangement with nil initial value. The overall effect of this is that the payments made under the contract are charged to the revenue account.

The acquisition of those assets which will transfer back to the Authority's ownership at the end of the PFI contracts at nil or predetermined cost are accounted for by identifying the element of the contract payments which notionally relate to their acquisition and treating it as a prepayment. Creating a long-term debtor in the authority's Balance Sheet which is built up over the lifetime of the contract. Application Note F requires that the value of the long term debtor balance should be the fair value of the asset the authority expects at the time of transfer. In order to arrive at an estimate of this value the authority values the assets in accordance with the accounting policy on assets above and applies depreciation to this initial value on a straight line basis over the life of the contract. The resulting expected value for these assets is built up as a long term debtor in annual equal amounts over the life of the contract, in accordance with the SORP.

If during the life of the contract the expected transfer value of the assets falls this would be treated as impairment and a provision for the fall in the expected value would be created.

Leases

Rentals paid under operating leases are charged to revenue.

Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, trade payables, lending, trade receivables, investments and bank deposits of the authority.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the I & E account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the loan. For most of the authority's Public Works Loan Board (PWLB) loans, the amount shown in the balance sheet is the outstanding principal repayable. The interest charged to the I & E is the amount payable for the year.

At the 31 March 2009, the authority had six Lender Option Borrower Option (LOBO) loans totalling £42.5m. With the exception of one £7.5m loan, the remaining 5 LOBOs were agreed on a stepped basis. In accordance with the SORP all LOBO's have been remeasured.

From time to time loans are repaid early and replaced to take advantage of lower interest rates. Where a discount or premium arises in respect of the early repayment of a loan it is charged to the I & E Account in the year the loan is rescheduled. Where the replacement loan only modifies the terms of the existing loan as opposed to extinguishing them, the premium or discount is added to the carrying amount of the new loan.

Where premiums and discounts have been charged to the I & E Account, statutory regulations (SI 2007 No. 573) allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the cost of premiums over the life of the replacement loan and premiums over the outstanding term on the replaced loan or ten years (if shorter).

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/ or do not have fixed determinable payments. E.g. equity shares in companies

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual charges to the I & E account for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the asset. For the loans the authority has made, this means that the amount shown in the balance sheet is the outstanding principal receivable. The interest credited to the I & E is the amount received in the year under the terms of the loan agreement.

Available-for-sale assets are initially measured and carried at fair value. Changes in fair value are balanced out by an entry in the Available for Sale Reserve and the gain or loss recognised in the Statement of Total Recognised Gains and Losses (STRGL).

Current Assets

Stocks, stores and work in progress are included at the lower of cost or net realisable value.

Investments

Investments are shown at amortised cost.

Landfill Allowance Trading Scheme (LATS)

Landfill allowances are recognised as current assets and valued in the balance sheet at lower of cost and net realisable value.

Allowances issued by DEFRA are initially recognised as deferred income in the balance sheet and subsequently recognised on a systematic basis over the compliance year for which allowances were allocated.

As landfill is used, a liability is recognised. This liability is discharged by using allowances. The liability is measured at market value at the balance sheet date of the number of allowances estimated to be needed to cover actual biodegradable municipal waste disposed to landfill in the year.

Provisions

Provisions are created when, due to a past event, it is probable that the authority will have to make a payment to settle its present obligation, but where timing of the transfer is uncertain.

Provisions are charged to the appropriate revenue account in the year the authority becomes aware of the obligation based on the best estimate of the likely settlement. When payments are made they are charged to the provision. Estimated settlements are reviewed at the end of each financial year.

Contingent Liabilities

When the authority can estimate with a degree of certainty that a future event will confirm a contingent loss it is included in the financial statements. Where a material contingent liability cannot be accurately estimated or where the event is not considered sufficiently certain, it is not included in the accounts but disclosed as a note to the accounts.

Revenue Reserves

The Council maintains certain reserves for the purposes of meeting liabilities other than those covered by provisions:

- The general revenue reserves and balances are available for planned future expenditure, subject to minimum balances being preserved.
- The Collection Fund is not available to support spending but realised surpluses may be released from time to time through the authority's budget process as an adjustment to council tax levels.
- The remaining earmarked revenue reserves have been set aside for specific purposes and are supported by spending plans.

Provision for Bad and Doubtful Debts

Provisions have been made for bad and doubtful debts. Known uncollectible debts have been written off in full.

Subsidiary and Associated Companies

The Council has financial relationships with a number of subsidiary and associated companies, in the main to manage the BSF programme. These are shown in the notes to the main financial statements (see Note 36 on page 39).

Following the sale of Leeds Bradford International Airport Ltd in May 2007, none of the authority's relationships with subsidiary and associated companies have been assessed as material. The authority has therefore not produced Group Financial Statements.

Deferred Liabilities

Deferred liabilities consist of liabilities which by arrangement are payable beyond the next year, at some point in the future or will be paid off by an annual sum over a period of time.

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT.

Partnership Arrangements

Where the authority acts as the accountable body e.g. for Local Area Agreement Grant (LAA) and Single Regeneration Board (SRB) schemes they are accounted for on the following basis:

- If the authority controls the grant distribution process, all of the grant money received and the associated expenditure will be included in the authority's accounts (LAA). Conversely if the authority does not control the award of grant, only the grant allocated to the authority itself and the associated expenditure is recognised in the authority's accounts.

- Where the authority is the ultimate recipient of grant distributed by the decision making body, the grant receivable is included in the accounts on an accruals basis.
- Where liabilities may arise for the repayment of grant as a result of the authority's status as accountable body these will be recognised in the accounts of the authority in accordance with accounting policies.

Post Balance Sheet Events

Any material events which occurred between the balance sheet date and the date that the financial statements were authorised for issue have been included in the accounts; FRS 21 requires such events to be classified into adjusting and non adjusting events. Adjusting events require an amendment to the accounts and non adjusting events are disclosed by way of a note.

Exceptional Items

Exceptional items are included either in the cost to which they relate, or separately on the face of the income expenditure account if such a degree of prominence is necessary to give a fair presentation of the accounts.

This statement reports the net cost for the year of the services provided by the Council. It brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers.

2007-8 Net Expenditure Restated £000	Income and Expenditure Account	2008-9 Gross Expenditure £000	2008-9 Income £000	2008-9 Net Expenditure £000	*Note 2*
Note 3					
	Expenditure on services				*Note 4*
105,818	Children's & Education Services	715,715	511,654	204,061	
91,760	Adult Social Care	142,662	29,955	112,707	
44,252	Environmental & Regulatory Services	69,542	27,693	41,849	
39,180	Cultural & Related Services	63,749	19,537	44,212	
31,169	Planning & Development Services	62,889	20,933	41,956	
42,139	Highways & Transport Services	59,295	9,946	49,349	
11,460	Housing Services	157,783	143,997	13,786	
25,057	Central Services to the Public	43,657	36,954	6,703	
428	Corporate Management	3,491	132	3,359	*Note 6*
5,131	Democratic Representation & Management	5,739	27	5,712	*Note 6*
9,334	Non Distributed Costs	17,527	3,897	13,630	*Note 6*
398	Court Services	1,200	806	394	
14,000	Exceptional items	0	6,744	-6,744	*Note 5*
420,126	**Net cost of services**	**1,343,249**	**812,275**	**530,974**	
-1,265	Loss / Gain (-) on disposal of assets			26,297	*Note 25*
-47,355	Gain on the disposal of long term investment			0	*Note 1*
707	Parish council precepts			764	
-447	Trading services surpluses (-) / deficits			-492	*Note 11*
28,263	Interest payable and similar charges			29,315	*Note 12*
63	Contribution from (-) to housing capital receipts national pool			50	*Note 18*
-11,299	Interest and investment income			-10,418	
-850	Net pension interest cost and expected return on pensions assets			15,269	*Note 26*
387,943	**Net operating expenditure**			**591,759**	
-148,809	Demand on the Collection Fund			-152,835	
-38,691	General Government grants			-78,960	*Note 7*
-199,137	Non-domestic rates redistribution			-223,291	
-5,771	Distribution of the Collection Fund surplus			-2,154	
-4,465	**Deficit / Surplus (-) for the year**			**134,519**	

The Income and Expenditure Account discloses income receivable and expenditure incurred and the resulting surplus or deficit for the year measured in accordance with UKGAAP.

For local authorities the income and expenditure required to be charged to the General Fund is determined by statute and by non-statutory proper practices. The amounts in addition to the Income and Expenditure Account surplus or deficit that are required to be charged or credited to the General Fund in determining the movement on the General Fund balance for the year are:

2007-8 Restated £000	Statement of Movement on the General Fund Balance	2008-9 £000	Note 2
-4,465	**Deficit / (-) Surplus for the year on the Income and Expenditure Account**	**134,519**	
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year		
-1,567	Amortisation of intangible fixed assets	-1,672	*Note 15*
-20,145	Depreciation of fixed assets	-21,947	*Note 15*
-47,358	Impairment of fixed assets	-119,198	*Note 15*
4,812	Government grants deferred amortisation matching depreciation and impairment	5,291	*Note 15*
-2,895	Revenue expenditure funded from capital under statute	-1,016	*Note 15*
1,265	Net gain or loss (-) on the disposal of assets	-26,247	*Note 25*
47,355	Net gain on the disposal of long term investment	0	
0	Building Schools for the Future Phase 1 – PFI new assets acquired in the year	1,164	*Note 40*
2,260	Differences between amounts debited and credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt and stepped interest loans	800	*Note 17*
-46,066	Net charge made for retirement benefits in accordance with FRS 17	-59,483	*Note 26*
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund balance for the year		
18,414	Minimum revenue provision for capital financing	21,092	*Note 15*
1,925	Capital expenditure charged to the General Fund balance	10,808	*Note 15*
-63	Transfer to or from (-) usable capital receipts equal to the amount payable into the national housing capital receipts pool	-50	*Note 18*
36,843	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	40,037	*Note 26*
	Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year		
2,386	Voluntary revenue provision for capital financing	0	*Note 15*
985	Net transfer to earmarked reserves	9,831	*Note 13*
-1,849	**Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund balance for the year**	**-140,590**	
-6,314	**Increase in the General Fund balance**	**-6,071**	
-30,567	**General Fund balance brought forward**	**-36,881**	
-36,881	**General Fund balance carried forward**	**-42,952**	*Note 24*

-25,907	**Amount of General Fund balance held for schools under local management scheme**	**-30,228**	*Note 24*
-10,974	**Amount of General Fund balance generally available**	**-12,724**	*Note 24*

Not all gains and losses are reflected in the Income and Expenditure Account. This statement brings together all the recognised gains and losses of the Council for the year. The total is the increase or decrease in the net worth of the authority in the year (movement in total assets less liabilities as shown on the Balance Sheet).

2007-8 Restated £000	**Statement of Total Recognised Gains and Losses**	**2008-9 £000**	
-4,465	Deficit / Surplus (-) for the year on the Income and Expenditure Account	134,519	
-62,755	Surplus arising on revaluation of fixed assets	-70,610	*Note 14*
106,210	Actuarial gains (-) and losses on pension fund assets and liabilities	-40,108	*Note 27*
	Other losses:		
8,936	Movement on the Collection Fund	4,769	*Note 13*
47,926	**Total Recognised Gains (-) / Losses**	**28,570**	*Note 49*
12,642	Cumulative effect on reserves of a prior period adjustment on the Financial Instruments Adjustment Account	0	*Note 17*
60,568	**Total Recognised Gains / Losses (-) for the year after accounting for a prior period adjustment on the Financial Instruments Adjustment Account in 2007-8.**	**28,570**	

The 2007-8 surplus for the year on the Income and Expenditure Account and the actuarial loss on the pension fund and asset and liabilities has been restated to reflect that quoted securities held as assets in the West Yorkshire pension Fund are now valued at bid price rather than mid mid-market value. See Note 2 on Page 29.

This statement shows the financial position of the Council at the year-end. Balances on all accounts other than Trust Funds and the Pension Fund are brought together and items that reflect internal transactions are eliminated. The balance sheet shows the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

The 31 March 2008 Liability related to defined benefit pension schemes and the Pension Fund Reserve figures have been restated to reflect that for FRS 17 purposes quoted securities are valued at current bid price rather than market price. For further information see Accounting Policies page 19 and Note 15 on page 32.

Restated 31 March 2008 £000	**Balance Sheet**	**31 March 2009 £000**	
1,050,243	Tangible fixed assets	1,044,892	*Note 37*
13,461	Intangible fixed assets	12,304	*Note 38*
26,001	Long term investment	11,001	*Note 43*
2,988	Long term debtors	4,065	*Note 44*
1,092,693	**Total long term assets**	**1,072,262**	
	Current assets:		
1,335	Stocks and work in progress	1,108	*Note 46*
0	Landfill usage allowance	0	*Note 46*
91,397	Debtors and payments in advance	89,187	*Note 46*
141,905	Investments	83,772	*Note 46*
58,546	Cash in hand	59,309	*Note 46*
	Less current liabilities		
154,476	Creditors and receipts in advance	142,747	*Note 46*
10,374	Short term borrowing (repayable within 12 months)	0	*Note 62*
8,306	Cash overdrawn	7,391	*Note 46*
120,027	**Net current assets**	**83,238**	
1,212,720	**Total assets**	**1,155,500**	
	Less:		
436,696	Long term borrowing	405,953	*Note 62*
32,886	Provisions	29,396	*Note 47*
6,341	Deferred liabilities	5,949	*Note 48*
176,579	Government grants deferred	203,141	*Note 56*
703	Deferred income	602	*Note 54*
230	Deferred capital receipts	407	*Note 55*
397,710	Liability related to defined benefit pension schemes	377,047	*Note 27*
161,575	**Total assets less liabilities**	**133,005**	
	Financed by:		
421,203	Capital adjustment account	295,474	*Note 15*
	Financial Instruments Adjustment Account	-9,582	*Note 17*
-10,382			
59,452	Revaluation Reserve	126,610	*Note 14*
2,664	Usable capital receipts reserve	69	*Note 18*
-397,710	Pensions reserve	-377,047	*Note 27*
86,348	Revenue reserves	97,481	*Note 13*
161,575	**Total equity**	**133,005**	*Note 49*

This statement has been drawn up to show where the Council receives cash from and what this cash has been spent on.

Restated 2007-8 £000	Cash Flow Statement	2008-9 £000
59,972	**Net cash inflow from revenue activities**	**44,417**
	Servicing of Finance	
-28,017	Cash outflow –interest paid	-29,554
11,299	Cash inflow –interest received	10,418
-16,718	**Net cash outflow from servicing of finance**	**-19,136**
	Capital activities: cash outflows	
-57,886	Purchase of fixed assets	-86,372
-247	Other payments	0
	Capital activities: cash inflows	
21,013	Sale of fixed assets	1,975
29,832	Capital grants and other receipts	28,778
	Long term investments now less than twelve months	15,000
-7,288	**Net cash outflow from capital activities**	**-40,619**
	Acquisitions and disposals : cash outflows	
0	Investments in associates and subsidiary undertakings	0
	Acquisitions and disposals : cash inflows	
51,152	Sales of investments associates and subsidiary undertakings	0
51,152	**Net cash inflow /outflow (-) from acquisitions and disposals**	**0**
87,118	**Total net cash outflow before financing**	**-15,338**
-66,205	**Management of liquid resources: Net decrease / increase (-) in short-term deposits**	**58,133**
	Financing	
-50,169	Cash outflows – repayments of amounts borrowed	-41,117
51,500	Cash inflows -new loans raised	0
1,331	**Net cash outflow (-) / inflow from financing**	**-41,117**
22,244	**Increase in cash**	**1,678**

The introduction of revenue expenditure funded by capital under statute (REFCUS) is a change in accounting policy which has required the net cash inflow from revenue activities and the net cash outflow from capital activities to be restated in 2007-8.

