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CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2010-11

AND

ANNUAL GOVERNANCE STATEMENT

Contents Page

Introduction to the Council's Statement of Accounts

From the 1 April 2010 the Council is required to produce accounts under International Financial Reporting Standards (IFRS). The changes have had a significant impact on the presentation of the figures in the Authority's main accounting statements and the disclosure notes that accompany them. In addition in order to provide comparative figures against which the accounts for 2010-11 can be compared the 2009-10 accounts have been restated.

Whilst every effort has been made to present the facts and figures as simply and clearly as possible, the accounting requirements imposed by the transition to IFRS has meant that certain statements are unavoidably detailed.

The Council's core financial statements are set out in the pages following this explanatory foreward. They consist of the following:

1. Financial Summary

The Director of Finance's Report summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2010-11. 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).

2 Statement of Accounting Policies

The Authority's accounting policies set out the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements. Wherever possible the accounting policies are based on interpretations and adaptations for the public sector set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

3 Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services and is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The net increase/decrease before the Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

3. Comprehensive Income and Expenditure Statement

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from council tax. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

4. Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

5. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents (short term investments of three months or less) of the Authority during the reporting period.
The statement classifies cash flows as operating, investing and financing activities. Operating activities compares cash outflows on ongoing services to the inflows such as the Revenue Support Grant, which finance these costs. Investing activities show cash outflows on assets and the inflows that by statute can be used to finance these purchases. Cash flows arising from financing activities show borrowing and investments for over three months duration.

6. Notes to the Primary Statements

The notes to the primary statements disclose information required by the CIPFA Code of Practice on Local Authority Accounting as well as any additional information that helps make the accounts meaningful. This means showing the specific accounting policies and estimates used and breakdowns of figures shown in the main Accounting Statements.

7. Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority (Bradford Council) in collecting council tax and non domestic rates and distributing it to major preceptors and the Government.

8. The Group Accounts

As the Authority does not have any material interests in subsidiaries, associates and jointly controlled entities it is not required to produce a set of Group Accounts.

9. The Pension Fund Account

As the Authority is the administering authority for the West Yorkshire Pension Fund, the activities of the fund are required to be reported alongside the Council's main Financial Statements.

10. Glossary of Terms

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.

11. Annual Governance Statement

The Council is required to undertake an annual review of the effectiveness of the Council's governance framework and system of internal control. The conclusions of this review are reported alongside the accounting statements.

City of Bradford Metropolitan District Council's Statement of 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 Director of Finance
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts.

The Director of Finance's Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance 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.

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.

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

Certification of the Statement of Accounts

I certify that this statement of accounts presents a true and fair view of the financial position of the Council at 30 September 2011 and its income and expenditure for the year then ended. I authorise for issue the 2010-11 Statement of Accounts.

Signed:

Sue Mawson
Head of Finance
Date: 30 September 2011

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 30 September 2011.

Signed

Cllr Lynne Smith
Chair of Corporate Governance and Audit Committee
Date: 30 September 2011

Report by Becky Hellard, Director of Finance

On 25 February 2010 the Council set its budget and council tax for 2010-11. Spending of £449.003m was approved for the Authority. This was to be funded from government grants and local taxation totalling £432.121m and £16.882m from corporate reserves.

Within the total spending, £379.4m was initially allocated to services and £68.3m was held for non service budgets. In addition Members approved £7.1m for one off expenditure items and required £5.8m of cross cutting staffing and procurement efficiencies to be made. Non service budgets included £1.879m for Waste Management Strategies, £3.0m for the implementation of Equal Pay, £1.150m for pay awards and a central contingency of £3.202m. As the Equal Pay Strategy was not finalised in 2010-11, £3.0m was not required. This together with a £1.150m provision for the 2010 Pay Award was transferred at 31 March 2011 into a Corporate earmarked reserve.

In anticipation of a significant reduction in financial resources for 2011-12, Services have operated within a climate of strict control, with expenditure limited to essential spend or areas of contractual commitment for much of the year. This 'planned' under spend was with the explicit intention of creating an opportunity to provide a buffer against future budgetary pressures.

As a consequence of this action, the financial position reported to Members throughout the year has consistently reported an increasing service under spend position, which at 31 March 2011 had reached £11.101m on services and £1.491m on non service budgets. When this combined under spend of £12.592m against approved budgets is added to a £1.638m saving on vacancy control and a £2.636m under spend on contingencies, the overall position was an under spending of £16.866m.

	£000
Overall position 2010-11	
Service budget under spends	-11,101
Non service budgets under spend	-1,491
Vacancy control savings	-1,638
Contingency savings	-2,636
Total under spend	**-16,866**

The £16.866m is after the Council was required to address an in year £7.3m reduction in Area Based Grants and non payment of Local Authority Business Growth Incentives (LABGI) grant of £409k, the second instalment of Local Public Service Agreement (LPSA) grant of £5.637m (split equally revenue and capital) and an estimated £350k Planning Delivery grant.

The £16.866m also does not take into account any service requests to carry forward any element of their under spent budgets. This will form a separate consideration by Members as part of the first quarter Financial Review to be considered by Executive in July.

The resulting net revenue under spending of £16.866m (3.8%) against a budget set for 2010-11 of £449.003m has been credited to a corporate reserve. In 2011-12 it will be available to support any transitional issues arising from the significant reduction in Government funding in 2011-12.

	£000	£000
Variations in spending by Services in 2010-11		
Chief Executive's Office	-580	
Business Support	-471	
Office of the Director of Finance	-864	
Office of City Solicitor	5	
Adult & Community Services	1,051	
Children's Services	-3,075	
Environment & Leisure	-2,474	
Regeneration & Culture	-4,415	
B-Works	-278	**-11,101**
Variations in other costs		
YPO dividend	-595	
Vacancy control	-1,638	
Contingencies not used	-2,636	
Other costs	-896	**-5,765**
Total variations in spending		**-16,866**
Transfer to Corporate Reserve		**16,866**
Impact on General Fund Balance		**0**

Explanation of major variances in spending by Services

- Adults and Community Services (£1.051m over spend) have been forecasting an over spend throughout the year. The main pressure area lies within Purchased Care. This is external provision of nursing home and rest home placements. The over spend in this area is £4.0m and principally results from demographic pressure, new entrants into learning Disability Services and eligibility for Continuing Health Care funding.
  Management action throughout the year has generated savings of £2.5m, whilst income secured through the 'one off' winter pressures funding form the NHS Bradford and Airedale (£1.6m) and Re-ablement monies from the Primary Care Trust (£517k) have substantially addressed the budget pressures in 2010-11.

- Children's Services (£3.075m underspend) -Two areas - Learning Services (£1.281m) and Specialist Services (Social Care £1.352m) account for the significant under spend of £3.075m reported for Children's Services. The savings are in the main one off in nature and are not expected to re occur in 2011-12.

- Environment and Neighbourhoods (£2.474m under spend) – significant under spends have occurred across the wide range of major service areas, including Waste Collection and Disposal £1.159m, Environmental Health & Transport £615k and Neighbourhood & Street Scene £620k. In year waste disposal costs have reduced due to a reduction in waste tonnages being disposed of and refuse collection and recycling services have benefited from the reorganisation of collection rounds. Management control over costs in both Public Services Transport and Council wide Fleet Operations contributed to a £400k saving within Transport Services.

- Regeneration and Culture (£4.415m under spend) - Almost half of the under spend within Regeneration and Culture was within Economic Development (£2.078m) and related to under spends on the Local Enterprise Growth Initiative (LEGI) programme and City Centre Initiatives. Favourable rent reviews and increasing rental income contributed to an improved performance of £431k within Asset Management. As a result of a managed under spend in energy costs and from an easing in winter conditions in the last quarter of the financial year, Transportation under spent by £455k. Overall the Culture Service under spent by £481k.

- Central Services - Under spending within Business Support (£471k) and the Office of the Director of Finance (£864k) were the result of management efficiencies and planned vacancy savings. Within the Chief Executive's office, prudent control over centralised budgets for print procurement delivered significant savings.

- B-works (£278k under spend). The B works programme under spent by £997k mainly as a result of delays in progressing the Estates Strategy. However a financial liability in respect of dilapidation costs associated with exiting leased properties has been recognised so reducing the under spend to £278k.

- Yorkshire Purchasing Organisation (YPO) Dividend. The Council benefited from a dividend of £595k for member authorities.

- Vacancy control – between September 2010 and 31 March 2011, 275 posts were captured as part of the leaver's control process. The part year savings in 2010-11 totalled £1.638m.

- Contingencies: the amount required for unforeseen events and waste management contingencies was £2.636m less than originally budgeted for.

Schools Delegated Budgets

At the end of the financial year 2010-11, school balances have reached £25.360m (an increase of £3.5m) and school contingencies and other balances have increased by £6.5m to £16.957m. After taking into account both increases, the overall level of school balances increased from £32.278m at 31 March 2010 to £42.317m at 31 March 2011.These sums have been carried forward to schools' budgets in 2011-12 in accordance with delegated arrangements.

The number of schools in deficit at 31 March 2011 was 2, compared to 6 at the end of 2009-10. In addition 60 schools have breached the 8% of primary school budgets, and 5% of secondary school budgets limit and will be subject to the Intended Use of Balances process.

General Fund Balance

The General Fund balance acts as a necessary contingency against unforeseen events. Members when considering the 2009-10 outturn position approved a transfer of £4.257m out of the General Fund Balance of £15.060m in 2010-11 into a Corporate earmarked reserve. At 31 March 2011 the General Fund balance totals £10.803m, and remains within the Council's policy of 2.5% of the net budget requirement.

More Details

The Director of Finance presented their report "Council Financial Review, Outturn Statement for the year ended 31st March" to the meeting of the Council's Executive on 24th June 2011. The report provides more details of the Council's financial performance in 2010-11. 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 2010-11, the gross revenue expenditure on the provision of services was £1.399bn (£1.284bn in 2009-10). Included in this figure is £21.217m (£21.115m in 2009-10) paid to the West Yorkshire Integrated Transport Authority and £829k (£785k in 2009-10) paid in local precepts to Parish Councils. The figure however excludes an exceptional negative expenditure item arising from the Government's decision to increase pensions in line with the Consumer Price Index instead of the Retail Price Index. This is a technical accounting adjustment which is reversed out in the Movement in Reserve Statement so does not impact on the Council's General Fund Balance. For a further breakdown of the amount spent on individual services, please see either the following chart or the Comprehensive Income and Expenditure Statement (page 31).