Note 1. Notes to the Main Financial Statements

These notes are provided to give more detailed analysis in support of the main financial statements. They include all the information authorities are required to disclose except that for this authority the following disclosure requirements are not relevant for the 2008-9 Statement of Accounts:

- Acquired or discontinued operations: No significant operations were acquired or discontinued during the year.
- The Council's interest in Leeds Bradford International Airport was disposed of in May 2007 and the gain on the disposal compared to the value of the Council's original shareholding was £47.355m as shown in the Income and Expenditure Account.
- Schemes under the Transport Act 2000 (road user charging and workplace parking levy schemes): The authority has not entered into any such activities.
- Business Improvement District (BID) schemes: No such schemes have been established by the authority.
- Changes in depreciation method: There has been no change to the way fixed assets are depreciated.
- Changes in the basis of amortisation of intangibles: There has been no change to the way in which intangible assets are amortised.
- Analysis of net assets used by General Fund services, Housing Revenue Account (HRA) Services and trading services: The authority has no HRA and none of its trading services uses a material level of the overall net assets.

Note 2. Prior Year Adjustments and Restatement of 2007-8 Figures

In accordance with the 2008 SORP quoted securities held as assets in the West Yorkshire Pension Fund defined pension scheme are now valued at bid price rather than mid- market value. This is a change in accounting policy and the value of scheme assets at 31 March 2008 has been decreased from £1,056m to £1,053m. The impact of the prior year adjustment on the financial statements is set out in the table below and shows that overall the pension liability, including unfunded teacher's liabilities has increased from £395.063m to £397.710m.

Prior Year Adjustments to the Financial Statements at 31 March 2008

	Original Balance	Adjustment	Restated Balance
	£000	**£000**	**£000**
Income and Expenditure Account			
Net pension interest cost and expected return on pensions assets	-1,031	181	-850
Statement of Movement on General Fund Balance			
Net charge made for retirement benefits	-45,885	-181	-46,066
Balance Sheet			
Pension liability	-395,063	-2,647	-397,710
Pension Reserve	395,063	2,647	397,710

Note 3. The Income and Expenditure Account and the Movement on the General Fund Balance

Recent changes in the presentation of Statements of Accounts make authorities' accounts more consistent with UK GAAP and with the accounts of companies. However, in interpreting the authority's accounts it is important to recognise that:

- The Income and Expenditure Account (I&E) only takes account of those amounts chargeable in accordance with generally accepted accounting practices. The surplus or deficit on the account is not the authority's total revenue surplus or deficit for the year.
- There are other revenue amounts that must be charged or credited by the authority in accordance with statute and non-statutory proper practices. These are shown in the Statement of Movement on the General Fund Balance with references to explanatory notes for supporting information and explanations.
- The Statement of Movement on the General Fund Balance (SMGFB) is now the key statement in showing the overall revenue position for the year. A revenue underspending or overspending for the year is shown as an increase or decrease in the General Fund Balance.

In 2008-9 there was a deficit for the year on the I & E Account of £134.519m. After taking into account those amounts which are required to be charged or credited to the General Fund Balance through the SMGFB, there was an increase of £4.321m in school balances and an increase of £1.750m on the General Fund balance.

Note 4. Expenditure on Services

Spending on services is analysed as prescribed in the Best Value Accounting Code of Practice (BVACOP). The BVACOP analysis does not match the current management structure and financial monitoring framework of the Council.

The significant increase in both gross and net service expenditure is due in the main to an additional £71.9m of impairment charges being charged to services in 2008-9 to reflect a fall in land and building values across the whole of the Council's estate. In addition a number of service specific government grants which in 2007-8 had been included in services' income have been replaced in 2008-9 with an Area Based general grant, see Note 7 on Page 30.

Note 5. Exceptional Item

In 2008-9 the authority took advantage of litigation which ruled that that the three year cap for reclaiming overpaid VAT was not legal. The authority submitted claims for VAT paid on theatre admissions, library fines, car parking excess charges and catering between 1973 and 1996 and was successful in reclaiming £3.662m VAT, plus statutory interest of £3.082m. Of the total £6.744m VAT refund, £5.6m was in respect of theatre admissions. The £6.744m has been treated as an exceptional item in 2008-9.

In 2007-8, a £14m additional liability for equal claims was likewise disclosed as an exceptional item.

Note 6. Corporate and Democratic Core (CDC) and Non Distributed Costs (NDC)

These are clearly defined in the BVACOP. CDC costs are corporate management and democratic representation and management. The first of these includes the costs of the Chief Executive's office and costs relating to the maintenance of information required for public accountability and the second relates to all aspects of members' activities.

Note 7. Government grants (not attributable to specific services)

Revenue grants that do not relate to the delivery of a specific service are grouped together and shown as income in the Income and Expenditure Account. In 2008-9 the authority received the following:

2007-8 £000	Government grants (not attributable to specific services)	2008-9 £000
33,419	Revenue Support Grant	31,084
0	Area Based Grant	46,523
4,230	Local Authority Business Growth Incentive (LABGI)	1,353
1,042	Public Service Agreement (PSA)	0
38,691	**Total**	**78,960**

In 2008-9 Area Based Grant (ABG) replaced the Local Area Agreement Grant (LAA). ABG is a non ringfenced general grant made up of a wide range of former specific grants from six government departments. There are no conditions imposed as part of the grant determination, ensuring full local control over how the funding can be used. £5.712m of unspent ABG grant at the year end has been carried forward into a ring fenced earmarked reserve.

Note 8. Obligations Under Long-Term Contracts

Bradford-i

Bradford-i is a 10 year contract with IBM UK Ltd and SERCO who are a subcontractor for the provision of ICT services. The contract provides for the implementation of the following

- a modernised ICT platform to support the Council's corporate objectives
- an Enterprise Resource Planning System (Including Core Financial Systems)
- a new integrated revenues and benefits system
- a Customer Relationship Management System
- a Web Content Management System
- ongoing support of other existing corporate and departmental systems.

The contract value is £187.9m with the upfront investment being provided by IBM UK Ltd via IBM Global Financing organisation.

Building Schools for the Future (BSF)

In December 2006 the Council entered into a ten year Local Education Partnership (LEP) with Integrated Bradford LEP Ltd. Under the agreement the LEP enjoys exclusivity in the provision of capital works to the Council's secondary school campuses for ten years.

Phase 1 of the programme comprises the building of three new schools together with the provision of facilities management and maintenance for the next 25 years under a Private Finance Initiative contract. The schools opened in August 2008 and the total cost of the service over 25 years (excluding utilities £9m) is £313m. The Council has secured funding support from the Department for Children, Schools and Families, which totals £225m (including utilities) over the contract period.

Allied to the PFI contract the Council has entered into a 5 year ICT contract with the LEP. The cost of this contract is £10.2m including recent additions to scope of which £6.9m has been secured in DCSF support.

Phase 2 of the local BSF Programme is currently moving to contract close with £385m of support being provided by DCSF over 25 years. In addition to works delivered under the PFI remit to four mainstream and three co located Special Needs Secondary Schools, Phase 2 incorporates works to one mainstream and three SEN Primary Schools delivered under design and build contracts which are predominately funded from the Council's own resources.

The Primary Schools have an anticipated opening date of 2009 and the Secondary campuses 2011.

Allied to the building related contracts the Council will be entering into a 5 Year ICT Contract with the LEP at the respective Phase 2 schools.

Education Bradford

In response to a critical OFSTED report in 2000, Bradford Council's Education Department was placed under Direction by the then Department for Education and Skills (DfES) under section 497A (4) of the Education Act 1996. The Direction required the Council to outsource education services. Following a competitive tendering process, the contract was awarded to Serco Plc, under the name of Education Bradford, in July 2001. The contract reflected the list of services typical of a Local Education Authority in the late 1990s, and crucially before the implementation of the Children Act and the implementation of Every Child Matters – Change for Children. The contract with Serco Plc for education services in Bradford expires on the 29th July 2011.

The total contract value over the 10 years of the contract was £368m but this initial value has increased over the years due to additional contract variations and to reflect additional work required due to changes in legislation. The contract value also excludes any traded services income that Education Bradford can receive from provision of additional support services to schools in Bradford.

Note 9. Leasing

Operating Leases

Vehicles, Plant, Furniture and Equipment – the Council makes use of certain vehicles, equipment and wheeled and recycling bins financed under operating leases. The amounts paid under these arrangements in 2008-9 were £2.5m (£2.6m in 2007-8).
Land and Buildings – The total of rents payable in 2008-9 accounted for as operating leases was £2.1m (£2.3m in 2007-8).
Authority as Lessor – Rentals receivable by the authority in respect of operating leases in 2008-9 were £4.7m (£4.7m in 2007-8).
Commitments under Operating Leases –The Council was committed at 31 March 2009 to make payments of £4.0m under operating leases in 2009-10, comprising the following elements:

Analysis of Operating Leases		
	Other Land & Buildings	Vehicles, Plant & Equipment
Leases Expiring:		
	£000	£000
In 2009-10	187	121
Between 2010-11 and 2013-14	1,283	1,752
After 2013-14	644	21
Total payment due in 2009-10	**2,114**	**1,894**

Authority as Lessor – With regard to the authority's activities as a lessor, the gross value of assets held for use in operating leases was £112.1m at 31 March 2009 (£128.8m at 31 March 2008) and subject to accumulated depreciation and impairment of £14.5m to 31 March 2009 (£4.5m to 31 March 2008).

Note 10. Building Control Trading Account

The Local Authority Building Control Regulations require authorities to provide information on the setting of charges for building control administration and require that income be not less than expenditure over a three-year period. Certain building control functions cannot be charged for e.g. general advice and liaising with other statutory authorities. The table below shows that over the last three years the building regulations account made a deficit of £531,000. The authority will be undertaking a review of the account in 2009-10.

Building Regulations 2006-07 to 2008-09				
	2006-7	2007-8	2008-9	Total
	£000	£000	£000	£000
Expenditure	1,455	1,428	1,445	4,328
Income	1,414	1,323	1,060	3,797
Deficit	**41**	**105**	**385**	**531**

Note 11. Trading Services

Trading services are mainly activities of a commercial nature, which are financed substantially by charges made to recipients of the service. The tables below show the financial performance of trading services in 2008-9.

Trading Services Surplus (-) / Deficit			
2007-8 Surplus (-) /Deficit		2008-9 Turnover	2008-9 Surplus (-) /Deficit
£000		£000	£000
-366	School and welfare catering	13,355	-567
-42	Non Bradford school catering	308	-17
-1	Other catering	557	58
-38	Building cleaning	2,845	34
-447	**Total**	**17,065**	**-492**

Trading Services Included in Net Cost of Services			
2007-8 Surplus (-) /Deficit		2008-9 Turnover	2008-9 Surplus (-) /Deficit
£000		£000	£000
-92	Markets	2,831	370
-866	Car parks	2,082	1,332
1,322	Trade refuse	3,445	286
105	Building control charges	1,060	385
469	**Total**	**9,418**	**2,373**

The services have been shown in the Income and Expenditure Account in accordance with BVACOP. Those in the first table have been shown separately within net operating expenditure. The services in the second table have been included in the net cost of services.

Most of the market surplus was used to fund ongoing capital investment in the authority's markets.

Note 12. Interest Payable

External interest costs are paid by the authority on loans raised to finance capital expenditure.

From time to time the authority undertakes debt rescheduling, making early repayments of long-term loans and replacing them with lower rate borrowing. In accordance with the SORP premiums paid and discounts received by extinguishing an existing loan have been charged or credited to the I & E in full, in the year of the transaction.

These charges are not however required by statute and have therefore been removed when calculating the Movement on the General Fund Balance. In the case of premiums the authority has spread the cost over the outstanding period of the replacement loan. Conversely in respect of discounts the benefit of the discount has been taken over ten years.

2007-8	Interest Payable and Similar Charges	2008-9
£000		£000
	External interest charges	
28,267	PWLB	27,212
1,107	LOBO's	1,743
45	Short term interest	71
336	Transferred debt	313
-1,492	Net premiums and discounts	-24
28,263	**Total**	**29,315**

Note 13. Movements on Reserves

The Council keeps a number of reserves. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up to earmark resources for future spending plans.

Restated Balance 31 March 2008 £	Analysis of Movements on Reserves	Gains or Losses(-) 2008-9 £	Other Transfers 2008-9 £	Balance 31 March 2009 £	
59,452	**Revaluation Reserve**	**70,610**	**-3,452**	**126,610**	*Note 14*
421,203	**Capital Adjustment Account**		**-125,729**	**295,474**	*Note 15*
-10,382	**Financial Instruments Adjustment Account**		**800**	**-9,582**	*Note 17*
2,664	**Usable Capital Receipts Reserve**		**-2,595**	**69**	*Note 18*
-397,710	**Pensions Reserve**	**40,108**	**-19,445**	**-377,047**	*Note 27*
	Revenue Reserves				
	Earmarked Reserves				
12,828	Renewal and Replacement Reserve		-3,602	9,226	*0*
25,103	Other Earmarked (Corporate)		11,669	36,772	*Note 20*
0	Other Earmarked (Better Use of Budgets)		4,673	4,673	*Note 21*
9,018	Other Earmarked (Service)		-2,909	6,109	*Note 22*
46,949	Total Earmarked Reserves		**9,831**	**56,780**	
2,518	Collection Fund		-4,769	-2,251	*Note 23*
25,907	School Balances		4,321	30,228	*Note 24*
10,974	General Fund Balance		1,750	12,724	*Note 24*
86,348	**Total Revenue Reserves**		**11,133**	**97,481**	

Note 14. Revaluation Reserve

The Revaluation Reserve was included in the Consolidated Balance Sheet at the 1 April 2007 with a zero opening balance. The closing position on the Reserve at 31 March 2009 therefore only shows revaluation gains accumulated since 1 April 2007.

The unrealised gains resulting from the revaluation of fixed assets are reflected in the Statement of Total Recognised Gains and Losses (see page 26).

2007-8 £000	Revaluation Reserve	2008-9 £000
0	Balance at 1 April	**59,452**
62,755	Unrealised gains from revaluation of fixed assets	93,679
0	Impairment of previous years revaluation gains	-23,069
-3,303	Write down of valuation gains on disposal of assets	-2,946
0	Write down of valuation gains in respect of depreciation	-506
59,452	**Balance at 31 March**	**126,610**

Note 15. Capital Adjustment Account

The Capital Adjustment Account (CAA) is maintained as a capital accounting requirement and is not a usable cash balance. It provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital control system. The balance on the account is affected by the decision to implement the Revaluation Reserve with a zero balance at 31 March 2007. The opening balance on the CAA effectively consolidates revaluation gains up to 31 March 2007 with the amount of capital finance that has been set aside to finance fixed assets that have been consumed.