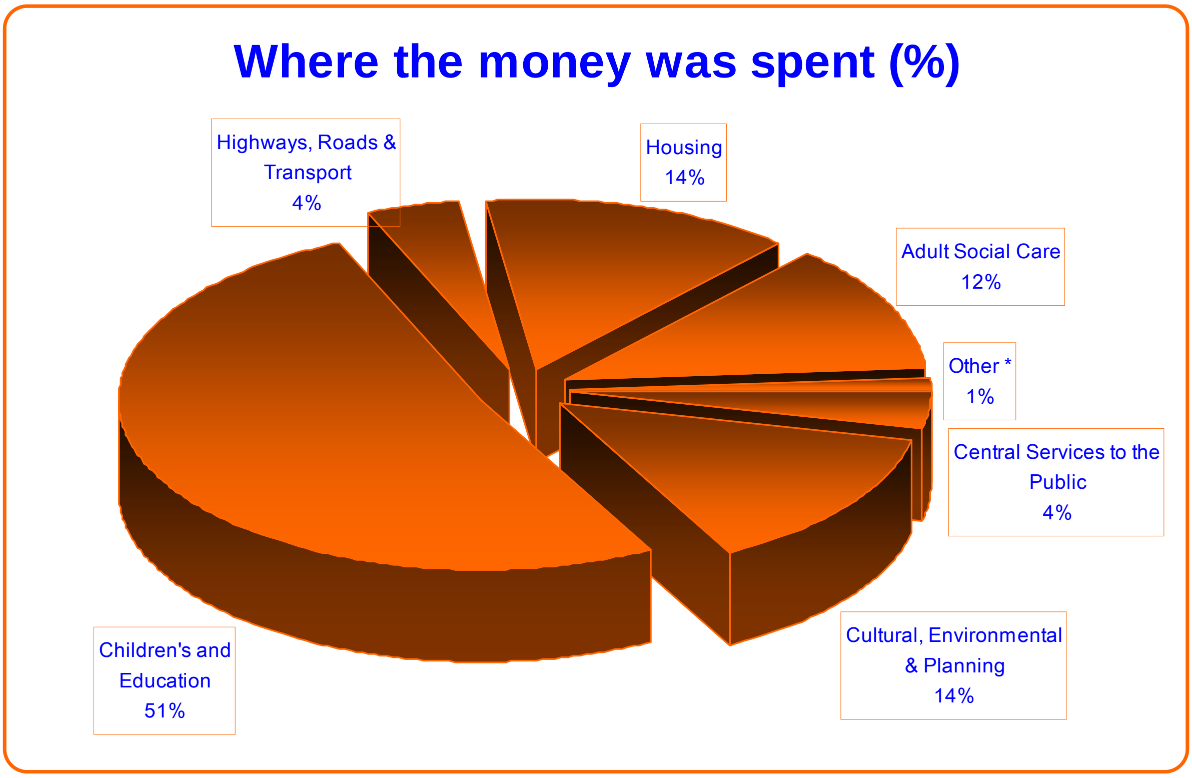
The spending statements on services follow the expenditure analyses for services as set out in the Best Value Accounting Code of Practice (BVACOP), the purpose of which is to facilitate comparisons between different authorities. As the service analysis is mandatory for all local authority' financial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

Where Did the Council Get Its Money?

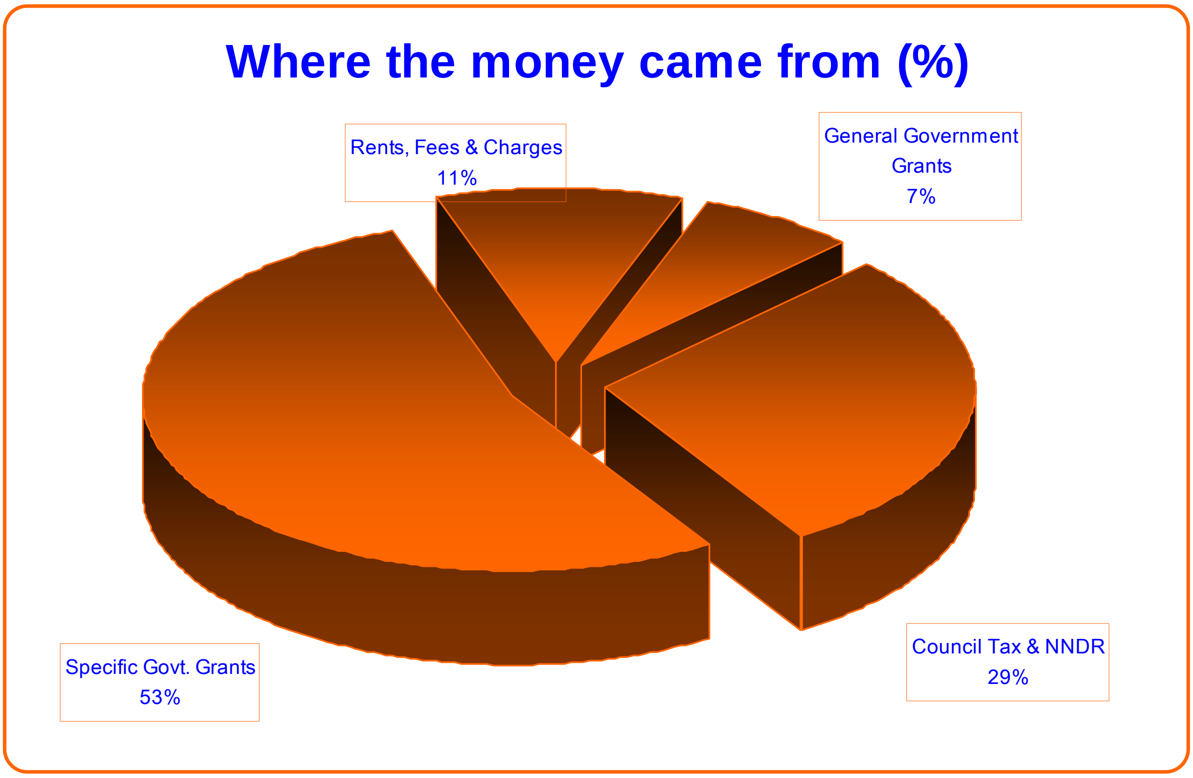
The Council's General Fund revenue spending is funded through general government grants £96.878m (£104.155m in 2009-10), council tax £163.456m (£159.090m in 2009-10) and redistributed non-domestic rate income £237.482m (£214.19m in 2009-10). The government through specific grants provided a further £749.190m (£757.081m in 2009-10) of funding, of which £351.4m (£336.6m in 2009-10) is a Dedicated Schools Grant (DSG). The Council itself raises the remaining money in the form of rents and fees and charges for services provided.

What Is the Money Spent On?

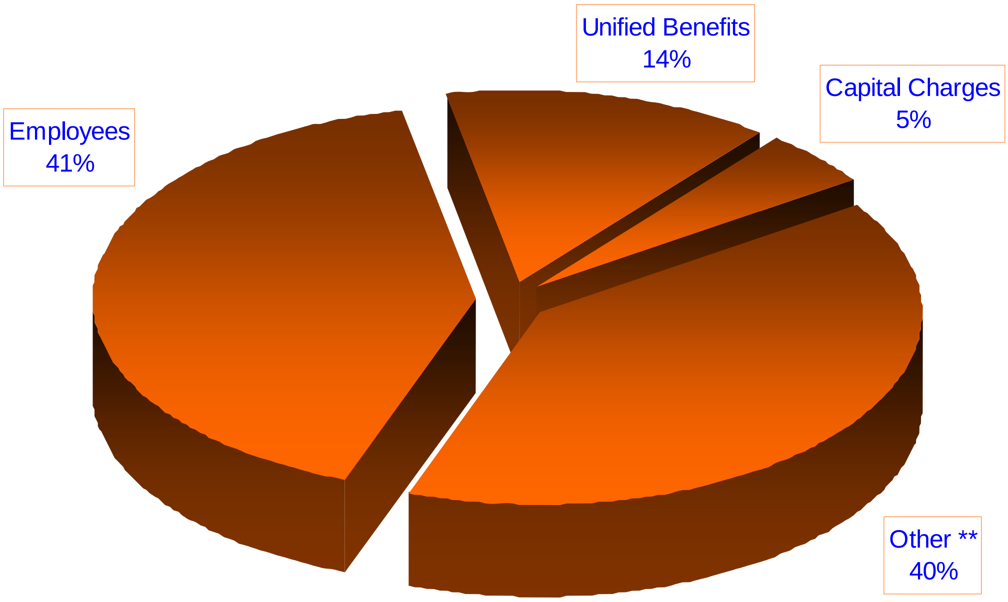
Local authority services are labour intensive with staff direct and indirect costs accounting for £579.974m (£561.311m in 2009-10) of revenue expenditure. In 2010-11, spending on other operating costs and capital financing costs was £625.470m (£544.983m in 2009-10) and council tax and rent benefits together totalled £193.556m (£177.706m in 2009-10).



* “Other” includes corporate and democratic core, non distributed costs & court services.



What the money was spent on (%)



** "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.

In 2010-11 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 2010-11

The Council spent £187.3m in the year (£88.1m in 2009-10) including £85.4m of capitalised Private Finance Initiative (PFI) and other finance lease costs. This is a variance of £21m against the planned level. The variance is predominantly made up of delays in projects commencing and completing as well as some under spends. The variance will not create extra resources, as spending is re profiled to take place in 2011-12.

Where the Money Came From

The spending of £187.3m was funded as follows:

- £14.3m (7%) by external borrowing generating capital financing charges which will form part of future revenue spending.
- £69.9m (37%) from government and other grants.
- £3.1m (2%) from revenue contributions and other revenue reserves.
- £14.4m (8%) from capital receipts from the sale of land and buildings.
- £85.4m (46%) from the Private Finance Initiative
- £0.2m (0%) from other Finance Leases

All capital receipts received after the 1st April 2011 will be treated as a Corporate Resource. The ring fencing of capital receipts for Schools Re-organisation and B-Works will cease at that date and officers will need to bring reports to Executive requesting future corporate resources.

Major Capital Schemes in 2010-11

The table opposite shows the expenditure in 2010-11 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes Expenditure 2010-11

	Main Schemes £000	Total Spend £000
Adult and Community Services		**1,886**
Social Care	1,294	
Children & Young People		**130,216**
Devolved Formula Capital	4.860	
Building Schools for the Future Phase 2	8,894	
Surestart Early Years & Childcare	6,360	
Education Capital Works	1,346	
Primary Programme	11,204	
Academies Programme	1,206	
Schools reorganisation & Challenge College	1,365	
Expanded schools	3,049	
BSF Phase 2	85,435	
Corporate Services		**15**
Culture Tourism & Sport		**2,600**
Roberts Park	941	
Parks & Landscapes	622	
Environment and Neighbourhoods		**6,184**
Replacement of Vehicles	1,855	
Manywells Landfill	1,395	
Ward Investment Fund	746	
Capital Investment Fund	888	
Asset Management		**9,985**
B-Works	3,876	
Central Hall Keighley	1,211	
Strategic Acquisitions	4,000	
Housing		**11,850**
Disabled Housing Facilities Grant	3,148	
Renewal Areas	2,199	
Housing Market Renewal	1,008	
New affordable housing	2,528	
Community Warmth	814	
Economic Development		**11,052**
City Park	8,617	
Local Enterprise Growth Initiative	2,160	
Planning		**716**
Landscape Environmental improvements	617	
Transportation Design and Planning		**12,754**
LTP Maintenance	3,031	
LTP Integrated transport	2,345	
Street Lighting	1,010	
Bridges	3,301	
Area Committees work	991	
Total		**187,258**

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 2011 is £605.976m which is within the indicator it set for the year of £742.437m.

In past years, the Council has received an element of grant to enable it to repay the financing costs that support borrowing for capital purposes. This support has been withdrawn in 2011-12 and any new schemes beyond those already included in the Capital Investment Plan will need to be funded from prudential borrowing, specific grant or capital receipts arising through the sale of owned assets.

In view of the continued precarious economic climate and the Council's aspirations for inward investment and city regeneration, Members have requested a thorough review of the Capital Programme. The review will include a scheme by scheme examination of the current Capital Investment Plan in order to maximise the impact of the capital spend on agreed Council priorities. The review will also seek to align capital and revenue resources and investigate options for growing the "capital pot" e.g. Tax Incremental Finance (TIFS) and Bonds.

Building Schools for the Future (BSF Phase 2)

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.

Following the successful opening of three new schools in 2008 under Phase1 of the local Building Schools for the Future (BSF) programme, the contract for Phase 2 was finalised in September 2009 with £281m of support being provided by the former Department for Children, Schools and Families 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 also 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 opened in late 2009 and two of the Secondary campuses were completed in March 2011. The other two secondary sites will be handed over during 2011-12.

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

In the summer of 2010 the Council was informed by the Department for Education that, like a number of other authorities, its application for PFI grant for BSF Phase 3 whilst originally approved in March 2010 would not now be progressed. Alternative capital funds will have to be sought to undertake the priority works which will be required in place of Phase 3.

Material or Unusual Charge or Credit in the Accounts

There is a significant charge comprising £2.742m for voluntary and top management restructure redundancy costs together with £2.509m for early retirement pension costs. The costs arise as part of the Council's plans to address the impact of significant Government grant reductions from 2011-12 onwards. The cost was fully funded from a planned under spend on capital financing costs in 2010-11.

Significant Provisions or Contingencies at 31st March 2010

The provisions total £27.493m at 31 March 2011 (£26.290m at 31 March 2010) and are included in Note 19 on page 53. They are split on the Balance Sheet between short term, which are estimated to be required in up to one year from the Balance Sheet date, and long term, which are expected to be required in more than a year from the Balance Sheet date. The key provisions are for the implementation of equal pay, and for insurance risks which are not covered by the Council's external insurers. In addition in 2010-11 a new provision of £719k was created for dilapidation costs associated with existing leased properties.

The key contingent liability is for equal pay claims, since there is a possibility that the equal pay provision will not be sufficient to meet the eventual total costs. The pension contingent liability is for the guarantees given to fund the deficits of several bodies in the unlikely event that any of the guarantees are called in.

Pensions Liabilities

International Accounting Standard 19 (IAS 19) 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 2011 the deficit on the Pensions Reserve calculated by the Actuary was £505.2m, a decrease of £318.4m when compared to the figure at 31 March 2010 of £823.6m.

The significant decrease in deficit is largely due to the Government's announcement in June 2010 to link future statutory pension increases to the Consumer Price Index (CPI) instead of the Retail Price Index (RPI), which has traditionally been a higher figure.

Since this change occurred after 31 March 2010, it was treated as a non adjusting event in the 2009-10 accounts and taken account of in the 2010-11 financial statements. The estimated effect is to reduce liabilities by approximately £200m.

Material Write-offs during the Year

There were no material write–offs in either 2009-10 or 2010-11.

Council Tax and Non Domestic Rate Collection

At 31 March 2011, the Council had collected 93.9% of the value of council tax bills sent out for 2010-11, (93.6% for 2009-10). For non-domestic rates, 96.5% of the value of 2010-11 bills had been collected compared to 97% in 2009-10.

The collection rates and arrears levels continue to show a slight improvement compared to 2010-11 for council tax but a fall in business rates, due in the main to the economic downturn. The recovery process continues for all arrears outstanding, including earlier years, and all accounts are subject to satisfactory recovery action.

Collection Fund

In year the Collection Fund moved from an opening deficit position of £547k to a closing surplus position at 31 March 2011 of £2.338m. The surplus shown in the Collection Fund Adjustment Account is £2.003m. Bradford's share (86%) of the overall surplus of £2.338m. As part of the 2011-12 budget the £2m held in the Collection Fund Adjustment account has been distributed to support the 2011-12 budget.

Looking Forward to 2011-12 and beyond

The key challenge for service delivery over the period 2011-12 to 2014-15 will be the significant reductions in local authority funding announced in the Government's Local Government Settlement in January 2011.

In 2011-12 Bradford's formula grant allocation has been reduced by £34.8m with a further reduction of £21.6m in 2012-13. In addition to the reduction in formula grant the Council suffered a loss of £18.9m of specific grants in 2011-12 (predominantly Working Neighbourhood Fund and LEGI) with a further reduction of £4.4m in 2012-13. Overall, the impact of reduced Government funding on the Council has been £53.7m in 2011-12 and with a further £26m in 2012-13. This has only partially been offset by an additional £6.2m in 2011-12 (£6.0m in 2012/13) of non-ring fenced funding which the Government expects to be transferred from the NHS.

As the Council's spending power decreased by 8.85% compared to an average of 4.4%, it will receive a transition grant of £273k in 2011-12 only. There is no adjustment in 2012-13. In addition, as the Council opted to freeze its council tax in 2011-12 it will receive an initial direct financial benefit of £4.052m in each of the next 4 years equivalent to the council tax foregone.

Other issues

In addition to anticipated reductions in grant funding, other key issues include:

The contract with Serco plc for provision of education services is due to end on 29 July 2011. To oversee the transfer of those functions that are currently undertaken by Serco/Education Bradford to the Council an Education Services Review programme has been established. The overarching principle behind the programme has been to provide a stable and steady platform for the transition with no dip in educational attainment. To achieve this aim, the focus of the programme has been on ensuring that appropriate arrangements are in place to allow business continuity to prevail. Robust governance arrangements are in place and progress has been regularly monitored by a Programme Board, Strategic Partnership Board, Overview and Scrutiny Committee and the Children's Trust Board. Risks are monitored regularly and, in addition to internal reporting arrangements, joint meetings established with Serco/Education Bradford have provided a forum for resolving outstanding issues.

Changing our Council (CoC). CoC is a transformational programme that will enable the Council to respond to the financial challenges ahead and at the same time become a modern, fit for purpose public sector organisation.
Originally it was envisaged that the programme would deliver a balance of business reform and cost reduction over a three year period. However due to the significant reduction in government spending CoC has taken on greater significance for the Council. The Council's 2011-12 Budget required the programme to deliver £22m of savings in total. This target is in addition to the service savings of £22m.

The Local Government Resource Review (LGRR). In March 2011 the Government published terms of reference for its LGRR, the primary focus of which will be on reforming the local government finance system through allowing authorities to retain non domestic rates locally. Under the current arrangements business rates are pooled centrally and redistributed back to authorities through the formula grant system. In 2010-11 Bradford contributed £120m to the national pool and received £237m, almost twice as much back through formula grant. In responding to the LGRR consultation, the Authority has stressed that a system of equalisation is imperative to compensate authorities such as Bradford where locally raised funding is insufficient to meet existing needs.

Legislative changes including the proposed abolition of NHS Primary Care Trusts (PCTs), and the split of their functions between GPs and local authorities. This is subject to legislation, and there is considerable uncertainty about the timescale, and the impact, operationally and financially.

Academy Schools. The Government has introduced new legislation which has simplified the process for establishing new academy schools, which would be independent from Council control, and which would manage their own finances. The potential impact on the Council's expenditure on schools, and on its fixed assets, if schools transferred out of Council control, may be significant. Six schools have applied by mid February 2011 to become academies from September 2011 onwards. They will be very largely independent of the Council and will receive their funding directly from the Department for Education. An additional impact on the Council is that it will receive less funding from 2011-12 onwards, for central education expenditure due to the Academy conversions.

International Financial Reporting Standards

All of the information in the Statement of Accounts for 2010-11 has been produced on an IFRS basis. To ensure a smooth transition to IFRS the Council began to plan for the adoption of IFRS in early 2009. Work undertaken has included a detailed review of the Authority's leases, PFI schemes, and fixed assets. Workshops have been held and training sessions delivered to senior staff in key departments across the Council. Prior to Members approving the 2010-11 Statement of Accounts, training will be given to facilitate their understanding of the key impacts of the new requirements.

In February 2011 the restated 1 April 2009 opening Balance Sheet and the restated 2009-10 main financial statements were submitted to External Audit.

Over the past two year's the Council's Financial Statements have been moving towards IFRS with new disclosures on financial Instruments and last year changes to how the Council accounted for PFI schemes. The requirement to fully adopt IFRS in 2010-11 has however had a significant impact on the presentation of the figures in the Council's main Financial Statements and the notes to the accounts.

The main changes are set out below:

Financial Statements

Although there are still four main financial statements they have changed.

The **Movement in Reserves Statement** is a new statement which analyses the movement in year on all the Council's usable and unusable reserves.
The **Comprehensive Income and Expenditure Statement** combines both the old Income and Expenditure Account and the Statement of Total Recognised gains & losses (STRGL) in one statement.

The **Balance Sheet** is in a similar format but new classifications and terminologies have been introduced. For example Property, Plant & Equipment replaces fixed assets and Investment Property is now disclosed separately.

The **Cash Flow** is very similar to that produced previously but now shows changes in cash and cash equivalents. Cash equivalents are a new term which in addition to cash in hand includes investments that mature no more than three months from the date of acquisition.

Transitional arrangements

When an organisation first adopts IFRS there are certain transitional arrangements which it must follow (see page 23). One of these requirements is to produce three Balance Sheets going back to the date of transition which in the Council's case was 1 April 2009. For the other three statements it has been necessary to restate the 2009-10 figures on an IFRS basis.

Component accounting

From 1 April 2010, material components of fixed assets with distinctive assets lives will be shown separately in the Authority's asset register and depreciated separately. The policy will apply to all assets to be revalued, enhanced or acquired with a minimum net book value of £1m. Separate components will only be identified where their value is a minimum of 20% of the cost of the asset. This change in policy will only apply from 2010-11, no restatements will therefore be required of the 2009-10 accounts.

Assets held for sale

This is a new category of non current asset and relates to assets that are available for immediate sale, the sale is highly probable and the assets are actively marketed. When these strict criteria are met, the Council's valuer is required to revalue the asset at its estimated sale price and the asset moved out of Plant, Property & Equipment and into the non-current assets held for sale account. Investment properties cannot be reclassified as Available for Sale.

Investments properties

Investment properties now appear as a separate category on the face of the Balance Sheet but the definition of an Investment property has not substantially changed – "an asset used solely to earn rentals for capital appreciation". Investment properties are held at market value and gains and losses on revaluation are shown in the financing and investment income within the Comprehensive Income and Expenditure Account.

Leases

IFRS requires authorities to review all leases to determine whether they are finance or operating leases and then to split them between land and buildings. In addition the Council has reviewed its contractual arrangements to assess whether the contracts contain in substance a lease. Where they do these are called embedded leases. The Council has one such contract for the provision of school transport services which it has determined to be an embedded lease. The impact of which has been to include on the Council's Balance Sheet almost £2m of vehicles at 1 April 2009.

Short Term Accumulated Compensate Absences

Under IFRS the Council is required to accrue for any annual leave and flexi leave (short term accumulating absences) earned but not taken at 31 March each year. So that the charge does not impact on the General fund balance, Government regulations allow the charge to be reversed out in the Movements in Reserve Statement to an Accumulating Compensated Absence Reserve.