2007-8 £000	Capital Adjustment Account	2008-9 £000
413,771	Balance at 1 April	**421,203**
60,032	Capital receipts set aside as provision for credit liabilities	0
11,822	Capital receipts applied to fund capital investment	4,910
-22,766	Value of assets sold	-28,618
0	PFI – long term debtor	1,164
3,303	Transfer from the Revaluation Reserve of	
	- gains on disposal of assets	2,946
	- depreciation	506
1,925	Charge to General Fund for the funding of capital expenditure	10,808
-46,353	Transfer from to(-) General Fund re capital charges and the repayment of external loans	-117,450
-531	Write-down of long-term debtors	5
421,203	**Balance at 31 March**	**295,474**

Capital Receipts

When capital receipts are used either to repay debt or to fund capital investment, they are transferred from the Capital Receipts Unapplied Reserve to the Capital Adjustment Account.

Capital Expenditure Charged to General Fund Balance

Authorities are allowed to finance capital expenditure through their revenue accounts. The expenditure of £10.808m in 2008-9 (£1.925m in 2007-8) is not shown in the Income and Expenditure Account but is charged to the General Fund and is therefore shown in the Statement of Movement on the General Fund Balance on page 25.

Capital Charges and the Repayment of External Loans

Services have been charged or credited within the Income and Expenditure Account for:

- The depreciation and impairment of fixed assets.
- The amortisation of grants used on the acquisition of assets (government grants deferred).
- Expenditure on Revenue Expenditure Funded from Capital under Statute (REFCUS) (see Note 41 on page 41).

These charges are not required by statute and have therefore been removed when calculating the Movement on the General Fund Balance.

In their place, the authority is required to make a statutory minimum revenue provision for the repayment of debt. The Council has based the 2008-9 statutory general fund minimum revenue provision (MRP) on 4% of the opening capital financing requirement for supported borrowing and on the asset life method for unsupported borrowing. In addition given level of external loans that will have to be repaid in the next five years, the Council has considered it prudent to set aside a further £1.6m in MRP. This is in line with revised regulations issued under the 2003 Local Government Act taking effect from 1st April 2008. These allow the Authority to treat as statutory MRP contributions, repayments related to unsupported borrowing which the authority had previously shown as additional voluntary contributions.

These changes are reflected in a transfer to or from the Capital Adjustment Account as set out below:

2007-8	Capital Charges and the Repayment of External Loans	2008-9
£000		£000
	Charges to services removed	
20,145	Depreciation of fixed assets	21,947
1,567	Amortisation of intangible fixed assets	1,672
47,358	Impairment	119,198
-4,812	Amortisation of capital grants	-5,291
2,895	Revenue Expenditure Financed From Capital Under Statute	1,016
67,153	**Total Charges to services**	**138,542**
	Charges re provision for repayment of external loans	
-18,414	Minimum revenue provision	-21,092
-2,386	Additional voluntary amount	0
-20,800	**Total charges re provision for repayment of external loans**	**-21,092**
46,353	**Net Effect: Increase/ Decrease(-) in General Fund Balance**	**-117,450**

Note 16. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve records revaluation gains arising from holding available for sale investments. There were no revaluation gains at 31 March 2009.

Note 17. Financial Instruments Adjustment Account

Separate regulations/statutory guidance have been put in place to ameliorate certain impacts on the General Fund Balance of accounting for financial instruments in accordance with the 2007 SORP. The Financial Instruments Adjustment Account is a means of reversing out of the I & E account through the Statement of Movement of General Fund Balance (SMGFB) the impact of gains and losses (such as premiums and discounts on early repayment of loans) and the impact of applying an effective interest rate (EIR) calculations for stepped interest LOBO's.

Financial Instrument Adjustment Account	2008-9
	£000
Balance brought forward 1 April 2008	10,382
Spreading of 2008-9 net premiums	-60
Net premiums on loans rescheduled prior to 1 April 2008	-966
Removal 2008-9 EIR on stepped interest loans, LOBO's	226
Amount charged to the general fund through the Statement of Movement on the General Fund Balance	**-800**
Balance at 31 March 2009	**9,582**

Note 18. Usable Capital Receipts Reserve

Authorities are required to pay 75% of their housing capital receipts into a national pool. The authority was required to pay £49,702 to the pool in 2008-9 (£62,743 in 2007-8).

The authority is required to make a corresponding transfer to or from the Usable Capital Receipts Reserve to offset the contribution to the pool. This transfer is shown in the Statement of Movement on the General Fund Balance.

The usable balance of housing receipts and all other capital receipts are held in the Usable Capital Receipts Reserve until applied either to finance capital expenditure or to repay debt.

The large decrease in disposal of assets from £70.646m in 2007-8 to £1.789m is largely explained by the sale of the Council's shareholding in Leeds Bradford International Airport for a total of £53.4m in 2007-8. In addition the down turn in the economy has had a marked impact on the Council's ability to dispose of assets in 2008-9.

2007-8	Usable Capital Receipts Reserve	2008-9
£000		£000
2,664	Balance at 1 April	2,664
	Usable receipts in the year	
70,646	Disposal of assets	1,789
1,271	Other capital receipts	576
-63	Appropriation to (–) from Revenue Account re pooled housing receipts	-50
-11,822	Used to finance capital spending	-4,910
-60,032	Used for debt repayment	0
2,664	**Balance at 31 March**	**69**

Whilst most capital receipts arise from the disposal of assets, other capital receipts may arise, mainly where the authority has given a loan or other assistance for capital purposes. These receipts are accounted for in the Income and Expenditure Account as part of any gains or losses on disposal of fixed assets. (See Note 25 on page 35 and the Income and Expenditure Account on Page 24).

2007-8	Capital Receipts Not Arising From Asset Disposals	2008-9
£000		£000
1,265	Receipts in the year	576
1,265	**Total**	**576**

Note 19. Renewal and Replacement Reserve

This provides funds to finance capital expenditure and to manage and optimise capital resources. In 2008-9 £3.602m was used to finance capital expenditure leaving a balance in the reserve at 31 March 2009 of £9.226m. Of this £1.460m is a working balance, the rest being held for specific purposes. The working balance acts as a contingency supporting the capital investment plan (in the same way that the General Fund balance supports revenue spending).

Note 20. Other Earmarked Reserves (Corporate)

In 2008-9 the level of earmarked Corporate Reserves increased by a net £11.669m from £25.103m at 31 March 2008 to £36.772m at 31 March 2009. The amount is significantly higher than was forecasted when the 2008-9 budget was approved in February 2008. In the main this is due to the reprofiling of two significant projects, Single Status and the Waste Management Interim Contract which negated the need for the Council to apply £7.584m of its Corporate Reserves to fund Council services in 2008-9. In addition in 2008-9 the authority received a one off VAT refund of £6.744m. The increase in Corporate Reserves has been factored into 2009-10 and future years budget setting. Further details about each of the of the major corporate earmarked reserves held are set out below:

- VAT "Flemming" Refund Reserve (£6.804m):As stated above in 2008-9 the authority successfully claimed back form HMRC £6.744m of overpaid VAT dating back to 1973. See Note 5 on Page 29 for a more detailed explanation.
- Local Authority Business Growth Incentive Reserve (LABGI) (£3.636m): This reserve has been set up from balances of 2007-8 LABGI grant carried forward to support the overall Council budget as appropriate. At the 31 March 2009 the balance was £3.636m.
- Interest on Airport Sale Receipts (£2.900m) : In May 2007 the Council received £51.5m from the sale of LBIA. The £2.9m interest earned on the receipt in 2007-8 was transferred to a reserve.

In line with the 2009 budget approval the balances in the above three reserves £13.34m, together with £1.138m (Insurance & YPO) held in other Corporate Reserves will be used to support the 2009-10 budget.

- Single Status Reserve (£4.650m): A decision to create a Single Status Reserve was taken as part of the 2007-8 budget process and at 31 March 2008 the balance was £8.650m. During 2008-9 the level of reserves required to fund the implementation of Single Status was reassessed. As a result £4m was transferred out of Single Status Reserve, £3m going into an Executive Priorities Reserve and £1m into the Managed Severance Reserve. At the 31 March 2009 the balance remaining in the Single Status Reserve is £4.650m.
- Change Programme and Change Management Reserves (£0.951m): There was no movement during 2008-9 on these two reserves.
- Markets Reserve (£0.299m): This reserve was created from the annual market surplus. Following a decision of the Executive in September 2003 it is currently used to fund capital investment in markets. The balance at 31 March 2009 is £0.229m.
- Exempt VAT Reserve (£2m): This is an amount set aside to meet the cost of VAT that the Council would not be able to recover should it exceed its partial exemption limit. The balance has not changed during 2008-9 and at 31 March 2009 is £2m.
- Managed Severance Reserve: In 2008-9 an additional £1m was transferred into this reserve from the Single Status Reserve in recognition of the estimated extra costs of severance and restructuring. In 2008-9 a net £2.738m was released from this reserve leaving a deficit balance of £47,549. Whilst the reserve will be replenished to a certain extent by department repayments, further contributions to the reserve will be required if it is to continue to provide support in 2009-10 and beyond.
- Executive Initiatives and Priorities £4.867m: The opening balance on these reserves at 1 April 2008 was £1.867m. In 2008-9 following a review of all Corporate and Service Earmarked Reserves a further £3m was redirected from the Single Status Reserve for Executive priorities. The balance at 31 March 2009 in these two reserves is £4.867m.
- In March 2009, the Government finalised its allocation of 2008-9 Local Authority Business Growth (LABGI) monies. Bradford received an additional £1.353m which has been transferred to a corporate reserve.
- PFI IT Equipment Reserve (£2.523m): Funding in advance for the BSF Phase 2 IT project has been provided to the authority through Revenue Support Grant. This money has been set aside in a Corporate Reserve until that time the authority is required to pay for the new IT equipment.
- Area Based Grant (ABG) (including WNF) £5.712m In 2008-9 ABG replaced Local Area Agreement Grant (LAA). ABG is a non-ring fenced general grant with no conditions imposed upon how the funding can be used. At the 31 March 2009, the underpending of £5.712m on the authority's 2008-9 ABG allocation has been carried forward into a ring fenced earmarked reserve. £2.830m of which will be used for future budget support and £2.882m for specific projects which have been rephased.

Note 21. Better Use of Budgets

A £4.673m Better Use of Budget reserve has been created at 31 March 2009 to carry forward into 2009-10 service underspends in 2008-9 on key political priorities or where prudent management action has been taken to address future service pressures.

Note 22. Other Earmarked Reserves (Service)

The total Other Service Earmarked Rreserves have fallen by a net £2.909 m during 2008-9 from £9.018m at 1 April 2008 to £6.109m at 31 March 2009.

Other Earmarked Reserves are held for service specific purposes. In 2008-9 a review of these reserves determined that the authority should seek to rationalise the number of other small earmarked reserves that it maintains. In 2008-9 therefore only three new reserves were created the largest being a new BSF Unitary Charge Reserve for the difference between the PFI credits the authority receives in the early years of the Phase 1 contract and unitary charge paid to the contractor. See Note 40 on Page 41 for further details.
Whilst a number of other service earmarked reserves were fully utilised in 2008-9, the balance at 31 March 2009 includes building works £1.137m, and earmarked amounts of £845,000 in respect of schools non-domestic

rate refunds, and £803,000 for Waste Disposal Procurement.

Note 23. Collection Fund

The deficit on the Collection Fund at 31 March 2009 of £2.251m cannot be met from general fund income. In 2009-10 the Collection Fund will be closely monitored and steps taken to return it to balance. In 2009-10 no distribution was budgeted to be made from the Collection Fund and into the Income and Expenditure Account. The Collection Fund Statement is shown on page 51.

Note 24. General Fund Balance

A net £42.952m balance has been carried forward to 2009-10. This includes £30.228m carried forward for schools under delegated budgets.

The balance of £12.724m is set aside to provide for unforeseen events and to assist cash flow management. All authorities are expected to maintain such a balance at a prudent level.

Note 25. Profit or Loss on the Disposal of Assets

Profits or losses arising on the disposal of assets are charged to the Income and Expenditure Account. It also includes income defined as capital receipts but not arising from asset disposals.The loss of £26.297m in the I & E account in 2008-9 relates in the main to the three old schools, Buttershaw, Salts and Tong which have been demolished and replaced by three new BSF Phase 1 schools. See Note 40 on page 41.

Although generally accepted accounting practice requires any profit or loss to be charged to the Income and Expenditure Account, there is no statutory duty on local authorities to make such a charge. The charge is therefore removed when calculating the movements on the General Fund balance for the year.

Note 26. Participation in Pension Schemes

The Council participates in the Local Government Pension Scheme and the Teachers Pension scheme. These both provide members with defined benefits related to pay and service.

The Local Government Pension Scheme is a funded scheme for staff. The scheme is administered through a number of separate regional funds. Bradford is a member of the West Yorkshire Pension Fund. The authority and employees pay contributions into the fund, at a level determined by the fund's professionally qualified actuary at 31 March 2007 for the three years 1 April 2008 to 31 March 2011. The contribution rates set by the actuary are intended to balance the pension's liabilities with the investment asset over the period. The employer contribution rate for the year 2008-9 in respect of Bradford members of the West Yorkshire Pension Fund was 12.9%.

Part way through 2007-8 the provision set aside to meet the capitalised cost of early retirement was exceeded. Early retirement costs are now charged direct to the employing service. The total capitalised cost of early retirement charged direct to services in 2008-9 was £2.799m (£3.101m in 2007-8). There were 72 (55 in 2007-8) early retirements (excluding ill-health early retirements) in 2008-9.

The Teachers Pension Scheme is an unfunded scheme administered by the Department for Children, Schools and Families (DCSF). The contribution rate is set by the DCSF on the basis of a notional fund. The employer contribution rate for 2008-9 was 14.1%.

Pension costs are charged to the Income and Expenditure Account in accordance with FRS17.They are:

- The cost of retirement benefits earned by employees. This is the true cost of retirement benefits and is charged to the net cost of services. Current service costs are charged to individual services and costs relating to past service are shown as non-distributed costs.
- The interest cost inherent in the scheme and the expected return on assets. These are charged to net operating expenditure.

The statutory amount to be charged against the General Fund balance differs from the above and is the total contribution paid by the authority under the pension fund regulations. An adjustment is therefore made within the Statement of Movement on the General Fund:

The main financial assumptions used in the actuary's assessments of assets and liabilities are:

31 March 2008	Local Government Pension Scheme	31 March 2009
	Financial assumptions	
3.6%	Rate of inflation	3.3%
5.35%	Rate of increase in salaries	5.05%
3.6%	Rate of increase in pensions	3.3%
6.1%	Discount rate	7.1%
	Expected rate of return on assets	
7.5%	Equities	7.5%
4.6%	Government bonds	4.0%
6.1%	Other bonds	6.0%
6.5%	Property	6.5%
5.25%	Cash/ liquidity	0.5%
7.5%	Other	7.5%
	Mortality Assumptions	
	Longevity at 65 for future pensioners:	
21.3 years	Men	21.3 years
25.0 years	Women	25.0 years
	Longevity at 65 for current pensioners:	
20.3 years	Men	20.3 years
24.0 years	Women	24.0 years

The same assumptions in respect of the rate of inflation, the rate of increase in pensions and the discount rate were used in the actuary's assessment of teachers' voluntary early retirement benefits.

Assets in the West Yorkshire Pension Fund are valued at fair value (principally market value for investments). The following table shows the value of each category of asset and expresses it as a percentage of the total value.

1 April 2008 Restated			31 March 2009	
£m	**%**		**£m**	**%**
755.4	71.7	Equities	533	62.0
98.1	9.3	Government bonds	106	12.3
43	4.1	Other bonds	52	6.0
54	5.1	Property	36	4.2
38	3.6	Cash/liquidity	43	5.0
65	6.2	Other	90	10.5
1053.5	**100.00**	**Total**	**860.0**	**100.00**

2007-8 Local Government Pension Scheme Restated £000	2007-8 Teachers Voluntary Early Retirement Restated £000	2007-8 Total Restated £000	Pension Costs Reported Under FRS17	2008-9 Local Government Pension Scheme £000	2008-9 Teachers Voluntary Early Retirement £000	2008-9 Total £000
			Income and expenditure account			
34,209	0	34,209	Current service cost	39,458	0	39,458
11,843	864	12,707	Past service cost / gain (-)	3,512	1,244	4,756
46,052	**864**	**46,916**	**Charged to net cost of services**	**42,970**	**1,244**	**44,214**
67,226	3,781	71,007	Interest cost	83,592	4,848	88,440
-71,857	0	-71,857	Expected return on assets in the scheme	-73,171	0	-73,171
-4,631	**3,781**	**-850**	**Charge to net operating expenditure**	**10,421**	**4,848**	**15,269**
41,421	**4,645**	**46,066**	**Total costs included in Income and Expenditure Account surplus or deficit**	**53,391**	**6,092**	**59,483**
			Statement of Movement on General Fund Balance			
-9,885	**662**	**-9,223**	Reversal of net charges made for retirement benefits in accordance with FRS 17	**-18,935**	**-511**	**-19,446**
31,536	**5,307**	**36,843**	**Employers contributions payable to the scheme**	**34,456**	**5,581**	**40,037**

2007-8 Local Government Pension Scheme £000	2007-8 Teachers Voluntary Early Retirement £000	2007-8 Total £000	Reconciliation of the present value of pension scheme liabilities	2008-9 Local Government Pension Scheme £000	2008-9 Teachers Voluntary Early Retirement £000	2008-9 Total £000
1,244,735	**72,680**	**1,317,415**	**Balance at 1 April**	**1,368,914**	**82,271**	**1,451,185**
34,209	0	34,209	Current service cost	39,458	0	39,458
67,226	3,781	71,007	Interest cost	83,592	4,848	88,440
12,242	0	12,242	Contributions made by scheme participants	14,449	0	14,449
44,729	10,253	54,982	Actuarial gains (-) and losses	-293,522	-11,193	-304,715
2,057	864	2,921	Curtailment/Settlements	3,512	1,244	4,756
-46,070	-5,307	-51,377	Benefits Paid	-50,998	-5,581	-56,579
9,786	0	9,786	Past service costs	0	0	0
1,368,914	**82,271**	**1,451,185**	**Balance at 31 March**	**1,165,405**	**71,589**	**1,236,994**

2007-8 Local Government Pension Scheme Restated £000	2007-8 Teachers Voluntary Early Retirement £000	2007-8 Total Restated £000	Reconciliation of the present value of pension scheme assets	2008-9 Local Government Pension Scheme £000	2008-9 Teachers Voluntary Early Retirement £000	2008-9 Total £000
1,035,139	**0**	**1,035,139**	**Balance at 1 April**	**1,053,476**	**0**	**1,053,476**
71,857	0	71,857	Expected rate of return	73,171	0	73,171
-51,228	0	-51,228	Actuarial gain and losses	-264,607	0	-264,607
31,536	5,307	36,843	Employer contributions	34,456	5,581	40,037
12,242	0	12,242	Contributions made to scheme participants	14,449	0	14,449
-46,070	-5,307	-51,377	Benefits paid	-50,998	-5,581	-56,579
1,053,476	**0**	**1,053,476**	**Balance at 31 March**	**859,947**	**0**	**859,947**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £40.108m (* restated £106.210m losses in 2007-8) were included in the Statement of Total Recognised Gains and Losses.

Note 27. Pensions Reserve: Underlying Assets and Liabilities

A summary of the underlying assets and liabilities for both the Local Government Pension Scheme and Teachers' Voluntary early retirement benefits are set out below:

2007-8 Local Government Pension Scheme	2007-8 Teachers Voluntary Early Retirement	2007-8 Total	Underlying Assets and Liabilities	2008-9 Local Government Pension Scheme	2008-9 Teachers Voluntary Early Retirement	2008-9 Total
Restated		Restated				
£m	£m	£m		£m	£m	£m
1,369	82	1,451	Present value of scheme liabilities	1,165	72	1,237
1,053	0	1,053	Market value of assets	860	0	860
316	**82**	**398**	**Pension Reserve Deficit**	**305**	**72**	**377**

The assets and liabilities for retirement benefits attributable to the Local Government Pension Scheme have been assessed by the scheme's actuary, Mercer Human Resource Consulting Limited. The deficits represent the extent to which the scheme is unfunded. The impact on the authority of the need to make good the deficit by increasing contributions over the working life of employees was built into the latest full triennial valuation as at 31 March 2007.

The authority is also responsible for the costs of any compensatory added years benefits granted to teachers. The liabilities in respect of these payments have been calculated by the actuary, Mercer Human Resource Consulting Ltd, based on information provided by the authority. There are no assets to cover teacher's voluntary early retirement benefit liabilities.

The estimated pension net liability was £398m at 31 March 2008 and £377m at 31 March 2009. Of the net decrease of £21m, £40m reflects the impact of actuarial gains and losses. The table below sets out the changes and expresses each as a percentage of the overall level of assets or liabilities at 31 March each financial year.

	2004-5 £000	2004-5 %	2005-6 £000	2005-6 %	2006-7 £000	2006-7 %	2007-8 £000	2007-8 %	2008-9 £000	2008-9 %
Local Government Pension Scheme					**Restated**		**Restated**			
Difference between expected and actual return on assets	46,452	6.0	141,301	14.6	11,344	1.1	-51,228	4.9	-264,607	-30.8
Experience gains and losses on liabilities	-231,884	-21.7	-120,692	-9.7	62,614	5.0	-44,729	3.3	293,522	-25.2
Total	**-185,432**		**20,609**		**73,958**		**-95,957**		**28,915**	
Teacher's Voluntary Early Retirement Benefits										
Difference between expected and actual return on assets	0		0		0		0		0	
Experience gains and losses on liabilities	-8,836	-9.6	-3,507	-4.7	2,082	2.9	-10,253	-2.0	11,193	15.6
Total	**-8,836**		**-3,507**		**2,082**		**-10,253**		**11,193**	
Total Gain / Loss (-)	**-194,268**		**17,102**		**76,040**		**-106,210**		**40,108**	

Note 28. Members' Allowances

The total amount paid in respect of members' allowances in 2008-09 was £2,035,265 (£1,946,286 in 2007-08). These allowances are published in the Telegraph and Argus and can be viewed on the council's web site.

Note 29. Employees' Emoluments

Authorities are required to disclose information on employees' emoluments in excess of £50,000 per annum. Remuneration is defined in the regulations as:

- All amounts paid to or receivable by an employee
- Expense allowances chargeable to tax
- The estimated money value of any other benefits received by an employee otherwise than in cash

Number of Employees 2007-8	Employees Emoluments	Number of Employees 2008-9
220	£50,000 - £59,999	264
80	£60,000 - £69,999	82
31	£70,000 - £79,999	37
14	£80,000 - £89,999	21
8	£90,000 - £99,999	10
6	£100,000 - £109,999	3
1	£110,000 - £119,999	3
2	£120,000 - £129,999	1
2	£130,000 - £139,999	0
1	£140,000 - £149,999	1
0	£150,000 - £159,999	1
0	£160,000 - £169,999	0
1	£170,000 - £179,000	0
0	£180,000 - £189,000	1
366	Total	424

Note 30. Section 137, Local Government Act 1972

This legislation empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals.

In 2008-09 the Council made a £20,000 contribution to the Burma Cyclone Appeal and £20,000 to the DR Congo Appeal (£20,000 to the Red Cross in 2007-08).

Note 31. Income and Expenditure under the Local Authority (Goods and Services) Act 1970.

The Act authorises local authorities to supply goods and professional and technical services to other public bodies. The Council's income from these services amounted to £763,186 (£1,011,000 in 2007-8) and the related expenditure was £757,398 (£1,005,000 in 2007-8).

Note 32. Publicity Expenditure

The Local Government Act 1986 requires the Council to keep a separate account of its expenditure on publicity. The total expenditure included in the accounts was:

2007-8 £000	**Publicity Expenditure**	**2008-9 £000**
2,347	Staff recruiting and property advertising	1,738
3,669	Publicity and promotional services	3,615
6,016	**Total**	**5,353**

Note 33. External Audit Costs

Fees paid to the authority's external auditors under the Audit Commission Act 1998 for services carried out, including the audit of the pension fund, were:

2007-8 £000	**External Audit Costs**	**2008-9 £000**
419	General audit services	418
120	Certification of grant claims and returns	82
126	Statutory inspection	23
37	West Yorkshire Pension Fund	67
702	**Total**	**590**

Note 34. Agency Services

In previous years the Council has undertaken revenue and capital works for the Highways Agency for which it is fully reimbursed. The expenditure is not included in the accounts since it is not part of the Council's normal responsibilities. In 2008-9 the Council did not undertake such work (2007-8 the Council did not undertake such work).

Note 35. Arrangements Under Section 31 of the Health Act 1999

Community Equipment Service

The Council in association with Airedale, South and West, North and City Primary Care Trusts entered into a formal pooled budget arrangement for this service from April 2004. The four Primary Care Trusts merged on 1 October 2006 to form the Bradford and Airedale Primary Care Trust. A summary of contributions and expenditure is shown below.

2007-8 £000	**Pooled Fund Memorandum Account**	**2008-9 £000**
	Funding	
1,103	Bradford Metropolitan District Council	1,132
1,104	Bradford & Airedale Primary Care Trust	1,133
2,207	**Total Funding**	**2,265**
	Expenditure	
1,522	Community equipment	1,490
132	Staffing	645
553	Infrastructure and running costs	130
2,207	**Total Expenditure**	**2,265**

Mental Health and Learning Disability Services

The agreement that established the Bradford District Care Trust (BDCT) was set up under Section 31 of the Health Act 1999. BDCT is responsible under the agreement for the provision of the defined services on behalf of the Council as its agent and within the funding provided. The total operating expenses of the BDCT in 2008-09 were £130.765m (*£131.974m in 2007-08). The cost of services delivered on behalf of the Council was £24.867m (£22.871m in 2007-08).

*Last years comparative figure has been restated as a result of the final audit of the BDCT.

Note 36. Related Party Transactions

Authorities are required to disclose transactions between themselves and related parties. In this context related parties are individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council. The following information is provided.

Central Government

The Government provides the statutory framework within which the council operates, provides the majority of council funding in the form of grants and prescribes the terms of many of the transactions the council has with other parties. Details of Government grants are set out in the Cash Flow Statement (page 28).

Members and Chief Officers

The register of members' interests has been examined and reveals no matters for disclosure. The register is held by the Member Support Section within City Hall, Bradford and is available for public inspection as required by the code of conduct adopted by the council in accordance with section 51 of the Local Government Act 2000 and the Local Authority (Model Code of Conduct) (England) Regulations 2001, made under section 50 of that Act.
Chief Officers were requested to complete a voluntary declaration of any relevant transactions with the authority or between the authority and third parties with which they have some relationship. This resulted in there being no material transactions to disclose.

West Yorkshire Pension Fund

The Council administers the West Yorkshire Pension Fund. In 2008-9 it charged the Fund £565,306 in respect of support services provided (£560,100 in 2007-8). The charge includes accommodation, financial, legal and information technology services. The Assistant Director of Finance, Corporate Services currently represents the West Yorkshire Districts on the West Yorkshire Advisory Panel.

Other Public Bodies

Transactions with precepting authorities, joint committees and other related bodies in the year were:

2007-8 £000	Other Public Bodies	2008-9 £000
	Payment of precepts & distribution of collection fund surplus:	
7,129	West Yorkshire Fire and Civil Defence Authority	7,273
17,523	West Yorkshire Police Authority	18,012
707	Parish Councils	764
22,176	Payments to joint committees, joint services and other bodies	22,998
13	Parish Councils (running expenses and allotment grants)	27

Subsidiary and Associated Companies

The Council had financial relationships in 2008-9 with the following companies. Their assets and liabilities are not included in the Council's accounts. Transactions with the companies in 2008-9 were:

2007-8 £000	Subsidiary and Associated Companies	2008-9 £000
	Leeds Bradford International Airport Limited : -	
-51,152	- Capital receipt from disposal	0
-525	- Repayment of debenture loan	0
-2,206	- Additional capital receipt resulting from excess monies being set aside for LBIA final pension deficit.	0
376	Bradford City Centre URC Limited	376
94	Building Schools for the Future Ltd	94
1	Integrated Bradford LEP Ltd	1

Details of the authority's long term investment in Integrated Bradford LEP Ltd, is shown in Note 43, page 42.

Bradford City Centre URC Limited (BCR) is a company limited by guarantee that was incorporated in February 2003, and registered with Companies House No 04654938. The company is a government designated Urban Regeneration Company with the aim of facilitating the regeneration of Bradford City Centre. The company is funded equally by the Council, Yorkshire Forward and English Partnerships. The financial accounts of BCR can be obtained from Financial Services, Britannia House, Hall Ings Bradford BD1 1HX. For 2008-9 they show a net deficit before and after tax of £18,912. (Net surplus of £20,035 in 2007-8).

The funding agreements with the two founding partners expired on 31st March 2009 consequently the company Bradford City Centre URC Limited is not considered to be a going concern. A decision was taken in principle by the Bradford City Centre URC Limited Board to support the wind down of the company with a structured transition plan.

BMDC Building Schools for the Future Ltd, (6015434) is a wholly owned subsidiary of Bradford Council. It was incorporated in December 2006 with the sole purpose to loan on a back to back basis £94,080 to Integrated Bradford LEP Finco One Ltd (5797779). The company's financial accounts are available from Financial Services, Britannia House, Hall Ings Bradford BD1 1HX.

In addition to the above, the Council is involved in a number of other partnerships and companies limited by guarantee. The authority does not have significant influence over these organisations.

JANES (Joint Arrangement which is not an Entity)

The Council has identified that it is involved in ten JANES the most significant of which is West Yorkshire Joint Services Committee. In 2008-9 the Council included it's contribution to the arrangement, £1.6m (£1.5m in 2007-8) in the I & E Account but has not included its share of the assets and liabilities on the grounds of materiality.

Note 37. Tangible Fixed Assets

Valuations

Operational and non-operational assets have been valued by Nigel Gillatt MRICS and other similarly qualified officers of the Council's Asset Management Service, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Not all properties were inspected as this was not considered necessary for the purposes of the valuation. Revaluations are planned through a five year rolling programme and have been listed in the table below in the year they were revalued. Operational properties were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for an asset, the depreciated replacement cost. Non-operational properties were valued on the basis of open market value. Infrastructure assets and vehicles, plant and equipment are held at historic cost.