Capital grants

Capital grants received in the year which do not have conditions attached to them are now credited to the Comprehensive Income and Expenditure account, as part of Taxation and Non Specific Grant Income. At the year end grants used to fund capital expenditure are transferred to the capital adjustment account and unapplied grants carried forward in a new useable Capital Grant Unapplied reserve

Impairment and revaluation losses

Excluding investment properties all impairment losses are shown against the revaluation reserve, providing there is a revaluation balance against the specific assets. Previously impairment losses from a clear consumption of economic benefits were always shown in the Income and Expenditure Account. In addition, there is a requirement for an annual impairment review of all assets, including land.

Segment reporting

Within the Comprehensive Income and Expenditure Statement, the Authority is required to report on service expenditure and income in accordance with BVACOP standard service classifications. A new disclosure note is now required that reconciles on a subjective basis the transactions shown in the Comprehensive Income and Expenditure Statement with the out turn position reported to Members in the Director of Finance's "Council Financial Review, Outturn Statement for the year ended 31st March" to the meeting of the Council's Executive on 24 June 2011.

Accounting Standards

The Code requires the Council to include a summary of significant accounting policies.

Statement of Accounting Policies

General Principles

The accounts have been prepared in accordance with;

- the Accounts and Audit Regulations 2011
- the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)
- Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS) 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) 2010-11
- The following accounting concepts have been applied and policies adopted in preparing the financial accounts. The policies include the effect of the full implementation of International Financial Reporting Standards (IFRS) in local government from 2010-11 onwards, following on from partial implementation in earlier years. A number of accounting policies have therefore been significantly amended, and the main changes are summarised in the Financial Summary, as well as in the note on Significant Accounting Policies below.

Fundamental Accounting Principles

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 financial statements give a true and fair presentation of the financial position, financial performance and cash flows of the Council.

Balances and transactions are recognised gross rather than netted off each other.

Comparative information is disclosed in respect of the previous period for all amounts reported in the current period's financial statements.

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 Council'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.

Significant Accounting Policies

i. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

There are a small number of exceptions to the 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.
- Expenditure on rent allowances is accounted for on a 52-week basis, with an occasional 53rd week being charged into the accounts.

There were two loans which were taken out before April 1988 for which, in accordance with previous practice, interest was not accrued. However, from 2010-11 onwards interest on all loans will be accrued. Since the non accrual of this interest amounted to £139,710 at 31 March 2010, the effect of this change in accounting policy is not material and therefore a prior year adjustment will not be made.

ii. Cash and Cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iii. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period

v. Charges to Revenue for Non – Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (which is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, which is currently 4% per annum). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP (Minimum Revenue Provision) contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, leased cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made using appropriate sampling techniques for the estimated cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged out to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment (before the normal retirement date) or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to individual Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or is making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the actual amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Local Government Pensions Scheme, administered by Bradford Council on behalf of the West Yorkshire Pension Fund.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

Both schemes provide defined benefits to Members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and any other relevant factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond. The discount rate adopted by the Actuary is based on a weighted average of "spot yield" on AA rated corporate bonds.

- In 2010-11 the appropriate real discount rate used decreased from 3.8% (7.1% discount rate less 3.3% price inflation) at 1 April 2009 to 1.6% (5.5% discount rate less 3.9% price inflation) at 1 April 2010. A higher discount rate results in an increase in the current service cost, which for Bradford increased from 13.9% in 2009-10 to 15.0% of pensionable pay in 2010-11.
- The assets of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

The change in the net pensions liability is analysed into seven components:

- current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- contributions paid to the West Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In accordance with the Code of Practice on Local Government Accounting, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid- market value. The estimated value of scheme assets at 31 March 2011 was £1,255m compared to £1,143m at 31 March 2010, an increase of £112m. However, the estimated value of scheme liabilities at 31 March 2011 was £1,678m, compared to £1,881m at 31 March 2010, a decrease of £203m. These two changes explain the decrease in the LGPS pension deficit from £738m at 31 March 2010 to £423m at 31 March 2011.

The asset performance of the WYPF has been based on asset splits as at 31 March 2011 and investment returns for the year of 9.8%.

Additional pension costs such as early retirement costs, for which the WYPF recharge the Authority direct, have been included in the liabilities and contributions in line with IAS 19.

All defined benefits awarded to employees are recognised in the pension liability, and 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 30 on page 64 gives further details.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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. At its inception it was assumed that 50% of members will take up the option to increase their lump sum to the maximum available. However, the 2010-11 figures are based on actual take-up levels up to 31 March 2010.

Teachers Pensions

The Council 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.

Discretionary Benefits

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

vii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. 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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

At 31 March 2011, the Authority had six Lender Option Borrower Option (LOBO) loans totalling £42.9m. With the exception of one £7.5m loan, the remaining five LOBO's were agreed on a stepped basis. In accordance with the Code, all LOBO's have been re-measured.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy to spread the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, or ten years (if shorter). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types :

- loans and receivables – assets that have fixed or determinable payments but are not quoted in active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where a local authority makes a loan to an organisation at less than market rates (defined as a 'soft loan'), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the specific organisation(s), with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where a local authority has assets which are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

The Council does not have any soft loans at the Balance Sheet date, and therefore none of the above adjustments are required.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained by in the Balance Sheet at fair value. Values are based on the following principles :

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

ix. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that :

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.
Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of Council websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Interests in Companies and Other Entities

The Council does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities which would require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

The Council has financial relationships with a number of subsidiary and associated companies, in the main to manage the BSF programme. None of them are material in size or nature. They are shown in the notes to the main financial statements and have been completed based on IAS 27 and IAS 28 (Associates).

xiii. Inventories and Long term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv. Investment Property

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued according to market conditions at the year end. Gains and losses on revaluation are posted to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposals.

Rentals received in relation to investment properties are credited to Financing and Investment Income and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
Lease payments are apportioned between :

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received)
- finance income (credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement)

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future lease rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating leases

Where the authority has retained the risks and rewards of ownership, the rental income is shown in the Income and Expenditure account and the asset retained on the Authority's balance sheet.

The Council as Lessor

Finance Leases

Where the Council grants a lease on one of its asset, a finance lease exists where the economic reality is a sale. This is usually when the minimum lease payments approximate to the value of the asset. The accounting treatment is that the related asset is removed from balance sheet and the lease payments separated into deferred capital receipts and interest income.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best value Accounting Code of Practice 2010-11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above the de minimis level of £10,000 is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the costs of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising :

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases :

- Infrastructure, community assets, and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by :

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Component Accounting

The Council's accounting policy from 1 April 2010 onwards will be to apply component accounting to all assets to be revalued, enhanced or acquired, with a net book value excluding land of £1m or more. Separate components will only be identified where their value is a minimum of 20% of the cost of the asset, and have a different life to other components of the asset. The main component classes to be separately valued will be the structure, plant and equipment, and 'other' to include unusual or one-off components. Where an existing asset is revalued into separate components, the actual or estimated value of the separate components will have to be derecognised. If the original cost is not known, the Council's Asset Management service will use an appropriate index to calculate the net current value of the relevant component. The Council is also following the Code's requirements for componentisation where assets are acquired or enhanced, with the Council's £1m minimum value excluding land, for componentisation, as set out below :

- When new assets are acquired, separate components with value over 20% , are recognised on initial recognition. This is best assessed when the asset is first acquired.
- Where an asset is enhanced, separate components (over 20% of total value) have been recognised. These components will not just relate to the enhancement work, but to existing components as well.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by :

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

Where an impaired loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all Property, Plant and Equipment assets by the systemic allocation of their depreciable amounts. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases :

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – depreciated over 3 to 7 years as appropriate.
- Infrastructure – straight-line allocation over 30 years.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same place in the Comprehensive Income and Expenditure Statement and accounted for as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow, in the Capital Financing Requirement Statement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xix. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The Council has one scheme which was operational at 31 March 2010, which is PFI Building Schools for the Future Phase 1 (BSF) comprising three new schools. The contract for a second PFI scheme, Building Schools for the Future (BSF) Phase 2, was signed in September 2009. It comprises the replacement of seven new schools, is at an advanced state and all the schools are due to be operational by September 2011.

The original recognition of PFI assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For BSF Phase 2, the liability was written down by an initial capital contribution of £15.4m made in 2009-10 which will reduce the financing charges element of the unitary charge accordingly. As the Council has not taken any construction risk, it has not recognised any capital assets under construction in its Balance Sheet at 31 March 2010 and 2011.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge of 7.24 % for BSF Phase 1 and 7.21% for Phase II on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually are carried out.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council could be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate services in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council has made a substantial provision in respect of the estimated cost of the introduction of equal pay, specifically to fund any arrears payable. The Council also meets the cost of insurance claims below a specific level and has an ongoing provision which is sufficient to meet the estimated cost of successful claims at the Balance Sheet date. The provisions for these two items are explained in more detail in Note 19 on page 53.

Provisions have been made for bad and doubtful debts, however, these are netted off the gross total of debtors in line with accounting practice, and are therefore not included in the provisions note. Known uncollectible debts have been written off in full.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost or net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. These reserves are classed as useable reserves and itemised in Note 7 on page 41.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These reserves are classed as unuseable resources and explained in Note 20 on page 54.

xxii Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement 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 in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiv. Partnership Arrangements

Where the Council acts as the accountable body for specific grants or other schemes, they are accounted for on the following basis:

- If the Council controls the grant distribution process, all of the grant money received and the associated expenditure will be included in the Council's accounts. Conversely if the Council does not control the award of grant, only the grant allocated to the Council itself and the associated expenditure is recognised in the Council's accounts.
- Where the Council 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 Council's status as an accountable body these will be recognised in the accounts of the Council in accordance with accounting policies.

xxv. Council Tax and National Non Domestic Rates (NNDR)

In the Council's capacity as billing authority it acts as an agent in collecting and distributing council tax income on behalf of the major preceptors and itself. The Code requires that only the Council's share of income and expenditure and Balance Sheet items are included in the financial statements. The Council also acts as an agent in collecting National Non Domestic Rates (NNDR) on behalf of the government. Only income received in NNDR redistribution is recognised in the Comprehensive Income and Expenditure Statement and only a creditor or debtor for cash collected from NNDR debtors but not paid over to the government, or overpaid to the government is recognised in the Balance Sheet..

xxvi. Area Based Grants

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement, and is due to end on 31 March 2011

Changes in Accounting Policies 2010-11

There has been a substantial change in accounting policies between 2009-10 and 2010-11. This is largely due to the move from a UK GAAP basis to an IFRS basis from 2010-11 onwards. The Authority has changed from producing its Accounts under the Statement of Recommended Practice (SORP) based on UK accounting policies to implementing International Financial Reporting Standards (IFRS). Where this results in a change in Accounting Policies, this needs to be disclosed as detailed below:

i. Grants and Contributions for Capital Purposes

Capital grants and contributions are now recognised in the Income and Expenditure account immediately, so long as the Council anticipates complying with the attached conditions. Previously this income was deferred as a liability in the Balance Sheet. The income was then gradually released to the Income and Expenditure Account by matching it against depreciation on the specific asset purchased from the grant funding. (Under both IFRS and the previous SORP, grant income is reversed out when calculating the General Fund balance, so that it can only be used to finance capital expenditure as defined by statute)

ii. Component Accounting

From 1st April 2010, material components of fixed assets with distinctive assets lives will be shown separately in the Council's asset register and depreciated separately. In addition, when additional capital expenditure is incurred on an asset, any part of the asset that has been replaced is de-recognised to avoid overstatement of the Balance Sheet.