	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Community Assets	Investment and Non Operational	Total
	£000	£000	£000	£000	£000	£000
Certified valuation at 31 March 2008	799,865	23,527	195,972	27,093	140,383	1,186,840
Accumulated depreciation and impairment	-59,733	-10,668	-40,705	-9,274	-16,217	-136,597
Net book value at 31 March 2008	**740,132**	**12,859**	**155,267**	**17,819**	**124,166**	**1,050,243**
Reclassifications	205	0	0	0	-205	0
Additions	28,153	10,393	13,924	105	41,226	93,801
Disposals	-19,710	0	0	-41	-8,867	-28,618
Revaluations	79,794	0	0	0	13,885	93,679
Depreciation for year	-11,495	-4,188	-6,084	-1	-179	-21,947
Impairment for Year	-115,702	0	0	-4,582	-21,982	-142,266
Net book value at 31 March 2009	**701,377**	**19,064**	**163,107**	**13,300**	**148,044**	**1,044,892**

In December 2006, the Council entered into a Local Education Partnership (LEP) with Integrated Bradford LEP Ltd, to replace a number of existing schools with new schools provided under the Building Schools for the Future (BSF) PFI contract. See Note 8 on page 30. The new schools will be owned by the PFI contractor until the end of the contract at which time they will transfer back to the local authority. In September 2008, the first three new schools, Buttershaw Business and Enterprise College, Salt Grammar School and Tong High School opened. The old Buttershaw, Salts and Tong schools have been demolished and a license to occupy the land granted to the contractor. The authority will receive no consideration for this agreement and the old school's buildings valued at a depreciated replacement cost of £19m and with an estimated useful life of 25 years at 31 March 2008 have been removed from the authority's balance sheet in 2008-9.

	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Community Assets	Investment and Non Operational	Total
	£000	£000	£000	£000	£000	£000
Valued at Historical Cost	59,043	19,064	163,107	13,239	30,080	284,533
Valued at Current Value in:						
2004/05	2,882	0	0	61	5,622	8,565
2005/06	362,263	0	0	0	5,778	368,041
2006/07	57,565	0	0	0	1,328	58,893
2007/08	52,378	0	0	0	57,253	109,631
2008/09	167,246	0	0	0	47,983	215,229
Total	**701,377**	**19,064**	**163,107**	**13,300**	**148,044**	**1,044,892**

Information on Assets Held

The numbers of assets held on the register include the following:

31 March 2008		31 March 2009	31 March 2008		31 March 2009
	Other land and buildings			**Other land and buildings cont**	
7	Nursery schools	7	3	Theatres	3
158	Primary schools	158	16	Youth centres	16
28	Secondary schools	25	9	Children's homes	9
11	Special schools	11	12	Elderly persons' homes	11
55	Car parks	55			
28	Cemeteries and crematoria	28		**Infrastructure assets**	
28	Libraries	28	1,911km	Roads	1,911km
6	Museums	6		**Community assets**	
10	Public halls	10	108	Parks and open spaces	108
201	Recreation grounds	201			
17	Recreation centres (including swimming pools)	17			

Note 38. Intangible Fixed Assets

Intangible fixed assets are assets over which the Council controls access to future economic benefits, whether through custody or legal protection. The £12.304m of Intangible Assets at 31 March 2009 consists of software licences and IT systems development and is amortised on a straight-line basis for each individual asset.

Intangible Fixed Assets	**£000**
Value as at 31 March 2008	
Assets at cost	15,895
Accumulated amortisation	-2,434
Net book value at 31 March 2008	**13,461**
Additions	515
Amortisation	-1,672
Net book value at 31 March 2009	**12,304**

Note 39. Capital Expenditure and Financing

2007-8 £000		**2008-9 £000**
460,363	**Opening Capital Financing Requirement**	**400,773**
	Capital Investment:	
56,477	Tangible fixed assets	93,802
842	Intangible assets	515
18,841	Revenue expenditure funded from capital under statute	18,993
0	Long term debtor	0
	Sources of Finance:	
-71,854	Capital receipts	-4,910
-41,169	Grants and other contributions	-49,566
-22,727	Revenue provision	-31,900
400,773	**Closing Capital Financing Requirement**	**427,707**
	The movement in the year reflects an underlying need to increase or decrease (-) borrowing:	
-59,040	Borrowing supported by Government financial assistance	-19,182
-550	Borrowing not supported by Government financial assistance	-7,752
-59,590	**Total Movement**	**-26,934**

Note 40. Private Finance Initiative (PFI)

The council has one 25 year PFI contract for the building and maintenance of three schools under the Building Schools for the Future programme. The contract commenced in August 2008 and expires in August 2033.

BSF Private Financing Initiative	**2008-9 £000**
Charges to the Revenue Account	
Unitary Payments to the Contractor	7,286
Notional Acquisition of Residual Value	-1,164
Total charges to the revenue account	**6,122**
Financed By	
Government PFI Revenue Grant	5,628
Education	2,111
Transfer to Long term debtors re assets	-1,164
Total Financing	**6,575**
Transfer to BSF PFI Reserve	**453**

The Council is required to consider whether the assets of the PFI arrangements above should be included as part of the Councils assets on the balance sheet. The Council has taken account of Application Note F "Private Finance Initiatives and Similar contracts as an amendment to FRS 5". On the basis of this guidance the Council has determined that the PFI assets should not be accounted for on the Councils balance sheet.

The Councils payments to the PFI contractor include a payment for assets of a capital nature (for example, new school buildings). The accounting policies applicable to this PFI scheme require a notional debtor to be included in the councils accounts each year. The debtor totalling £1,164k is included in the financing above, and will be accumulated on the Council's balance sheet over the length of the contract. The information is detailed further in Note 44 Long term debtors.

Note 41. Revenue Expenditure Funded From Capital Under Statute

These are payments of a capital nature where no fixed asset is created, mainly grants made to individuals or organisations for capital purposes, such as improvement grants.

There was no balance brought forward at the start of the year. The cost of revenue expenditure funded from capital under statute (REFCUS) (previously known as deferred charges) in the year was £18.993m (£18.841m in 2007-8) and grants of £17.976m (£15.946m in 2007-8) were used to fund the REFCUS charges. The net cost of £1.017m (£2.895m in 2007-8) was written off to revenue in the year and charged to the net cost of services. The net amount charged to revenue in respect of REFCUS charges forms part of the provision for the repayment of external loans (see Note 39 above). No balance was carried forward in respect of deferred charges.

Note 42. Capital Commitments

The Council's Executive has an approved 5-year capital investment plan. Major schemes (over £1.0m) that are contractually obliged or committed at 31 March 2009 are detailed in the following table.

Major Capital Commitments	£000
City Centre Public Realm	9,500
BSF Special Schools (Phase 2)	5,200
Facelift Programme – Manningham & Girlingham	1,800
Block repair of privately owned properties as part of regeneration schemes	1,500
Total	**18,000**

Note 43. Long Term Investment

The Council's long term investment at 31 March 2009 is made up of £11.0m treasury investments which will mature after more than one year (31 March 2008 £26.0m) and £1,000 interest in Integrated Bradford LEP Ltd (31 March 2008 £1,000).

Integrated Bradford LEP Ltd – Company no. 5797774

In December 2006 the Council took a £1,000, (10%) interest in the Local Education Partnership, Integrated Bradford LEP Limited. The remaining equity is held by Partnership for Schools (PfS) 10%, and 80% by private sector partners Costain and Ferrovial Agroman (UK) Ltd (formerly Amey). The company has been set up to deliver the capital investment programme in Bradford secondary schools funded through the government initiative Building Schools for the Future.

In 2008-9 the Assistant Director of Services to Young People took over as Director of this company from the Assistant Director, Finance.

Note 44. Long Term Debtors

These represent the value of long term advances granted by the Council.

The £602,352 due from Wakefield MDC in respect of the former Waste Management arrangements is being repaid at £100,000 per annum over an original period of 15 years (starting in 2000-1). (See also Note 54 on page 44).

The amount owed by other local authorities at 31 March 2009 of £480,000 is in respect of transferred debt for Probation Service and Magistrates Courts services owed by other West Yorkshire authorities.

In the case of the three new Building Schools for the Future, Phase 1 schools, Buttershaw Business and Enterprise College, Salt Grammar School and Tong High School, the schools will be returned to the Council at the end of the contract at no cost. A long term debtor is therefore being built up over the length of the contract which will equate to the value of the schools when they transfer back to the Council after twenty five years.

31 March 2008 £000	Analysis of Long Term Debtors	31 March 2009 £000
196	Former council house tenants	374
703	Waste Management SSA	602
533	Other local authorities re joint services	480
1,429	Car loans	1,311
94	Building Schools for the Future Ltd (Note 36)	94
0	BSF Phase 1 PFI – value of assets acquired	1,164
0	Housing Advances	7
33	Other	33
2,988	**Total**	**4,065**

Note 45. Premiums and Discounts

Under the 2008 SORP arrangements the correct treatment of premiums and discounts depends upon whether the replacement loan represents an extinguishment or modification of the terms of the old loan. Only in cases where the new loan is deemed to modify the terms of the old loan, can the premium or discount be added to the carrying value of the replacement loan. In all other cases where premiums and discounts do not meet the modification test, they must be charged or credited in full to the Income and Expenditure Account.

Whilst the I & E must reflect the 2008 SORP requirements, premiums and discounts are covered by the Local Authorities (Capital Financing and Accounting) (Amendment) Regulations 2007. The effect of this is to allow authorities to continue spreading the cost of premiums over the life of the replacement loan and premiums over the outstanding term on the replaced loan or ten years (if shorter). The reconciling adjustment to ensure that the General Fund is charged or credited with the amount that accords with the regulations is through the Statement of Movement on the General Fund Balance (SMGFB) to the Financial Instruments Adjustment Account. (See Note 17 on Page 33). Net premiums and discounts in 2008-09 are £24k

Note 46. Net Current Assets

31 March 2008 £000	Stocks and Work in Progress	31 March 2009 £000
66	Trading services	70
1,269	Other	1,038
1,335	**Total**	**1,108**

Landfill Usage Allowance

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. Allowances are allocated each year by the Department for Environment, Food and Rural Affairs (DEFRA) and recognised in the balance sheet as current assets. At the 31 March 2009 the allowances held by the authority are 153,152 tonnes at 31 March 2009 (171,181 tonnes at 31 March 2008). These have been measured at a market value of zero (£ zero at 31 March 2008). The zero value is due to the fact that there has only been a limited trade in Landfill Allowance Trading Scheme (LATS) and any unused allocations at 31 March 2009 cannot be carried forward after this date.

Debtors and Payments In Advance

31 March 2008 £000	Analysis of Debtors and Payments in Advance	31 March 2009 £000
	Amounts falling due within one year	
13,859	Government departments	16,236
157	Other local authorities	239
7,766	HMRC - VAT	5,081
19	Inland revenue	21
22,554	Council tax/ community charge/ non-domestic ratepayers	28,791
59,023	Sundry	53,353
103,378	**Total**	**103,721**
	Less provision for bad and doubtful debts	
7,323	Collection Fund	8,705
4,658	Other	5,829
91,397	**Net Total**	**89,187**

Investments

At any point in time the cash flow of the authority can result in temporary cash balances which are put into short-term investments. At the 31 March 2009 £83.772m was invested in short term deposits with the government, banks and building societies (£141.905m at 31 March 2008).

Cash

The balance sheet shows cash in hand of £59.309m and cash overdrawn of £7.391m giving a net cash figure of £51.918m in hand at 31 March 2009 (£50.240m at 31 March 2008). This takes account of the value of cheques and BACS issued but not cleared.

As part of its management of cash balances the authority has made arrangements to invest surplus cash with ready access. At 31 March 2009 the authority had invested £18.817 m on this basis (£13.969m at 31 March 2008).

Creditors and Receipts in Advance

31 March 2008 £000	Analysis of Creditors and Receipts in Advance	31 March 2009 £000
	Amounts falling due within one year	
3,877	Government departments	3,511
366	Other local authorities	460
7,832	HMRC - (tax, national insurance)	7,736
987	HMRC - VAT	71
8,125	Staff payroll	9,041
75,910	Sundry	66,463
97,097	**Total**	**87,282**
	Receipts in advance	
42,624	Sundry	41,336
14,755	Developer's contributions	14,129
57,379	**Total**	**55,465**
154,476	**Total Creditors and Receipts in Advance**	**142,747**

Note 47. Provisions

31 March 2008 £000	Movements in Provision Balances	Transfers 2008-9 £000	31 March 2009 £000
22,085	Equal Pay Claims	-1,932	20,153
10,801	Insurance	-1,558	9,243
0	Landfill Allowances	0	0
32,886	**Total**	**-3,490**	**29,396**

Equal Pay claims (Single Status) - Implementation of the 1997 Single Status Agreement between local authority employers and unions involves the review, job evaluation and harmonisation of former officer and former manual worker terms and conditions. It will lead to compensation claims under equal pay legislation (claims can cover a period of up to six years). In accordance with Financial Reporting Standard 12, the authority has set aside £27m for the cost of claims. At 31 March 2009, claims and legal costs totalling £6.847m have been paid out leaving £20.153m in the provision as at 31 March 2009.

Insurance – The provision bears the risk of day to day losses as an alternative to providing insurance cover through external insurance companies. Losses over £120,000 are externally insured. The main areas provided for are:

31 March 2008 £000	Analysis of Insurance Provision	31 March 2009 £000
158	Property	95
10,265	Liability	8,632
370	Motor	513
8	Other	3
10,801	**Total**	**9,243**

Landfill allowances - Under the terms of the Landfill Allowances Trading Scheme (LATS), landfill usage is verified and the liability settled after the year end. The estimated biodegradable municipal waste (BMW) landfill usage for 2008-9 128,200 tonnes (141,575 *restated 2007-8 - last years figure in the note was an estimate) is included in the balance sheet as a provision. As the market price of 2008-9 allowances at 31 March 2009 has been deemed to be nil, the provision at 31 March 2009 remains zero.

Note 48. Deferred Liabilities

The main liability is in respect of former West Yorkshire Waste Management Joint Committee debt. This is managed on the authority's behalf by Wakefield MDC. The deferred liability outstanding at 31 March 2009 was £ 5,436,033 (£5,662,534 at 31 March 2008).

Other, smaller deferred liabilities relate in the main to amounts received by the Council from contractors under the terms of specific contracts. They will be either repaid to the contractor upon satisfactory completion of the works or used to make good any defects.

Note 49. Total Equity

The total assets less liabilities of the authority are financed by movements in reserves and balances, or equity. There was a decrease in total equity of £28.570m, from £161.575 m (restated) at 31 March 2008 to £133.005m at 31 March 2009. This movement is explained in the Statement of Total Recognised Gains and Losses on page 26.

Note 50. Contingent Liabilities

This note summarises potential contingent losses in relation to certain outstanding matters which cannot be estimated accurately or considered sufficiently certain. Contingent liabilities are not accrued in the accounting statements.

Asset Management Project (AMP)

In light of the Council's decision to terminate the AMP, legal proceedings against the Council have commenced.

The likelihood and level of any costs arising from such actions cannot be judged at this stage. Although the Council continues to negotiate with the contractor a Court date has been initially set for February 2010.

Equal Pay Claims

Single Status is the process of job evaluation and harmonisation of former officer and manual worker terms and conditions, which dates from the 1997 Single Status agreement. In 2005-06 the Council estimated the costs at £13m and capitalised these under direction from the Secretary of State under Section 16(2) (b) of the Local Government Action 2003. A further £14m was added to this provision in 2007-8 (See Note 47 on page 43). The process of making compensation payments is still ongoing and until all of the claims have been settled and the emerging risk of claims under equal value legislation is known the adequacy of this resource will not be known.

Pension Cases

Currently there are a small number of ongoing employment tribunal cases that have been brought by part time staff relating to pension rights which was the subject of a House of Lords' judgement. It is currently not possible to quantify the financial cost to the authority or the timescale in which these cases will be completed.

Municipal Mutual Insurance (MMI)

MMI is running down its business, whilst paying agreed claims in full. It has however, entered into a Scheme of Arrangement, in case of insolvency, which would involve a levy against claims paid and future payments. In the unlikely event that the scheme comes into effect, the Council may be liable to clawback of up to £2.460m.