iii.Residual Values

Any residual value on an asset is valued on current prices at the Balance Sheet date. However, currently the Council does not have any residual values on its asset register.

iv. Asset Lives

Asset lives are also reviewed at least once in any financial year.

v. Property Leases

Property leases are accounted for as separate leases of property and land. This includes where the Council leases property (acting as lessee) and when it leases outs its property to a third party (acting as lessor). The policy will impact on assessments of lease arrangements which determine whether the substance of the transaction is a finance lease - the substance of the transaction is to buy an asset (lessee) or sell an asset (lessor).

vi. Finance Lease Income

Where the Council leases its property (acting as lessor), an assessment will determine whether the substance of the transaction is a finance lease - the real substance of the transaction is that the Council sells the asset. The model shows a constant annual sales income when separating the lease rentals into sales income and interest income.

vii. Inventories

Any inventories acquired through a non monetary transaction are valued at fair value, with the unearned increase in the Council's net value shown in the Donated Inventory Account within the unuseable reserves section of the Balance Sheet.

viii. Investment Properties

Investment Properties are measured at fair value, which as per previous practice under the SORP, is calculated as market value. Changes to fair value under IFRS are always recognised as gains or losses within the Income and Expenditure Account. Previously gains or losses were taken directly to the Revaluation Reserve. The only exceptions to this were when against the specific asset there was an insufficient balance to absorb a loss or there was a requirement to reverse a previous loss shown in the Income and Expenditure Account. (Under both IFRS and the previous SORP, gains and losses from changes in fair value are reversed out when calculating the General Fund balance, so that there is no impact on council tax payers)

vix. Impairment Losses
Excluding Investment properties, all impairment losses are shown against the revaluation reserve, providing there is a revaluation balance against the specific asset. Previously under the SORP impairment losses from a clear consumption of economic benefits were always shown in the Income and Expenditure Account. In addition, there is a requirement for an annual impairment review of all assets, including land.

x. Non-Current Assets Held for Sale
There is a new definition of non-current assets held for sale. The asset must be available for immediate sale, an actual sale highly probable and likely to take place within one year of the date of classification. In addition, the asset must be actively marketed. The asset held for sale is carried on the Balance Sheet at the lower of its carrying value and fair value less costs to sell.

xi. Employee Benefits

Employee Benefits are accounted for as they are earned. An accrual is included in the Comprehensive Income and Expenditure Statement for untaken annual leave and flexi-time. However, under statute, the accrued expenses are removed via the Accumulating Absences Account for the purpose of calculating the General Fund Balance so do not impact on council tax. The Accumulating Absences Account is held within the non useable reserves section of the Balance Sheet.

xii. Group Accounts
There is a requirement to prepare Group Accounts where the host Authority has the ability to control, regardless of whether control is actually exercised. The Council has not identified a requirement to prepare Group Accounts.

xiii. Cash and Cash Equivalents

Cash Equivalents are defined as cash and short term investments of 3 months or less.

xiv. Extraordinary Items

No items of expenditure and income can be classified as "extraordinary"

xv. Prior Period Errors

The Council is required to correct errors which are material. Previously it was only required to correct for fundamental errors - errors that undermined the user's understanding of the accounts.

xvi. Estimation Uncertainty

Any uncertainty regarding the use of estimation techniques must be disclosed.

xvii. Retrospective Application of Accounting Policies

The IFRS Code requires the Council to present an IFRS 2008/09, 2009/10 and 2010/11 Balance Sheet. In addition, 2009/10 comparatives are required on the 2010/11 Comprehensive Income and Expenditure Statement and Cash Flow Statement.

xviii. Segment Reporting

The Council is required to use standard service classifications within the Comprehensive Income and Expenditure Statement. In addition, the Council will disclose the same transactions shown within the Comprehensive Income and Expenditure Statement classified according to the internal management structure used for monitoring purposes.

xviv. Debtors and Creditors

The accounts show income and expenditure in the year the transactions relate. To achieve this, the best estimate possible is made of outstanding income and expenditure relating to the service provided in the accounting year.

XX Changes to accounts in 2010/11

During 2010/11, the authority undertook a reconciliation between its asset register and property records. As a result, during 2010/11 the Authority brought onto its balance sheet at fair value £4.963m of Plant, Property and Equipment and £6.902m of investment assets.

The reconciliation identified 39 assets held by the Council which were not on the asset register held for financial accounting purposes.

There was consideration of how these assets should be recognised on the asset register and it was decided to bring them on through the Revaluation Reserve.

IFRS Transition Arrangements

2010-11 is the first year that local authorities are required to prepare their accounts under IFRS. There are specific transitional arrangements set out in IFRS 1 which apply only in 2010-11, and authorities must follow this standard except where interpretations or adaptations to fit the public sector are detailed in the Code of Practice on Local Authority Accounting 2010-11. The exceptions are intended to ensure that the extra cost of producing the first set of financial statements based on IFRS can be generated at a cost which does not exceed the benefits. The other objectives of IFRS 1 are to ensure that these first IFRS statements are transparent for users and comparable for all periods presented, and provide a suitable starting point for accounting in accordance with IFRS.

The Code of Practice requires that all IFRS changes should be made retrospectively. Retrospective application is defined in the Code as ‘applying a new accounting policy to transactions, other events and condition as if that policy had always been applied’. The restated accounts should thus be cleared of the effects of the previous accounting policy, and balances and comparative transactions should be recalculated to apply the policy from the date the income, expense, asset or liability was first recognised. The 2009-10 main accounting statements have therefore all been restated in an IFRS basis, and included along with the 2009-10 pre IFRS figures so that the changes to an IFRS basis are transparent, as set out in the sub sections below on the key areas of change including short term compensated absences, leases, and government grants and contributions. The detailed disclosure notes also show the 2009-10 figures on an IFRS basis

IFRS 1 permits limited exceptions to the requirement to apply IFRS retrospectively. These include IFRS 3 which covers business combinations, and IFRS 2 which covers share based payments, neither of which apply to the Council’s accounts. However, there are several exceptions which do apply to the Council’s accounts. They are explained below :

Exceptions to IFRS Retrospective Restatement requirement

Depreciated Historical Cost

The Revaluation Reserve was first introduced in the SORP on 1 April 2007. As part of the transitional arrangements to the Revaluation Reserve, the SORP required the reserve to be established with a zero Balance Sheet on 1 April 2007. The carrying amounts of an Authority’s assets were deemed to be their depreciated historical cost. The Code preserves this treatment and states that the depreciated historical cost of an asset at the IFRS transition date of 1 April 2009 is its depreciated historical cost at 31 March 2009 under the SORP. With the exception of assets where the carrying amount is restated due to other accounting policy changes (for example, leased assets and non-current assets held for sale), authorities should carry forward depreciated historical cost figures without any restatement, and the Council’s restated Balance Sheets follow this requirement. Without this exception, the retrospective application of IAS 16 would have required authorities to have estimated the revaluation reserve balance for each item of property, plant and equipment based on the transactions and events that had occurred since the asset was recognised on the Balance Sheet.

IFRIC 4 Determining Whether an Arrangement Contains a Lease

IFRIC 4 requires authorities to review their contractual arrangements and assess whether these contracts contain, in substance, a lease. Where this is the case, authorities will need to separate the lease from the remainder of the contract, and account for the lease in accordance with IAS 17 and the Code. Where contracts which contain leases (these are called as ‘embedded leases’) were in place prior to the IFRS transition date of 1 April 2009, authorities must make an assessment of whether an arrangement contains a lease based on the facts and circumstances existing at that date (i.e.1 April 2009). This approach has been taken due to the complex nature of such arrangements, and the difficulties of establishing what information would have been available at the inception of the arrangement. Authorities should note that once the assessment has been made, any restatement has to be made retrospectively.
The Council has a contract which is affected by IFRIC 4, and which contains an embedded lease. The contract is for the provision of school transport services to the Council, and the embedded lease is for the provision of the vehicles required to deliver the contracted services. The required accounting amendments are set out below under leases. The Council entered into a 10 year contract in 2001, and the contract required the contractor to provide school transport. The assessment was made based on the facts and circumstances in existence at 1 April 2009. The key determinant in reaching the decision that the contract contained an embedded lease was that the buses used to deliver the contract were used almost totally in delivery of the contract, and also that if the Council had chosen to deliver the service in house, it would have been required to either lease or purchase a similar fleet of buses.

Financial Instruments

IFRS 1 includes a number of transitional arrangements in respect of financial instruments, but the Code prohibits local authorities from using these provisions. This is because the SORP adopted the UK financial instruments standards in 2007. These UK standards were converged with their IFRS equivalents, and are effectively identical. The Council has applied the IFRS based financial instruments in the SORP 2007 from 1 April 2007, and therefore there are no transitional arrangements that apply to financial instruments.

IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

Under both IAS 16 and FRS 15, the cost of an asset could include the estimated cost of dismantling and removing the asset and restoring the site, provided that the Authority had recognised a provision in respect of its liability to make good the site. The Council has not included within the cost of any assets the dismantling, removal and restoration costs and therefore there are no IFRS transitional arrangements affecting the Council.

Borrowing Costs

The Code and IAS 23 permit authorities to choose an accounting policy in respect of borrowing costs. Authorities may elect to expense all borrowing costs, or to capitalise borrowing costs in respect of qualifying assets. This treatment was also permitted by the SORP, and strictly speaking there are no transition arrangements as a result of the move to IFRS. However, the Code recognises that authorities, in considering accounting policies that are to be applied under IFRS, may decide to change their accounting policy in respect of borrowing costs as they implement other changes to accounting policies. The Council has always expensed all borrowing costs to revenue, and has never capitalised any, and this practice will continue under IFRS. There is a new IFRS accounting policy for borrowing costs which confirms the Council's position. Therefore there are no transitional changes required to any statements for borrowing costs.

Component Accounting and Derecognition

The requirement to componentise assets was previously included in the SORP, in accordance with FRS 15. The SORP required the separate depreciation of two or more major components of an asset (i.e as if each component was a separate asset in its own right) where the useful lives were substantially different. The 2010-11 Code of Practice follows the requirements set out in IAS 16, but places a much greater emphasis on this area and defines the components that require to be depreciated separately in the context of those having a 'cost that is significant in relation to the total cost of the asset'. The Code has taken a pragmatic approach to identifying components, which the Council has followed from 1 April 2010 in its valuation processes, as follows :
'Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

The Code has introduced an exemption from the requirement to retrospectively account for changes in accounting policies in respect of componentisation that is not found in IFRS 1. The requirements in respect of component accounting and derecognition are to be accounted for prospectively from 1 April 2010. The Council did not separately depreciate components of property, plant and equipment prior to 1 April 2010, however no adjustments will be required in either the opening 1 April 2009 Balance Sheet or in the 2009-10 comparative financial statements.

The Council's accounting policy from 1 April 2010 onwards will be to apply component accounting to all assets to be revalued, enhanced or acquired, with a net book value excluding land of £1m or more. Separate components will only be identified where their value is a minimum of 20% of the cost of the asset, and have a different life to other components of the asset. The main component classes to be separately valued will be the structure, plant and equipment, and 'other' to include unusual or one-off components. Where an existing asset is revalued into separate components, the actual or estimated value of the separate components will have to be derecognised. If the original cost is not known, the Council's Asset Management service will use an appropriate index to calculate the net current value of the relevant component. The Council is also following the Code's requirements for componentisation where assets are acquired or enhanced, with the Council's £1m minimum value excluding land, for componentisation, as set out below :

- When new assets are acquired, separate components with value over 20% , are recognised on initial recognition. This is best assessed when the asset is first acquired.
- Where an asset is enhanced, separate components (over 20% of total value) have been recognised. These components will not just relate to the enhancement work, but to existing components as well.