Software Licenses

There is a potential liability to pay for an additional number of computer licenses following an initial review of inventory figures. A detailed review will be undertaken of allocations to departments in order to update the overall inventory and assess what payment may be liable.

Pension Fund Guarantee

The Council acts as guarantor for the following admission bodies of the West Yorkshire Pension Fund should they cease to exist or the contract with the Council ends, Bradford Trident, Bradford Regeneration Company and Education Bradford. In addition the Council agreed subject to limitations to guarantee the pension fund deficit of the Bradford District Care Trust at 31 March 2009 should it cease to exist. The pension deficit of BDCT was £2.387m at 31 March 2009.

Note 51. Contingent Assets

Claims against HMRC

Prior to the 31 March 2009 the Council had submitted a further two protective claims against HMRC. The first is for the award of compound interest in respect of the three year disclosure " Flemming" refunds the Council received in 2008-9 (see Note 5 on Page 29 for further details) and the second is for further Flemming refunds, which if successful could total £12m. The latest estimate based on feedback from HMRC in 2009-10 is that the authority will receive £3m in VAT refunds in 2009-10. Claims in respect of market rents and trade refuse refunds are unlikely to be successful.

Nursing Care Cases

The Council is currently in negotiations with the local Primary Care Trust to determine which clients are eligible for free nursing care. There are a large number of cases and each require a reassessment of their needs to determine their eligibility. If they are assessed as being eligible then the Council will receive reimbursement of the funds it has paid out in relation to nursing care last year. The amount can only be known once the assessment for each individual has taken place and agreement on the backdating of the payment obtained.

Note 52. Authorisation for the Issue of the Statement of Accounts

The Strategic Director, Corporate Services authorised the issue of the Statement of Accounts on 23 June 2009 after consideration by the Executive, to Corporate Governance and Audit Committee on 25 June 2009 for approval.

Note 53. Post Balance Sheet Events

There were no adjusting or non adjusting events after 31 March 2009 which have affected the fair presentation of the financial statements.

Note 54. Deferred Income

This is income due from Wakefield MDC in respect of the former West Yorkshire Waste Management arrangements. Under an agreement that started in 2000-1, the balance due is being repaid at £100,000 per annum over 15 years. The sum outstanding at 31 March 2009 was £602,352 (£702,804 at 31 March 2008). (See also Note 44 on page 42).

Note 55. Deferred Capital Receipts

£407,000 is the amount outstanding on Council property sales which falls due in future years.

Note 56. Government Grants Deferred

These are capital grants used to finance the purchase or enhancement of the authority's fixed assets. The grant is amortised (credited to the Income and Expenditure Account) over the same period as the asset is depreciated. The amount amortised each year is credited to the net cost of services.

2007-8 £000	Government Grants Deferred	2008-9 £000
155,961	Balance brought forward	**176,579**
25,430	Grants deferred in the year	31,853
-4,812	Grant amortised and credited to services in the year	-5,291
176,579	**Balance at the year end**	**203,141**

Note 57. Reconciliation of the Surplus on Revenue Accounts to Revenue Activities Net Cash Flow

Restated 2007-8 £000	Reconciliation of the Surplus on Revenue to Revenue Activities Net Cash Flow	2008-9 £000
-4,646	Net deficit / surplus (-) for year on the Income and Expenditure Account (I & E)	134,519
	Add back non cash I & E items:	
-69,070	Depreciation and impairment	-142,817
-9,042	FRS 17 Pension adjustments	-19,446
4,812	Amortisation of government grants	5,291
	Items on accruals basis:	
-122	Decrease (-) / Increase in stocks	-227
13,419	Decrease in amounts due to Council	-1,133
-29,139	Decrease in amounts due from Council	11,729
	Items classified elsewhere on the cash flow statement:	
-28,017	Interest paid	-29,554
11,299	Interest received	10,418
5,046	Non revenue accruals	4,841
48,620	Gain/(loss)- on disposal of assets	-26,297
	Non cash items:	
-3,132	Movement on the Collection Fund and provisions	8,259
-59,972	**Revenue activities - net cash flow**	**-44,417**

Note 58. Reconciliation of Net Cash Flow to the Movement in Net Debt

Reconciliation of Net Cash Flow to the Movement in Net Debt	2008-9 £000
Increase in net cash in the period	1,678
Cash flow changes	
Cash inflow from a decrease in debt	41,117
Increase in liquid resources	-58,133
Movement in net debt in the period	**-15,338**

Note 59. Analysis of Changes in Net Debt.

Balance 31 March 2008 £000	Analysis of Changes in Net Debt	Change 2008-9 £000	Balance 31 March 2009 £000
58,546	Cash in hand	763	59,309
-8,306	Cash overdrawn	915	-7,391
-10,374	Debt due within one year	10,374	0
-436,696	Debt due after more than one year	30,743	-405,953
141,905	Management of liquid resources - short term investments	-58,133	83,772
-254,925	**Net Debt**	**-15,338**	**-270,263**

Note 60. Dedicated Schools Grant (DSG)

The DSG is a ring fenced grant which is utilised for Individual Schools Budgets (ISB) or retained centrally to support central Education Services. The DSG allocation for 2008-9 was as follows:

2007-8 £000	Dedicated Schools Grant	2008-9 £000
315,298	Provisional DSG	331,079
311,878	Amount used for Schools Budget	326,430
312,002	**Final DSG**	**326,808**

The Schools Forum who determine the allocation of the DSG, has approved the £378,000 unspent grant in 2008-9 to be added to the 2009-10 DSG allocation.

Central Expenditure Limit (CEL)

There is a limit which is placed on the amount of funding which can be retained centrally by the authority. This limit is known as the Central Expenditure Limit (CEL) operates by restricting the increase in a local authority's centrally retained expenditure from one year to the next year to the same percentage as the increase in the Individual School Budgets. The Schools Forum can approve a breach of this limit. The Schools Forum approved a breach of £598,000 on the CEL in 2008-9.

Note 61. Revenue Government Grants

The revenue government grants shown in the table below represent the cash received by the council and may differ from the amounts included in other published accounts, which are prepared on an accruals basis.

In 2008-9 Area Based Grant (ABG) replaced the Local Area Agreement Grant (LAA). A number of the previously LAA grant funded schemes have now been amalgamated under ABG. ABG is a non ring fenced general grant made up of a wide range of former specific grants from six government departments.

2007-8 £000	Other Revenue Government Grants	2008-9 £000
312,002	Dedicated School Grant (DSG)	326,808
117,224	Rent Allowance Subsidy	109,596
94,673	Education and schools	99,392
0	Area Based Grant	46,523
38,411	Council tax benefit and benefits administration	38,708
16,465	Early years	20,829
20,773	Supporting People	19,220
3,746	European Union	6,452
0	PFI Revenue Support	5,628
594	LABGI	4,989
1,896	Arts, Heritage & Leisure	2,474
1,952	Drug Intervention Programme	1,955
264	Asylum accommodation	1,056
10,685	Personal social services	864
1,042	PSA	803
499	Safer communities	737
18,196	Local Area Agreement (LAA)	683
1,589	Health education	624
1,821	Single Regeneration Budget	429
376	Employment	376
610	Youth training	365
2,295	Mental illness	341

93	Big Lottery Funding	313
223	Environment	180
14,512	Neighbourhood renewal	71
57	Adult education	0
2,150	Social services carers	-263
973	Other	491
663,121	**Total**	**689,644**

Note 62. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the authority.

With effect from 1 April 2007 local authorities were required to adopt the accounting standards for financial instruments FRS 25, 26 and 29. This means that most financial instruments (whether borrowing or investments) have to be valued in the balance sheet on an amortised cost basis using the effective interest rate (EIR) method.

In addition to help identify, quantify and inform on the exposure to and management of risk, financial instruments are required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

In the following tables and notes the significance of financial instruments for the authority's financial position and performance will be explained.

Types of Financial Instruments

The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of financial instruments. No assets or liabilities have been reclassified in 2008-9.

Long term	**2007-8 £000**	**2008-9 £000**
Financial liabilities at amortised cost		
PWLB Loans	394,422	363,453
Lender Option Borrower Option (Lobo's) loans	42,274	42,500
Other local authorities re joint services	5,900	5,665
Other	442	284
Total Borrowings	**443,038**	**411,902**
Loans and receivables at amortised cost		
Investments	26,000	11,000
Car loans	1,429	1,311
Other local authorities re joint services	533	480
Building Schools for the Future Ltd	94	94
Other	932	1,016
Unquoted equity investment at cost		
Integrated Bradford LEP Ltd	1	1
Total Investments	**28,989**	**13,902**

Current	**2007-8 £000**	**2008-9 £000**
Financial liabilities at amortised cost		
PWLB Loans	10,374	0
Cash overdrawn	8,306	7,391
Trade Payables	70,551	60,757
Other local authorities re joint services	246	235
Total Borrowings	**89,477**	**68,383**
Loans and receivables		
Cash in hand	58,546	59,309
Investments	141,905	83,772
Trade Receivables less impairment	53,106	49,476
Other local authorities re joint services	84	53
Total Investments	**253,641**	**192,610**

Two LOBO's totalling £11.038m have been included in long term borrowing but have a call option date in the next twelve months.

The Authority does not hold any material collateral.

Fair value of liabilities and assets carried at amortised cost

The fair values of liabilities ands assets carried at amortised costs at 31 March 2009 are as follows:

2008 Carrying value £000	2009 Carrying value £000	Fair value of liabilities carried at amortised cost at 31 March 2009	2008 Fair value £000	2009 Fair value £000
404,796	363,453	PWLB maturity	484,632	463,572
42,274	42,500	LOBO's	42,083	42,486
8,306	7,391	Cash overdrawn	8,306	7,391
6,146	5,900	Other local authorities re joint services	7,081	6,490
70,551	60,757	Trade creditors	70,551	60,757
442	284	Other	442	284
532,515	**480,285**	**Total Financial Liabilities**	**613,095**	**580,980**

2008 Carrying value £000	2009 Carrying value £000	Fair value of assets carried at amortised cost at 31 March 2009	2008 Fair value £000	2009 Fair value £000
58,546	59,309	Cash	58,546	59,309
167,905	94,772	Deposits with banks and building societies	168,045	95,445
53,106	49,476	Current trade receivables	53,106	49,476
1,429	1,311	Car loans	1,429	1,311
617	533	Other local authorities re joint services	769	687
94	94	Building Schools for the Future Ltd	94	94
1	1	Integrated Bradford LEP Ltd	1	1
932	1,016	Other	932	1,016
282,630	**206,512**	**Total Financial Assets**	**282,922**	**207,339**

The fair value of a financial instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by SECTOR Treasury Services Ltd from their treasury management consultants using bid prices on 31 March 2009.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interest is calculated using the most common market convention, ACT/365.
- For fixed deposits interest is received on maturity, or annually if duration is longer than 1 year (unless told otherwise).
- Interest is not paid / received on the start date of an instrument, but is paid/received on the maturity date.
-
- The Council has not adjusted the interest value and date where a relevant date occurs on a non working day.

The fair value is higher than the carrying amount because the Council's portfolio of **loans i**ncludes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value is slightly higher than the carrying amount because the Council's portfolio of **investments** includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above/below current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

Gains and losses on financial instruments

The following table recognises the gains and losses which have arisen in the Council's accounts in relation to financial instruments. The majority of these are reflected in the income and expenditure account.

2007-8 £000	Recognised gains and losses	2008-9 £000
	Recognised in the Income and Expenditure Account	
	Financial assets	
-11,299	Interest receivable on loans & disposals	-10,418
	Financial Liabilities	
28,263	Interest payable	29,315
	Recognised in the Statement of Total Recognised Gains and Losses	
47,355	Unrealised gain on assets available for sale (LBIA Ltd)	0
-47,355	Disposal of assets available for sale (LBIA Ltd)	0

Nature and extent of risks arising from financial instruments

The authority's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. In July 2003 the Council fully adopted the CIPFA Code of Treasury Management Practices. Each year the Strategic Director Corporate Services presents to the Corporate Governance and Audit Committee an Annual Treasury Management Report which covers the Council's current treasury position, borrowing and investment strategies and performance and debt rescheduling.

Key risks

The Council's activities expose it to a variety of financial risks:-

Credit Risk - the possibility that other parties might fail to pay amounts due to the council.

Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments.

Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movement.

a. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits and maturities with banks and building societies depending on an institution's Moody's or Fitch's credit rating.

The credit criteria in respect of financial assets held by the authority are as detailed below:

Investment limits

The financial investment limits with the Government, Banks or Building Societies are linked to Moody's and Fitch ratings, as follows:-

1. The Government through debt management office including deposits, treasury bills and bank government guarantee certificated of deposits – Maximum Investment with any one counter party – no limit
2. Local Authorities : Maximum Investment with any one counter party – £20 million
3. Money Market funds including government funds with a Moody's rating of AAA : Maximum Investment with any one counter party – £20million
4. Any Bank or Building Society with a Moody's rating of A1 or better and a Fitch short-term rating of at least F1 with a support rating of 2 or above : Maximum Investment with any one counter party – £40million
5. Any Bank or Building Society nationalised by the UK Government with a Fitch short term rating of F1 and support rating of 1 : Maximum Investment with any one counter party – £20million
6. Lower limit with any bank or building society with a moody rating of A2 or better and a Fitch rating of at least F1 and support rating of 3 or better : Maximum Investment with any one counter party – £7million

Some investments are outside of these criteria. This is due to the high number of credit ratings that have changed within the financial year due to the economic downturn and banking crisis. The investment was placed at a point when the investment criteria for the institution were included within the investment criteria. These are Britannia Building Society £6m and DEPFA Bank £1.5m.

Geographical split of the Council's Investments

The Council has investment based in the following countries.

Country	Amount £000	%
UK	108,900	98%
Germany	1,500	1%
Saudi Arabia	1,000	1%
	111,400	100%

The following table summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

Deposits with banks and other financial institutions	£000
Amounts at 31 March 2009	92,601
Historical experience of default	0
Historical experience adjusted for market conditions as at 31March 2009	0
Estimated maximum exposure to default and uncollectible debt	0

The Council does not allow credit for customers.

b. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year and 40**%** within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The following is an analysis of amounts owed to lenders at the year-end.

31 March 2008 £000	Total Borrowing	31 March 2009 £000
	Source of loan and interest rate range :	
404,796	Public Works Loan Board (3.7% to 10.25%)	363,453
42,274	Commercial Bank (3.2% to 4.5%)	42,500
447,070		**405,953**
	Analysis of loans:	
	Short Term Borrowing	
10,374	Maturing in less than 1year	**0**
	Long Term Borrowing	
22,967	Maturing in 2 - 5 years	5,000
118,449	Maturing in 5 - 10 years	124,933
39,454	Maturing in 10 - 15 years	36,454
255,826	Maturing in more than 15 years	239,566
436,696	**Total Long Term Borrowing**	**405,953**
447,070	**Total Borrowing**	**405,953**

In the "more than 15 years category" there are £11.038m of LOBO's which have a call date in the next 12 months**.**

c. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet as presently all the authorities' assets are held at amortised cost, but will impact on the disclosure note for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. Again this will not impact on the Balance Sheet as all liabilities are held at amortised cost. The only impact will be on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 20**%** of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

If interest rates had been 1% higher it has been assessed that the Council would have received an additional £1.455m interest in 2008-9 on its investments. With reference to interest payable on the Council's borrowings, based on variable loans totalling £27.4m an additional 1% in interest charges would have added £213k to total borrowing costs due to the debt being redeemed on 21 January 2009.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Note 63. Trust Funds and Custodial Money

The Strategic Director, Corporate Services acts as treasurer to approximately 60 funds (inclusive of 17 sole trustee charities), held in trust for such purposes as maintenance grants, travel scholarships and book prizes, or for the benefit and care of particular client groups. The fund balances are invested in managed funds, local authority bonds, gilt edged securities and deposit accounts. £108,000 is also held on behalf of clients who are in residential care. The assets shown below are not owned by the Council and are not included in the Balance Sheet.