Disclosure Requirements

The Code requires authorities to disclose any material differences between amounts presented under the 2009 SORP and the IFRS based Code. Disclosure is required where there are material differences in the 1 April 2009 Balance Sheet, the 31 March 2010 Balance Sheet or the Comprehensive Income and Expenditure Account. The disclosures required by the Code are based on those required by the government's Financial Reporting Manual, and are less detailed than those that would have been required under IFRS 1 if the Code had not adapted the requirements

An explanation of the IFRS changes is set out at the foot of each of these notes

1. Short Term Accumulated Compensated Absences

Short term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.
Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous arrangements, no such accrual was required.
The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.
Accruing for short term accumulated compensated absences has resulted in the following changes being made to the 2009-10 financial statements :

Opening 1 April 2009 Balance Sheet

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
Creditors (Staff payroll)	-9,041	-11,929
Accumulated Absences Account	0	-11,929

31 March 2010 Balance Sheet

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
Accruals	-9,421	-13,522
Accumulated Absences Account	0	-13,522

2009-10 Comprehensive Income and Expenditure Statement

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
Central services to the public	4,849	-2
Education and children's services	95,417	1,511
Cultural, environmental, regulatory and planning services	98,948	17
Highways & transport services	46,779	14
Housing services	6,299	10
Adult social care	120,480	34
Court Services	458	1
Corporate & democratic core	9,465	8
Non Distributed Costs	-5,384	0
Exceptional Items	-3,571	0
Cost of Services	**373,740**	**1,593**

2. Leases

Under the code, leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has five property leases where the accounting treatment has changed following the introduction of the Code. Three of these relate to the rental of property by the Council, and under the Code the building element of these leases have been reclassified as finance leases. The financial statements have been amended as follows:

- The Council has recognised the assets (the buildings) and finance lease liability.
- The operating lease charge within Investment properties has been reduced by the building element of the lease payments and a depreciation charge included.
- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

The Council leases two other assets to third parties that under the Code have been reclassified as finances leases. One is a 999 year lease, and in this case both the land and building have been treated as a finance lease. The other lease is for 125 years, and only the building element has been classified as a finance lease. For the finance lease elements the financial statements have been amended as follows:

- The assets have been treated as a disposal and a long-term debtor created.
- The operating lease income within Investment properties has been reduced by the finance lease element of the lease receipts.
- The interest element of the lease income in respect of the finance leases is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
PPE (Investments)	0	102
Investment properties (lessor)	517	-517
Finance lease liability	0	-374
Capital Adjustment a/c:		
Lessee	294,310	273
Lessor	294,310	380
Long term debtor	0	352
Deferred capital receipts	0	-352

31 March 2010 Balance Sheet

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
PPE	0	-10
Finance lease liability	0	43
Capital Adjustment a/c:		
Lessee	334,848	-32
Long-term debtor	0	-11
Deferred capital receipts	0	11

2009-10 Comprehensive Income and Expenditure Statement

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
Financing investment income & expenditure:		
Interest paid	33,982	54
Interest received	3,038	-40
Investment property (lessee)	0	-87
Investment property (lessor)	0	51

3. Government grants - capital

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance Sheet.

- Portions of government grants deferred were previously recognised as income in 2009-10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- 18 grants were received in 2009-10 but not used in the year. Previously, no income was recognised in respect of this grant, which was shown in the Creditors (receipts in Advance) section within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
Government Grants Deferred Account	-203,141	203,141
Capital Adjustment Account	0	-203,141

31 March 2010 Balance Sheet

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
Government Grants Deferred Account	-195,340	195,340
Grants Unapplied Account (liabilities)	0	0
Capital Adjustment Account		-195,340
Capital Grants Unapplied Account (reserves)	0	0

2009-10 Comprehensive Income and Expenditure Statement

	2009-10 Pre IFRS Statements £000	IFRS Adjustments Made £000
Relevant I & E services	-51,698	34,373
Taxation and non-specific grant income	-477,435	-56,505

There is no change to the General Fund balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies. 4. Other Changes

Other IFRS Transition Arrangements

Investment Properties

Under IFRS, revaluations on investment properties are shown in the Comprehensive Income and Expenditure Account, rather the Revaluation Reserve. As part of the transition to IFRS, balances on the Revaluation reserve relating to investment properties have been transferred to the Capital Adjustment Account.

	2008/09 £000	2009/10 £000
Capital Adjustment Account	-18,877	-4,280
Revaluation Account	18,877	4,280

Cash and Cash Equivalents

Deposits with a fixed term maturity for a period of three months or less are categorised as Cash Equivalents under IFRS. As part of the transition, some fixed term deposits have been recategorised from investments to cash equivalents.

	2008/09 £000	2009/10 £000
Short-term investments	-44,100	-8,849
Cash Equivalents	44,100	8,849

Revenue Grants

Revenue grants which have been received but not yet matched against expenditure are usually shown on the balance sheet as a liability. This represents cash received and owed back to the grant body because it has not yet been spent on the intended purpose. IFRS allows for an alternative accounting treatment depending on specific criteria. Where the grant is unspent and the conditions do not specify an obligation to return the grant in some circumstances, the money is set-aside in an earmarked reserve. Rather than being shown as a liability, the grant is shown as a resource available to the authority.

	2008/09 £000	2009/10 £000
Creditors and Receipts in Advance	7,468	7,424
Earmarked Reserve	-7,468	-7,424

Capital Grants Unapplied

Under IFRS and similar to the accounting policies for revenue grants, some unspent capital grants can follow an alternative accounting treatment rather than being shown on creditors. If the grant is unspent and no return obligation is specified in the grant conditions, the money can be set-aside in a capital reserve, called the Capital Grants Unapplied Reserve. This is money available to finance capital expenditure.

	2008/09 £000	2009/10 £000
Creditors and Receipts in Advance	29,216	32,419
Capital; Grants Unapplied Reserve	-25,032	-29,931
Capital Grants Receipts in Advance	-4184	2.488

Property, Plant and Equipment Leases

Under IFRS, lease arrangements are more likely to be classified as finance leases. In effect, this means, that where the Authority is leasing assets, these are more likely to be shown on its balance sheet.

Assets Leased by Authority	2008/09 £000	2009/10 £000
Plant, Property Equipment	3,858	-1,427
Deferred Liabilities	-3,580	1,215
Capital Adjustment Account	-278	212

The IFRS restatement has changed the total reserves and therefore the net worth of the Authority in 2008/09 and 2009/10. This change is detailed in the table below.

Note	Impact on Total Reserves of Restatement	£000
	Total Reserves in previous accounts for 31/03/2009	**-132,943**
	Total Reserves for IFRS accounts at 31/03/2009	**-355,203**
	Total Reserves Increase/-Decrease	**-222,260**
	Movement comprises:	
1	Capital Receipts transfer to reserve	-407
2	Employee Accrual	11,929
3	Deferred Capital Grant opening balances	-203,141
4	Capital Grant movements in year balances	-25,032
5	Revenue grants	-7,468
6	Embedded leases	-146
7	Lessors	164
8	Leases	-131
9	Investment Property reclassification	1,972
	Total Reserves increase/-Decrease	**-222,260**
	Total Reserves in previous accounts for 31/03/2010	**187,269**
	Total Reserves in previous accounts for 31/03/2010	**-54,550**
	Total Reserves Increase/-Decrease	**-241,819**
	Movement comprises:	
	Impact of amendments at 01/04/09 (see above)	-222,260
	Reversals	
1	Deferred Capital Receipts	86
2	Employee Accrual reversal	-11,929
5	Revenue Grants reversal	7,468
	2009/10 movements	
2	Employee Accrual	13,521
10	Capital Grants reversal of amortisation	34,374
11	Capital Grants received 09-10 and spent 09-10	-26,574
12	Capital Grants received 09-10 and not spent 09-10	-29,931
5	Revenue Grants	-7,424
6	Embedded leases	-2
8	Leases	214
7	Lessor	11
9	Investment Property reclassification	627
	Total Reserves increase/ -Decrease	**-241,819**

Notes

1. Deferred Capital Receipts are capital receipts owed to the Authority after the sale has taken place. These have been reclassified as a reserve.

2. An amount owing is now included in the accounts for untaken annual leave and other leave entitlement. This is included in short-term creditors.

3. The Authority receives capital grants from external bodies to fund capital expenditure. Under the previous accounting rules, in 2009/10, £203m was shown in the Balance Sheet as a liability, representing capital grant received over a number of years already used to fund capital expenditure. Each year this liability was written down through the income and expenditure account in proportion to the depreciation on the assets financed by the grants. Under IFRS, the £203m liability has been transferred to reserves as the grant has already been used to fund expenditure.

4. Capital grants received in 2008/09 have been reclassified (as per 3 above) from a liability on the Balance Sheet to reserves.

5. Under the previous accounting rules, revenue grants received but not yet fully spent on the intended project are shown as an amount owing by the Authority. Under IFRS, some of these unspent amounts have been transferred to earmarked reserves,

where there is no return obligation regardless of the amount that has been unspent. The transfer to the earmarked reserve is an accounting change only. The project funded by the grant remains the same.

6. Under IFRS, the economic reality of some service contracts is equivalent to buying a service and specific assets. Therefore the accounts show the position as if specific assets had been purchased.

7. The Council leases out some assets to external parties for long periods, such as fifty years. Under IFRS, the economic reality of this transaction is that the Council has sold the asset and the accounts show this position.

8. The Council also leases items of equipment and property. Under IFRS, there is an increased likelihood that the economic reality of this transaction should be represented by showing in the accounts the position as if the asset had been purchased.

9. Under IFRS, investment properties are used solely for the purpose of collecting rentals and capital appreciation. Some assets have been reclassified from investment property to other categories for 2008/09 and 2009/10. This has impacted on the reserves totals, for instance by increasing depreciation.

10. Under IFRS, capital grants that have been used to finance capital expenditure are no longer shown as a liability (previously £203m per 3 above) and therefore this liability is no longer written off to the income and expenditure account in proportion to depreciation. The proportion of the liability written of in 2009/10 amounted to £34.374m and the impact has been reversed.

11. £26.574m capital grant was received and spent in 2009/10. Under IFRS, this capital grant has been shown in full in the income and expenditure account with a corresponding increase in the Capital Adjustment Account within total reserves.

12. £29,931m capital grant was received and not spent in 2009/10. Under IFRS, this capital grant has also been shown in full in the income and expenditure account with a corresponding increase in Capital Grants Unapplied within total reserves.

Investment Property Reclassification

IFRS defines Investment Properties as assets held purely for asset appreciation or to earn rentals. In order to comply with this definition, a number of investment properties have also been reclassified as Property, Plant and Equipment, Community and Surplus assets.