Balance 31 March 2008 £	Analysis of Trust Funds and Custodial Money Balances	Expenditure 2008-9 £	Income 2008-9 £	Balance 31 March 2009 £
	Education charities:			
503,252	Charles Semon Educational Foundation	12,042	22,195	513,405
453,241	Bradford area	6,892	28,475	474,824
376,812	Keighley area	9,492	27,103	394,423
50,729	Housing charities	38,892	28,705	40,542
228,323	Blind Charities	0	17,763	246,086
1,612,357		**67,318**	**124,241**	**1,669,280**

For those Trust Funds where the authority acts as sole trustee and which at 31 March 2009 had net assets of over £50,000, further details regarding the purpose of the charity and its financial performance are set out below.

Trust Fund and Charity Registration Number	Purpose	Net increase/ - decrease in funds in 2008-9 £	Balance at 31 March 2009 £
Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	10,153	513,405
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	15,400	362,059
Royd House Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	6,725	129,333
Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	2,577	59,499

There is a statutory requirement for billing authorities to maintain a separate Collection Fund showing the transactions in respect of non-domestic rates and council tax and the way in which these have been distributed to preceptors and the General Fund. Although a separate Income and Expenditure Account is required, the Collection Fund balances are consolidated into the Council's Balance Sheet.

2007-8 £000	**Collection Fund**	**2008-9 £000**	
	Income		
141,917	Due from council tax payers (excluding benefits)	146,947	*Note 1*
31,340	Due in respect of council tax benefits	32,804	
115,692	Due from business ratepayers	124,617	*Note 2*
288,949	**Total income**	**304,368**	
	Expenditure		
	Precepts		
148,101	Bradford Council	152,071	
6,868	West Yorkshire Fire and Civil Defence Authority	7,173	
16,882	West Yorkshire Police Authority	17,767	
	Business rate		
114,939	Payment to national pool	123,867	*Note 2*
753	Costs of collection	750	
2,470	Council tax write-offs	3,627	
6,564	Council tax support from council tax surplus	2,500	
110	Council tax support from community charge surplus	0	
1,198	Contribution to / -from provision for losses on collection	1,382	*Note 3*
297,885	**Total Expenditure**	**309,137**	
-8,936	**Net decrease in the fund balance**	**-4,769**	
11,454	Balance at beginning of year	2,518	
2,518	**Collection Fund deficit (-) / surplus at end of year**	**-2,251**	*Note 4*

Note 1. Council Tax

Council tax income is generated from charges raised on residential properties. Each domestic property is assigned to one of eight bands A-H depending on its capital value. (Band A* properties are properties in Band A entitled to disabled relief reduction). Properties in higher bands are charged more, although the charges may be reduced by council tax benefit and/or single occupier discount.

Properties in the middle band D, were charged at £1,231.66 in 2008-9 (£1,201.38 in 2007-8) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

2007-8 Band D Equivalent	**Band**	**2008-9 Number of chargeable dwellings**	**Multiplier**	**2008-9 Band D Equivalent**
59	A*	104	5/9	58
47,273	A	70,639	6/9	47,092
27,745	B	36,001	7/9	28,001
28,926	C	32,786	8/9	29,143
14,274	D	14,589	9/9	14,589
12,575	E	10,325	11/9	12,619
7,139	F	4,978	13/9	7,191
5,377	G	3,197	15/9	5,328
395	H	209	18/9	419
143,763	Total Band D equivalent			144,440
-718	Adjustment for estimated losses on collection			-722
143,045	**Council Tax Base**			**143,718**

Note 2. Business Rates

The Council collects business rates (non-domestic rates) for its area. The rate in the pound of rateable value is set by central government. There are two multipliers: the small business non-domestic rating multiplier of 45.8p (44.1p in 2007-8) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 46.2p (44.4p in 2007-8) includes the supplement to pay for small business relief. The total levied, less certain reliefs and deductions, is paid to a central pool managed by the government, which then redistributes the money to the General Funds of all precepting authorities on the basis of a fixed amount per head of population. Bradford's share of the pool for 2008-9 was £223.3m (£199.1m in 2007-8).

The business rates income, after reliefs and provisions, was based on a total rateable value for the Council's area of £320,025,838 for 2008-9 (£322,726,131 for 2007-8).

Note 3. Provision for Council Tax Bad Debts

After contributing £1.382m in 2008-9, the bad debt provision for council tax at 31 March 2009 was £8.705m (£7.323m at 31 March 2008).

Note 4. Fund Balance

The accumulated surplus on the Collection Fund is attributable to amounts which are deemed to be collectable but of which a substantial amount has not yet been collected.

2007-8	Collection Fund Balance	2008-9
£000		**£000**
	Community Charge	
111	Surplus b/fwd 1 April	1
-110	Deficit in year	0
1	**Accumulated surplus c/fwd**	**1**
	Council Tax	
11,343	Surplus b/fwd 1 April	2,517
-8,826	Deficit in year	-4,769
2,517	**Accumulated deficit (-) / surplus c/fwd**	**-2,252**
2,518	**Accumulated deficit (-) / surplus on Fund at 31 March**	**-2,251**

At the 31 March 2009 there is a £2.251m deficit on the Collection Fund. This has arisen due to a higher level of write offs in 2008-9 following two years of lower than average write offs on account of the introduction of a new system in 2006-7.The statutory position is for any surplus or deficit on the Collection Fund to be used as an adjustment to the council tax in future years. In 2009-10 action will be undertaken to bring the Collection Fund back into balance.

2007-8 Restated £000	Fund Account	2008-9 £000	
	Contributions and Benefits		
299,581	Contributions receivable	327,820	*Note 4*
33,169	Transfers in	35,292	*Note 5*
156	Other income	68	
18,671	Non-statutory pensions and pensions increases recharged	18,681	
351,577	**Income total**	**381,861**	
284,471	Benefits payable	302,964	*Note 6*
18,671	Non-statutory pensions and pensions increase	18,681	
367	Refund of contributions	78	
18,546	Transfers out	24,136	
5,212	Administrative and other expenses borne by the scheme	5,214	*Note 8*
327,267	**Expenditure Total**	**351,073**	
24,310	**Net additions from dealings with members**	**30,788**	
	Returns on investments		
219,354	Investment income	226,365	*Note 9*
-339,627	Change in market value of investments (realised and unrealised)	-1,535,923	*Note 7*
1,828	Stock Lending	1,509	*Note 10*
0	Underwriting Commission	1	*Note 10*
-1,491	Investment management expenses	-1,585	
-119,936	**Net return on investments**	**-1,309,633**	
-95,626	**Net decrease in the fund during the year**	**-1,278,845**	
7,305,957	**Opening net assets of the scheme**	**7,210,331**	
7,210,331	**Closing net assets of the scheme**	**5,931,486**	

31 March 2008 Restated £000	Net Assets Statement	31 March 2009 £000	
	Investments		*Note 7*
592,645	Fixed interest securities	643,160	
4,678,827	Equities (including convertible shares)	3,497,591	
438,076	Index-linked securities – UK quoted	483,530	
1,108,516	Managed and Unitised funds	936,180	
323,050	Other – sterling deposits	320,289	
4,290	Other investment balances	23,870	
7,145,404	**Investments at market value 31 March**	**5,904,620**	
	Current assets and liabilities		
73,972	Debtors	29,966	*Note 11*
-10,685	Creditors	-8,504	*Note 11*
1,640	Cash in hand *	5,404	
64,927	**Net current assets and liabilities**	**26,866**	
7,210,331	**Net assets of the scheme at 31 March**	**5,931,486**	

* This figure takes account of cheques drawn but not presented, the balance on the bank account at 31 March 2009 was £5,639,755

Note 1. Operations and Membership

The West Yorkshire Pension Fund (WYPF) provides for the payment of defined pension benefits to members or their dependants, from participating employers. It publishes its own detailed report and accounts document, which is available on the WYPF website (www.wypf.org.uk) and from the Director, West Yorkshire Pension Fund.

Administering Authority – City of Bradford Metropolitan District Council is the administering authority for the Fund, and as such has statutory responsibility for the management and administration of the Fund. The Fund's entire investment portfolio is managed on a day to day basis in-house supported by the Fund's external advisers.

Legal Status – It is a statutory scheme and the benefits are paid out under the provisions of the Local Government Pension Scheme Regulations as amended. Contributing members are contracted out of the State Earnings Related Pension Scheme. Exempt approval has been granted by HM Revenue and Customs for the purposes of the Income and Corporation Taxes Act.

Management – The West Yorkshire Pension Joint Advisory Group is responsible for advising on the administration of the Fund. The group is made up of three elected members from each of the five West Yorkshire Metropolitan District Councils (MDCs), three Trade Union representatives and two Scheme members. The Investment Advisory Panel is responsible for advising on the investment of the Fund and comprises two elected members from each of the five West Yorkshire Metropolitan District Councils, three trade union representatives, two external investment advisors, two scheme members, the Director – West Yorkshire Pension Fund and a Chief Financial Officer from the West Yorkshire District Councils on a two year rotational basis.

Participating Employers – There were 190 participating employers at 31 March 2009 whose employees were entitled to be contributors to the Fund.

Membership

Restated	Profile of Membership	
2007-8		**2008-9**
94,332	Active members	95,115
58,051	Pensioner members	60,278
59,985	Members with preserved pensions	60,603
212,368	**Total Contributions Receivable**	**215,996**

Note 2. Actuary's Report

A full triennial actuarial valuation of the West Yorkshire Pension Fund was carried out as at 31 March 2007 to determine the contribution rates with effect from 1 April 2008 to 31 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets represented 90% of the accrued liabilities Funding Target at the valuation date. The valuation also showed that a common rate of contribution of 13.2% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 2.6% of pensionable pay for 22 years. This would imply an average employer contribution rate of 15.8% of pensionable pay in total by 2010-11.

In practice, each individual employer's position is assessed separately and the required employer contributions are set. In addition to the contributions rates set, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process. For certain employers, in accordance with the FSS, an increased allowance has been made for assumed investment returns on existing assets and future contributions, for the duration of the employer's deficit recovery period.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding target and the common contribution rate were as follows:

Actuarial Assumptions	For past Service Liabilities %	For future Service Liabilities %
Investment return		
pre retirement	6.9	6.5
post retirement	5.4	6.5
Earnings growth	4.85	4.5
Price inflation	3.1	2.75

The assets were assessed at market value to the value of £7,306m.

Full details of the assumptions adopted for the valuation are set out in the actuarial valuation report.

An interim valuation of WYPF was undertaken as at 31 March 2008 to obtain an up to date funding position. The interim valuation showed that the funding level had fallen to 76%. The major cause for the fall was an increase in liabilities from £8,104m in 2007 to £9,518m in 2008. The assets of the fund remained fairly stable at £7,272m in 2008.

The next triennial actuarial valuation of the Fund is due as at 31 March 2010. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2011.

Note 3. Statement of Accounting Policies

The accounts are prepared in accordance with the Statement of Recommended Practice (Revised May 2007) "The Financial Reports of Pension Schemes." Disclosures are limited to those required by the Local Authority Statement of Recommended Practice 2008.

Listed Investments

The revised SORP came into practice during the financial year. As a result of the SORP revisions, investment balances should be valued at bid price and not mid price as was previously the case. WYPF has amended its valuation accounting policy to incorporate this change.

Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.

Property Funds are valued at closing bid price.

The values of investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. These valuations accord with guidelines provided by the British Venture Capital Association.

The values of investments in Fund of Hedges Funds are based on the net asset values provided by the hedge fund managers as at 31 March 2009.

Additional Voluntary Contributions

In line with Regulation 5(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, Additional Voluntary Contribution (AVC) investments are not shown in the Fund Account and Net Assets Statement (see Note 13).

Currency Translation

Assets and liabilities in foreign currency are translated into Sterling at exchange rates ruling at the financial year end. Any gains or loses arising are treated as part of the change in market value of investments.

Transfers

Transfer Values represent amounts received and paid during the period for individuals and bulk transfers who joined or left the Fund.

Investment Income

Investment income is accounted for when received except that interest due on fixed interest securities, index linked securities and short-term investments are accounted for on an accruals basis, and income from UK equities is accounted for on the date when stocks are quoted ex-dividend.

Contributions

Contributions are accounted for when due.

Employers have met the indirect costs of early retirement. Some have chosen to do this by paying extra employers' contributions. The rest have been recharged and the income received is made up of both one-off lump sum payments and instalments where the employer has chosen to spread the cost.

AVC's are accounted for when due, in the same way as other contributions.

Expenditure

No account is taken of long-term liabilities to pay benefits.

Accruals have been included for lump sum benefits arising but not paid until the following year.

Note 4. Contributions Receivable

2007-8 £000	Analysis of Contributions Receivable	2008-9 £000
	Employers' contributions	
149,939	Normal	163,895
33,814	Deficit Funding	35,862
1,704	Augmentation	1,270
20,510	Other	21,995
205,967	**Employers' contributions**	**223,022**
93,614	Employees' contributions	104,798
299,581	**Total Contributions Receivable**	**327,820**

The total contributions receivable are further analysed by type of member body.

2007-8 £000	Contributions Receivable by Type of Member Body	2008-9 £000
41,245	Administering authority	44,401
217,534	Scheduled bodies	237,037
40,802	Admitted bodies	46,374
0	Bodies with no further interest	8
299,581	**Total Contributions Receivable**	**327,820**

Note 5. Transfers In

2007-8 £000	Transfers In	2008-9 £000
32,209	Individual transfers in from other schemes	27,281
960	Bulk transfers in from other schemes	8,011
33,169	**Total Transfers In**	**35,292**

Note 6. Benefits Payable

2007-8 £000	Analysis of Benefits Payable	2008-9 £000
	Funded pensions	
188,724	Retired employees	206,113
19,047	Dependants	19,783
	Funded lump sums	
71,766	On retirement	70,503
4,934	On death	6,565
284,471	**Total Benefits Payable**	**302,964**

The total benefits payable are further analysed by type of member body.

2007-8 £000	Analysis of Benefits Payable by Member Body	2008-9 £000
43,965	Administering authority	46,985
207,052	Scheduled bodies	216,619
30,654	Admitted bodies	35,208
2,800	Other interested bodies with no pensionable employees	4,152
284,471	**Total Benefits Receivable**	**302,964**

Note 7. Investments at Market Value

Investments	Opening Value restated at 1 April 2008	Purchases at Cost	Sale Proceeds	Change in Market Value	Closing Value at 31 March 2009
	£000	£000	£000	£000	£000
Fixed Interest Securities	592,645	126,101	-106,680	31,094	643,160
Equities	4,678,827	378,736	-256,941	-1,303,031	3,497,591
Index-linked Securities	438,076	97,220	-60,582	8,816	483,530
Managed & Unitised Funds	1,108,516	123,325	-22,859	-272,802	936,180
Cash Deposits	323,050	0	-2,761	0	320,289
Other Investment Debtors	4,746	0	28,271	0	33,017
Other Investment Creditors	-456	-8,691	0	0	-9,147
Total Investments	**7,145,404**	**716,691**	**-421,552**	**-1,535,923**	**5,904,620**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

2007-8 Restated £000	Analysis of Investments Closing Market Values	2008-9 £000
	Fixed Interest Securities:	
383,492	UK Public Sector quoted	412,928
94,905	UK Other quoted	94,313
84,054	Overseas Public Sector quoted	95,985
30,194	Overseas Other quoted	39,934
592,645		**643,160**
	Equities:	
2,727,807	UK quoted	1,869,462
87,581	UK unquoted	72,250
1,725,316	Overseas quoted	1,341,833
138,123	Overseas unquoted	214,046
4,678,827		**3,497,591**
	Index Linked Securities:	
331,793	UK Public Sector quoted	352,040
29,523	UK Other quoted	28,001
76,760	Overseas Public Sector Quoted	102,919
0	Overseas other quoted	570
438,076		**483,530**
	Managed and Unitised Funds:	
20,088	Currency Funds	90,031
307,042	Hedge Funds	292,198
338,178	Property	232,885
443,208	Other	321,066
1,108,516		**936,180**
	Cash Deposits:	
323,050	Sterling	**320,289**

Note 8. Administrative Expenses

2007-8 £000	Administrative Expenses	2008-9 £000
4,892	Administration and processing	4,936
279	Actuarial fees	209
41	Audit fee	69
0	Legal and other professional fees	0
5,212	**Total Administrative Expenses**	**5,214**

Note 9. Investment Income

2007-8 £000	Investment Income	2008-9 £000
32,886	Income from fixed interest securities	33,432
153,744	Dividends from equities	158,087
7,279	Income from index-linked securities	9,893
11,822	Income from pooled funds	12,979
16,744	Interest on cash deposits	15,577
222,475		**229,968**
-3,121	Irrecoverable withholding tax	-3,603
219,354	**Total Investment Income**	**226,365**

Note 10. Other Income

2007-8 £000	Analysis of Other Income		2008-9 £000
	Stock Lending		
182	Income	- Fixed Interest	105
609		- UK Equities	418
1,213		- International Equities	1,164
-176	Expenditure		-178
1,828	**Total**		**1,509**

As at 31 March 2009, £680.0m of stock was on loan to market makers, and this was covered by collateral totalling £719.3m (which includes an appropriate margin), comprising bonds (£194.7m), government bonds (£128.1m), stocks and shares (£351.0m) and certificates of deposit (£37.9m) and Cash (£7.6m).

Note 11. Current Assets and Liabilities

2007-8 £000	Current Assets and Liabilities	2008-9 £000
	Assets	
21,041	Contributions due from employees and employers	24,002
45,330	Accrued income	0
7,601	Other debtors	5,964
73,972	**Total Assets**	**29,966**
	Creditors	
2,150	PAYE	2,178
8,535	Other creditors	6,326
10,685	**Total Creditors**	**8,504**

Due to a revision to the SORP, assets and liabilities arising through dealings with investment balances are now disclosed as Other Investment Balances within the Investments section (Note 6). No adjustment has been made regarding prior years as the amounts concerned are not considered material in the context of that year's net asset balances.

Note 12. Related Party Transactions

In accordance with FRS 8 "Related Party Disclosures", material transactions with related parties, not disclosed elsewhere, are detailed below.

In 2008-9, Bradford Metropolitan District Council charged the West Yorkshire Pension Fund £565,306 in respect of support services provided (£560,100 in 2007-8). The charge included accommodation, financial, legal and information technology services.

Note 13. Additional Voluntary Contributions (AVC)

The Fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Equitable Life Assurance and Scottish Widows whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions.

As advised by the two companies the amounts administered under AVC arrangements are as follows:

2007-8 £000	Additional Voluntary Contributions	2008-9 £000
19,016	Value of funds at 1 April	18,613
1,026	Contributions received	896
329	Transfers and withdrawals	239
16	Internal Transfers	0
176	Interest and bonuses / Change in market value of assets	-1,235
-1,950	Sale of investments to settle benefits due to members	-2,067
18,613	**Value of fund at 31 March**	**16,446**

Note 14. Contingent Liabilities and Contractual Commitments

At 31 March 2009 the West Yorkshire Pension Fund had investments in private equity funds valued at £286.3m; however the Fund has un-drawn commitments to invest in private equity amounting to £312.3m.

Note 15. Statement of Investment Principles

The West Yorkshire Pension Fund has prepared a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997 (as amended). Full details of the SIP and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund's website www.wypf.org.uk.

Note 16. Prior Period Adjustment

A prior period adjustment has been made in the accounts in respect of a change in accounting policy in the year. The SORP *Financial Reports of Pension Schemes* was revised in May 2007 and the revisions became applicable to WYPF during the year ended 31 March 2009. WYPF has changed its accounting policy regarding the valuation of Investment Balances (Note 7) to incorporate the revised SORP requirements. Where applicable, Investment Assets previously valued at Mid Market Value are now valued at Bid Price.

The following table summarises the adjustments made to restate the 2007-8 accounts:

		2007-8	Effect of adjustment	2007-8 Re-stated
Fund Account		**£'000**	**£'000**	**£'000**
Change in market value of investments		-278,189	-61,438	339,627
Net return on investments		**-58,498**	**-61,438**	**-119,936**
Net decrease in the fund during the year		**-34,188**	**-61,438**	**-95,626**
Opening net assets of the Fund		**7,305,957**	**0**	**7,305,957**
Closing net assets of the Fund		**7,271,769**	**-61,438**	**7,210,331**
Net Asset Statement				
Equities (including convertible shares)		4,691,699	-12,872	4,678,827
Index-linked securities – UK quoted		443,836	-5,760	438,076
Managed and Unitised funds		1,151,322	-42,806	1,108,516
Investments at market value 31 March	*Note 7*	**7,206,842**	**-61,438**	**7,145,404**
Net assets of the Fund at 31 March		**7,271,769**	**-61,438**	**7,210,331**

Note 17. List of Scheduled Bodies Contributing to the Fund

Major Scheduled Bodies

City of Bradford Metropolitan District Council
City of Wakefield Metropolitan District Council
Kirklees Council
Leeds City Council
Metropolitan Borough of Calderdale

Other Scheduled Bodies

Ackworth Parish Council
Aire Valley Homes Leeds
All Saints C.E Junior & Infant School
Aspire
Bingley Grammar
Bradford Academy
Bradford College
Brighouse High School
Brooksbank School
Burley Parish Council
CAFCASS
Calderdale College
Castle Hall School
Clayton Parish Council
Crossley Heath School
David Young Community Academy
Denby Dale Parish Council
Dixons City Academy
East North East Homes Leeds
Foxhill Primary School
Greenhead Sixth Form College
Hanson School
Hebden Royd Town Council
Heckmondwike Grammar School
Hemsworth Town Council
Hill Top First School
Hipperholme and Lightcliffe H & S
Hollingwood Primary School
Holme Valley Parish Council
Holy Trinity Senior School
Huddersfield New College
Ilkley Parish Council
Joseph Priestley College
Keelham Primary School
Keighley Town Council
Killinghall Primary School
Kirkburton Parish Council
Kirklees College
Kirklees Neighbourhood Hsg Ltd
Lady Elizabeth Hastings School
Laisterdyke Business
Leeds College of Art and Design
Leeds College of Building
Leeds College of Music
Leeds Metropolitan University
Lightcliffe C.E Primary School
Longroyde Junior School
Meltham Town Council
Micklefield Parish Council
Mirfield Free Grammar School
Morley Town Council
Myrtle Park Primary School
New College Pontefract
Normanton Town Council
North Halifax Grammar School
Northern Schools of Contemporary Dance
Notre Dame Sixth Form College
Oakbank School
Oakworth Primary School
Otley Town Council
Park Lane College
Rastrick High School
Russell Hall First School
Ryburn Valley High School
Ryhill & Havercroft JRGC
Ryhill Parish Council
Salterlee Primary School
Shipley College
South Elmsall Town Council
South Hiendley Parish Council
St Catherine’s Catholic High School
St Chad’s C.E Primary School
St John’s C.E (Bradford)
St John’s C.E (Brighouse)
St Michael’s All Angels School
Thornton Grammar School
Todmordon Parish Council
University of Huddersfield
Wakefield College
West North West Homes Leeds
West Vale Primary School
West Yorkshire Fire and Civil Defence Authority
West Yorkshire Passenger Transport Authority
West Yorkshire Passenger Transport Executive
West Yorkshire Police
West Yorkshire Probation
West Yorkshire Valuation Tribunal
Wetherby Town Council
Wilsden Parish Council
Yorkshire Purchasing Organisation

This glossary is provided to assist the reader. It offers an explanation of terms in common use in relation to local authority finance, many of which are used within this document.

Accruals

Income and expenditure are recognised as they are earned or incurred. When income is due to the authority but has not been received an accrual is made for the debtor. When the authority owes money but the payment has not been made an accrual is made for the creditor.

Associated Company

A company over which the authority is able to exercise significant influence (see also Group Accounts).

Best Value Accounting Code of Practice (BVACOP)

Authorities must follow this code when presenting financial reports. By establishing a common framework it enables comparisons to be made between authorities. It prescribes the service headings into which costs should be grouped. It also ensures that all relevant costs are charged to services, including central overheads and capital charges.

Capital Adjustment Account

The CAA was set up in 2008-9 following UK GAAP accountancy changes and replaces the Capital Financing Account. It is required to ensure that both sides of the balance sheet remain in balance, and increases and decreases in asset valuations are credited and debited to this account as appropriate following asset revaluations.

Capital Charges

Charges to services for the use of assets. They include an interest charge and depreciation, both based on the value of the assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of fixed assets, or which adds to, and not merely maintains, the value to the authority of existing fixed assets.

Capital Financing Account

An account maintained to hold transactions relating to the financing of capital expenditure. This has been replaced by the Capital Adjustment Account from 2008-9 onwards

Capital Financing Requirement

A measure defined by the Prudential Code of the authority's level of borrowing for capital purposes. It is based on the balance sheet of the authority. It is the basis for calculating the charge to be made to revenue for debt repayment each year (see Minimum Revenue Provision).

Capital Receipts

Income from the disposal of land and other assets and from the repayment of grants and loans made to others for capital purposes. The income can only be used either to finance new capital spending or to reduce the capital financing requirement through the repayment of debt.

Collection Fund

The fund deals with the collection and distribution of council tax and non-domestic rates. Surpluses may arise from time to time if the amounts collected from council tax (and its predecessor, community charge) exceed estimates. Such surpluses cannot be used directly to fund expenditure, but can be taken into account through the budget process and used to reduce council tax.

Community Assets

Assets such as parks and historic buildings that the authority intends to hold in perpetuity and that may have restrictions on their disposal.

Consistency

The concept that the accounting treatment of any given item will remain consistent between accounting years and that any necessary change will be made clear to the reader of the statement of accounts.

Contingent Liabilities

These are material liabilities where the contingent loss cannot be accurately estimated or is not considered sufficiently certain to include in the accounts. They are therefore brought to the attention of readers of the accounts as a note to the balance sheet.

Creditors

Amounts owed by the authority for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

Debtors

Sums of money owed to the authority but not received at the end of the year.

Deferred Charges

Amounts properly incurred as capital expenditure, but where no authority asset is created. They are mainly grants or loans made to individuals or organisations for capital purposes, such as improvement grants.

Depreciation

A capital charge made to services for the use of fixed assets in the provision of services. It represents the depletion of the useful life of an asset and the consequent reduction in its value.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Consequently, the leased assets are recognised on the balance sheet of the lessee.

Fixed Assets

Assets that yield benefits to the authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Fixed Asset Restatement Account (FARA)

The account reflects revisions in the value of fixed assets following revaluation or disposal. This has been replaced by the Capital Adjustment Account from 2008-9 onwards.

Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the authority.

Financial Reporting Standards (FRS)

Practice to be followed in the preparation of accounting statements. For example FRS17 governs the way in which pension liabilities must be presented in the accounts.

General Fund

All services other than those which authorities are required to account for separately in a Housing Revenue Account or Collection Fund.

General Reserves and Balances

Monies held by the authority to deal with unforeseen events that might arise. The authority must maintain a prudent level of such balances.

Government Grants Deferred Account

The authority receives grants and other external contributions toward the cost of fixed assets. This creates an interest in the resulting assets on the part of the grant giving bodies. This interest is represented in the authority's balance sheet by the Government Grants Deferred Account. The balance on the account is written down as the assets are depreciated or sold.

Group Accounts

Where authorities have material interests in subsidiaries, associated companies or joint ventures they are required to prepare additional group account statements. The group accounts consolidate those interests in subsidiaries, associates and joint ventures with the authority's own accounts to present a complete picture of the authority's activities.

Impairment

A diminution in value of fixed assets resulting from obsolescence, physical damage or general market conditions. The authority undertakes annual reviews of its assets to identify impairment.

Income and Expenditure Account

This statement is compiled in accordance with UKGAAP and reports the net cost for the year of the services provided by the Council. It brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers.

Infrastructure Assets

These are assets such as highways and footpaths.

Investments

These may be long-term investments such as the authority's shareholding in Leeds Bradford International Airport Limited or the short-term investment of cash balances that may arise from day to day management of the authority's cash flow.

Investment Properties

Land and buildings that are not held for the provision of services.

Joint Venture

A company or body in which decisions require the consent of all participants (see also Group Accounts).

Liabilities

Amounts due to individuals or organisations and to be paid at some time in the future. Current liabilities are payable within one year of the balance sheet date.

Local Area Agreement (LAA)

The LAA is a partnership between the council and other public bodies whose aim is to work together towards jointly agreed objectives to improve local public services. The Council's LAA partners comprise local health bodies, learning bodies, community groups, housing associations and voluntary associations.

Materiality

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP)

This is the minimum amount of external borrowing that authorities must repay and charge to their revenue accounts each year. It is calculated as a percentage of the authority's capital financing requirement at the start of the year.

Non-Domestic Rates (NDR)

These are rates levied on business properties. The level of NDR charges is set by the Government. NDR income is pooled nationally and re-distributed to authorities on the basis of population.

Net Book Value

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

Operating Leases

Leases other than finance leases. Under operating leases the risks and rewards of ownership remain substantially with the lessor. Consequently, the assets concerned are not included on the balance sheet of the lessee.

Precept

The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the Council on their behalf through the council tax.

Prior Year Adjustments

Material adjustments applicable to prior years, arising from changes in accounting policies or from other corrections.

Private Finance Initiative (PFI)

A central government initiative that enables authorities to carry out capital projects through partnership with the private sector.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Prudential Code

The Code ensures that authorities borrow only for capital purposes and that they borrow responsibly and at affordable levels. Authorities demonstrate compliance with the code by setting and observing a range of prudential indicators covering the level of capital expenditure, the cost of borrowing and level and structure of its debt.

Related Parties

Individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure

Expenditure on the day-to-day running costs of services, such as the costs of employees, premises, supplies and services.

Revenue Reserve

Any sum set aside for a specific revenue purpose.

Revenue Support Grant (RSG)

A general government grant towards the cost of providing services.

Subsidiary

A company or body over which the authority has control or has the right to exercise dominant influence (see also Group Accounts).

UKGAAP

UK Generally Accepted Accounting Principles. This is a framework of accounting standards primarily applicable to general purpose company financial statements.