Assets Leased by Authority	2008/09	2009/10
	£000	£000
Investment Properties	-13,789	-1,516
Property, Plant and Equipment	11,817	890
Revaluation Account	644	155
Capital Adjustment Account	1,328	471
Total	**0**	**0**

Critical Judgements in applying accounting policies

A number of critical judgements have been applied to the accounting policies. This includes the judgement made when classifying investment properties as to whether the asset is held purely for asset appreciation or to earn rentals. Other judgements include the determination made by valuers on asset lives which impacts on depreciation.

Leases are categorised between operating and finance leases according to whether the economic reality is a short term arrangement to use an asset or whether in reality the transaction is a sale on credit. One of the main determinants of this judgement is whether the minimum lease payments approximate to the value of the asset. A similar judgement is made to determine whether assets used by a contractor in fulfilling a contract arrangement with the Authority should be accounted for as if these had been purchased by the authority.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e those that are real cash) and other non cash reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are found in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The closing 31 March 2011 General Fund Balance of £53.120m comprises £10.803m (£15.060m in 2009-10) balances generally available to the Authority and £ 42.317m (£32.278m in 2009-10) cash balances held on behalf of schools under the Local Management Scheme.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	42,952	65,032	69	25,032	133,085	222,118	355,203
Movement in reserves during 2009-10							
Surplus/deficit(-) on provision of services	68,794	0	0	0	68,794	0	68,794
Other Comprehensive Income and Expenditure	0	0	0	0	0	-369,361	-369,361
Total Comprehensive Income and Expenditure	68,794	0	0	0	68,794	-369,361	-300,567
Deferred Capital Receipt – Transfer to reserve*	0	0	0	0	0	-86	-86
Adjustments between accounting basis & funding basis under regulations (note 6)	-51,245	0	4,985	29,931	-16,329	16,329	0
Net Increase/Decrease(-) before transfers to Earmarked Reserves	17,549	0	4,985	29,931	52,465	-353,118	-300,653
Transfers to/from Earmarked Reserves	-13,163	13,163	0	0	0	0	0
Increase/Decrease(-) in 2009-10	4,386	13,163	4,985	29,931	52,465	-353,118	-300,653
Balance at 31 March 2010	**47,338**	**78,195**	**5,054**	**54,963**	**185,550**	**-131,000**	**54,550**
Movement in reserves during 2010-11							
Surplus/ (deficit) on provision of services	198,217	0	0	0	198,217	0	198,217
Other Comprehensive Income and Expenditure	0	0	0	0	0	245,040	245,040
Total Comprehensive Income and Expenditure	198,217	0	0	0	198,217	245,040	443,257
Adjustments between accounting basis & funding basis under regulations (note 6)	-190,508	0	-5,054	-4,844	-200,406	200,406	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	7,709	0	-5,054	-4,844	-2,189	445,446	443,257
Transfers to/from Earmarked Reserves	-1,927	1,927	0	0	0	0	0
Increase/Decrease(-) in 2010-11	5,782	1,927	-5,054	-4,844	-2,189	445,446	443,257
Balance at 31 March 2011	**53,120**	**80,122**	**0**	**50,119**	**183,361**	**314,446**	**497,807**

* The Deferred Capital Receipts Reserve has been reclassified as a reserve as part of the IFRS restatement.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

				2010-11	2010-11	2010-11
Gross Expenditure	**Income**	**Net Expenditure**		**Gross Expenditure**	**Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
46,888	-41,542	5,346	Central Services to the Public	50,917	-44,539	6,378
171,100	-66,475	104,625	Cultural, Environmental, Regulatory & Planning Services	190,536	-57,056	133,480
651,981	-537,322	114,659	Education & Children's Services	709,253	-561,700	147,553
57,347	-9,389	47,958	Highways & Transport Services	60,763	-10,484	50,279
178,341	-171,922	6,419	Housing Services	194,928	-163,398	31,530
166,256	-43,380	122,876	Adult Social Care	169,100	-41,620	127,480
0	-3,571	-3,571	Exceptional Items	-201,941	0	-201,941
10,634	561	11,195	Corporate & Democratic Core	10,899	-173	10,726
1,110	892	2,002	Non Distributed Costs	4,407	-612	3,795
1,283,657	**-872,148**	**411,509**	**Cost of services**	**1,188,862**	**-879,582**	**309,280**
						-
		-2,224	Other Operating Expenditure (Note 8)			1,607
		55,861	Financing and Investment income and expenditure (Note 8)			40,684
		-533,940	Taxation and non-specific grant income (Note 8)			-549,788
		-68,794	**Surplus (-) on Provision of Services**			**-198,217**
		-58,876	**Surplus (-) on revaluation of Property, Plant and Equipment assets**			-104,256
		428,237	**Actuarial gains/losses on pension assets / liabilities**			-140,782
		369,361	**Other Comprehensive Income and Expenditure**			**-245,038**
		300,567	**Total Comprehensive Income and Expenditure**			**-443,255**

In 2010-11 there was a surplus for the year on the I & E Statement of £198.217m (£68.794m in 2009-10). The significant increase is largely due to pension adjustments and capital grants credited in the net cost of services but which under statute cannot be charged against the General Fund balance. After taking into account movement in earmarked reserves and those amounts which are required to be charged or credited to the General Fund Balance through the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement, there was an increase of £10.803m in school balances and a reduction of £4.257m on the General Fund balance.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, which represent real cash available to the Authority to provide services. The Authority must maintain a prudent level of these reserves for unexpected events. The second category of reserves does not represent real cash. It includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

1 April 2009 IFRS Restated	31 March 2010 IFRS Restated		31 March 2011	Notes
£000	£000		£000	
1,071,177	1,172,155	Property, Plant and Equipment	1,360,154	*Note 9*
60,446	65,616	Investment Property	74,433	*Note 12*
12,304	10,795	Intangible fixed assets	9,010	*Note 13*
11,001	1	Long term investment	1	*Note 15*
3,253	3,174	Long term debtors	2,808	*Note 16*
1,158,181	**1,251,741**	**Long Term Assets**	**1,446,406**	
39,672	63,260	Short Term Investments	64,073	*Note 17*
138	679	Assets Held for sale	203	*Note 18*
1,108	1,475	Inventories	1,886	*Note 17*
86,715	125,878	Short Term Debtors	100,542	*Note 17*
103,409	93,553	Cash and Cash Equivalents	115,773	*Note 17*
231,042	**284,845**	**Current assets**	**282,477**	
-7,391	-5,749	Cash and Cash Equivalents	-4,094	*Note 46*
-6,471	-11,620	Short term borrowing	-6,760	*Note 46*
-110,431	-107,241	Short Term Creditors	-123,434	*Note 17*
-8,178	-4,735	Provisions	-13,619	*Note 19*
-132,471	**-129,345**	**Current Liabilities**	**-147,907**	
-21,218	-21,555	Provisions	-13,874	*Note 19*
-405,953	-411,161	Long term borrowing	-411,323	*Note 46*
-469,592	-912,801	Other Long Term liabilities	-651,896	*Note 38*
-602	-502	Deferred income	-401	*Note 39*
-4,184	-6,672	Capital Grants Receipts in Advance	-5,675	*Note 44*
-901,549	**-1,352,691**	**Long Term Liabilities**	**-1,083,169**	
355,203	**54,550**	**Net Assets**	**497,807**	
-133,085	-185,550	Usable Reserves	-183,361	*Note 7*
-222,118	131,000	Unusable Reserves	-314,446	*Note 20*
-355,203	**-54,550**	**Total Reserves**	**-497,807**	

The total assets less liabilities of the Authority are financed by movements in reserves and balances, or equity. There was an increase in total equity of £443.257m, from a surplus of £54,550m (restated) at 31 March 2010 to a surplus of £497,807m at 31 March 2011. The main reason for the large change is the decrease of £318.425m in the notional pension reserve deficit, from £824m at 31 March 2010 to £505.172m at 31 March 2011. In addition there was a net £100.289m revaluation increase in the value of the Council’s fixed assets.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority i.e. fees and charges. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2009-10		**2010-11**
IFRS Based		
£000		**£000**
-68,794	Net (surplus) or deficit on the provision of services	-198,217
8,347	Adjustments to net surplus or deficit on the provision of services for non-cash movements	110,270
5,776	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	7,630
27,922	Interest and dividends received and paid	31,242
-26,749	**Net cash flows from Operating Activities (Note 21 a)**	**-49,075**
19,568	Investing Activities (Note 21 b)	13,436
15,394	Financing Activities (Note 21 c)	11,765
8,213	**Net (increase) or decrease in cash and cash equivalents**	**-23,874**
96,018	Cash and cash equivalents at the beginning of the reporting period	87,805
87,805	**Cash and cash equivalents at the end of the reporting period (Note 17)**	**111,679**

Notes to the Main Financial Statements

The following 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 2010-11 Statement of Accounts:

- Acquired or discontinued operations: No significant operations were acquired or discontinued during the year.
- 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 1. Accounting Standards that have been issued but have not yet been adopted

For 2010-11 the only accounting policy change that has been issued but not yet adopted relates to FRS 30 Heritage Assets Heritage assets are to be recognised as a separate class of assets for the first time in the 2011-12 financial statements, in accordance with FRS 30.

The classification of heritage assets under FRS 30 excludes heritage assets which are used as operational assets. Since all of the Council's land and buildings which could be classified as heritage assets under FRS 30 are used for operational purposes as museums or for other purposes, the Council does not at present have any assets which are expected to be classified as heritage assets from 2011-12 onwards. While the Council also has historic works of art and other exhibits, these are all used (apart from paintings). Other heritage assets such as civic regalia are not estimated to be material in value and therefore no value will be placed on them in the Council's Balance Sheet.

Note 2. Summary of Significant Accounting Policies and Changes to Accounting Policies in 2010-11

The 2010-11 Code requires a summary of significant accounting policies to be included in the notes to the financial statements. The key accounting policies which are significant for the Council are included in the table below, also those accounting policies where there has been a change due to the introduction of IFRS which has led to a significant impact on the accounts.

Accounting Policy	Summary of Policy	Effect of any changes in 2010-11
Accruals of expenditure and income	This policy requires expenditure and income to be included in the Council's accounts in the financial year when payment or income is due or receivable, and not in the financial year when the payment or income is made or received.	No change.
Cash and cash equivalents	Cash comprises cash in hand and deposits with banks repayable without penalty in 24 hours. In addition, from 2010-11 onwards cash and cash equivalents includes investments that mature in no more than three months from date of acquisition	From 2010-11 onwards the inclusion of investments that mature in no more than three months from date of acquisition has the effect of reducing short term investments and increasing cash on the Balance Sheet. The changes were £8.849m in 2009-10 and £31.794m in 2010-11. The cash flow statement and notes are also significantly changed.
Employee benefits	From 2010-11 onwards the estimated cost of untaken leave, sick pay and holidays owing to staff at 31 March each year must be calculated and included in the net cost of services. This change in policy does not change any amounts paid to employees. This policy also includes accounting for termination benefits and post employment benefits (pensions), including the discount rate used to assess liabilities plus other relevant assumptions. These elements of the policy have not changed since 2009-10.	See IFRS transitional note for the detailed information. The main effect is to increase employee costs in the first year of the policy (2009-10) by £11.9m. The Council's creditors also increased by £11.9m as these benefits were not paid until the following financial year and therefore had to be accrued. However, since this is not an extra cost to the Council but a technical adjustment, the effect is reversed out through an Accumulated Absences Reserve so that there is no impact on the General Fund Balance or council tax.
Exceptional items and prior period adjustments	Exceptional items of a material nature such as a large VAT refund must be disclosed separately. Prior period adjustments may arise due to a change in accounting policies or to correct a material error. Changes in accounting policies are only made prospectively (in future years)	No change

Financial instruments	The purpose of this policy is to ensure that the likely impact (i.e. the fair value) of a transaction is included in the accounts as soon as it is known, rather than the face value of the transaction. For example, if the Council had investments in another organisation's bonds which had fallen in value significantly, this policy requires the estimated loss to be accounted for (i.e an impairment charge must be made) and explained in the financial instruments notes. Where loans are entered into with differing interest rates, for example low rates in the early years, this policy requires the effect to be averaged out over in the accounts the length of the agreement, to prevent a misleading position being shown.	No change
Government grants and other contributions	This policy requires both capital and revenue grants to be credited to the Comprehensive Income and Expenditure Statement once any conditions attached to the grant or contribution are satisfied. The major change arising under IFRS is that capital grants are no longer written down to the revenue account over the same life of the asset they are funding, but are now fully written down once the capital expenditure is made. They are included under the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement. This is a significant change and a departure from the accounting convention that expenditure and income are matched.	The effect is to transfer grants totalling £195m at 31 March 2010 from the former Government Grants and Contributions Deferred Account (which no longer exists under IFRS) to the Capital Adjustment Account. In addition £7,423,000 revenue grants received in advance creditors have been transferred to the Comprehensive Income and Expenditure Statement in 2009-10 and appropriated into earmarked reserve.
Investment property	Only those properties solely held for the purpose of earning rental income and/or capital growth are classed as investment properties (£74.433m at 31 March 2011, and £65.616m at 31 March 2010)	Gains and losses on revaluations, also on disposals, must be posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Previously the effect of revaluations would have been posted to the Revaluation Reserve. As part of retrospective IFRS restatement of the accounts, the balance on the Revaluation Reserve of £23,970,000 at 31 March 2010 relating to investment properties has now been written out to the Capital Adjustment Account. Gains and losses on disposals were previously posted to a separate line in the Comprehensive Income and Expenditure Account.
Leases	Assets acquired under finance leases are effectively treated as capital expenditure and the asset value included on the Balance Sheet under fixed assets, and depreciated, revalued and impaired as appropriate similar to other capital assets. Similarly disposals of assets on finance leases are treated as disposals of capital assets, and a capital receipt established as appropriate. This is because the conditions attached to finance leases effectively give all the risks and rewards of ownership to the user. Operating leases, both on acquisition and disposals of assets, are treated as revenue expenditure and income, as the lease does not give all the risks and rewards of ownership to the user. A contract entered unto for the provision of a service which is delivered by a third party, may involve the use of assets, for example vehicles, to deliver the contract. Under IFRS, the contract must be assessed to determine whether it effectively includes a finance or operating lease and if so, the estimated value of the leased assets must be accounted for as if the Council had entered into the lease.	The Council has a contract with West Yorkshire Integrated Transport Authority (WYITA) for the provision of home to school transport. Under IFRS, an assessment is required to determine whether there is an embedded lease' in the contract. This has been undertaken and the result is that the Council has determined that it effectively has a finance lease for the provision of the vehicles to deliver the contract, since they are used almost exclusively to deliver this contract and fall under the definition of a finance lease. The result is that the financing charges relating to the vehicles are taken out of Children's Services on the Comprehensive Income and Expenditure Statement, and the interest included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, while the principal element is used to write down the liability. The estimated asset value of £1,448,000 relating to the vehicles at 31 March 2010 has been added in to Property, Plant and Equipment. Under IFRS, the value of land and buildings must be separated out in leases. The Council has over 2,000 separate leases as lessor and lessee, most of which are relatively small. It is not practical or possible to calculate the land value for most leases, given the

		amounts involved are not material.
Non-current assets held for sale	Where assets are declared surplus and approved for sale, the Council's valuer should revalue the asset at its estimated sale price. This needs to be debited to the non-current assets held for sale account. The capital value of the asset must then be written out of fixed assets, including balances on Revaluation Reserve, plus depreciation.	This account did not exist prior to IFRS. Assets for sale remained in fixed assets as surplus assets until they were sold. The effect of this change is that £679,000 of assets were taken out of fixed assets at 31 March 2010, and a net £679,000 added to Non-Current Assets held for sale.
PFI schemes	The key requirements of this policy since 2009-10 are that the capital value of PFI schemes, plus the associated debt, must be included on the Balance Sheet if the assessment is that the user controls or regulates the assets, or the residual interest in the asset, or that the assets were constructed or acquired for the purpose of the contract. The Council has two schemes, BSF Phases 1 and 2, which meet all three requirements and therefore Phase 1 is on the Balance Sheet, and Phase 2 for the completed assets. PFI schemes included on Balance Sheets are subject to the same depreciation, revaluation and impairment process as other capital schemes. Following the opening of BSF Phase 1, a revaluation was undertaken which increased its value by over £11m.	No change
Property, plant and equipment	The Council has £1,360m of property, plant and equipment at 31 March 2011, and this is the largest amount on the Balance Sheet, and reflects the large level of investments required to deliver the Council's services. The accounting policy therefore is very significant since relatively small changes in values can have a material effect on the accounts. The key requirements of this policy are that assets must initially be included in the Balance Sheet at their actual cost. They must then be revalued at least every five years, be subject to an annual impairment review to assess whether their value has changed greatly in the year, be depreciated.	From 1st April 2010, material components of fixed assets with distinctive assets lives will be shown separately in the Authority's asset register and depreciated separately. In addition, when additional capital expenditure is incurred on an asset, any part of the asset that has been replaced is de-recognised to avoid overstatement of the Balance Sheet. The policy will apply to all assets to be revalued, enhanced or acquired with a minimum net book value of £1m. Separate components will only be identified where their value is a minimum of 20% of the cost of the asset. This change in policy will only apply prospectively from 2010-11, no restatements will therefore be required of the 2009-10 accounts.
Reserves	The Council has significant reserves and this is a key policy which states that reserves are firstly split into useable reserves (i.e those which the Council can spend), and unuseable reserves (those which cannot be spent, for example, the Revaluation reserve, and the Accumulated Absence Reserve). The Council is required to set aside an amount of the useable reserves to ensure it has the minimum cash balances necessary to run the Council. This is assessed as 2.5% of the Council's net budget requirement and is called the General Fund Balance. Any amounts above the minimum can be placed in earmarked reserves to be used either to fund specific policy objectives, or held as a contingency sum against future potential requirements.	There is one new reserve required under the Code of Practice 2010-11 – the Accumulated Absences Reserve (see Employee Benefits above, plus IFRS 1 transition note), which has a balance of £13.5m at 31 March 2010 and £13.357m at 31 March 2011.

Note 3. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether the Council will be able to maintain an adequate level of spend on repairs and maintenance, which could affect the useful lives of certain assets.	If the useful life of assets is for example reduced, depreciation increases and the carrying amount of the asset falls.
Provisions	The Council has made a provision of £16.892m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received or that precedents set by other Councils in the settlement of claims will be applicable. The Council also has a provision of £9.882m at 31 March 2011 (£10m at 31 March 2010) for insurance claims which it has chosen to self insure (all claims under £120,000). The insurance provision has been rigorously reviewed over the last two years and is now considered to be at an adequate level to meet all expected claims. Under IFRS, provisions must be split between short term (up to one year) and long term (over one year). It is not possible to accurately determine when various claims, which may be subject to litigation, will be paid and therefore the analysis of the overall provision between long and short term is an approximate estimate	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £1.7m to the provision needed. A contingent liability has been included for the possibility that equal pay costs may exceed the provision. In that event, which is considered very unlikely, extra funds would have to be found from available reserves or from in year savings. An incorrect allocation of the provision between short term and long term will not change the net worth of the Balance Sheet, or impact on the Council's cash levels. It will either over or understate current or long term liabilities, where short and long term provisions are respectively included.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hewitt Associates Limited, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £133.98m.
Arrears	At 31 March 2011, the Council had a balance of sundry debtors of £107m, a reduction of £1m compared to the 31 March 2010 figure of £108m. A review of significant balances suggested that a minimum impairment of doubtful debts of 15% was appropriate for balances aged at least one year, given the current economic climate, but higher levels than this have been included where appropriate.	If collection rates were to deteriorate, this would increase the amount of the impairment of doubtful debts..
Leases	Under IFRS, all leases must firstly be split into either finance or operating leases, and then into land and buildings. The Council has over 2,000 individual leases, most of which are for relatively small amounts. The Council does not have sufficient valuation staff to review all leases, and the resulting information would not justify the cost. The main assumptions which have been made are : **Split between finance and operating lease :** • A lease where the lease term is less than 75% of the economic life of the asset will be assumed to be an operating lease. • A lease where the real (i.e. present) value of the minimum lease payments is less than 80% of the asset value, is classed as an operating lease. • There are approximately 70 equipment leases	The detailed criteria used to classify leases between operating and finance are explained in Note 34 on page 72. The effect of making an incorrect classification between finance and operating leases is not considered material. The effect of not undertaking a separation of land and buildings for all relevant leases is also not considered material. Many leases are for land only, for which assessment will be relatively easy.

	which have a value over £10,000 over the life of the lease which will be reviewed. Those under £10,000 will not be reviewed.	
Central and Departmental Recharges	All recharges of central services, such as financial services, human resources and legal services are made using the most appropriate basis for recharging. Some services are charged based on number of employees, net budgets, net space occupied, net time spent on each department or other basis as appropriate.	

Note 4. Material Items of Income and Expense

In previous years the Authority has treated the significant one off VAT refunds it has received as exceptional items. In 2010-11, there is an exceptional item of negative expenditure of £201m. This represents a reduction in the Authority's pension liabilities as a result of the Government's decision to increase pensions in line with the Consumer Price Index instead of the Retail Price Index.

Note 5. Post Balance Sheet Events

There were no adjusting or non adjusting events after 31 March 2011 which has affected the fair presentation of the financial statements.

Note 6. a) Adjustments between accounting basis and funding basis under Regulations 2010-11

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account : Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement :				
Charges for depreciation and impairment of non current assets	24,144	0	0	-24,144
Revaluation losses on property, plant and equipment	46,741	0	0	-46,741
Movements in the market value of Investment Properties	-10,470	0	0	10,470
Amortisation of intangible assets	1,785	0	0	-1,785
Capital grants and contributions applied	-36,443	0	0	36,443
Revenue expenditure funded from capital under statute (REFCUS)	7,170	0	-4,553	-2,617
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,861	0	0	-7,861
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
Statutory provision for the financing of capital investment	-24,105	0	0	24,105
Capital expenditure charged against the General Fund	-3,055	0	0	3,055
Adjustments primarily involving the Capital Grants Unapplied Account :				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-15,530	0	15,530	
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-15,821	15,821
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-7,720	7,720		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-12,731		12,731
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	43	-43	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve	0	0	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	102			-102
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-752	0	0	752
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-134,469	0	0	134,469
Employer's pensions contributions and direct payments to pensioners payable in the year	-43,174	0	0	43,174
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	-2,472	0	0	2,472
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	-164	0	0	164
Total Adjustments between accounting basis & funding basis under regulations	**-190,508**	**-5,054**	**-4,844**	**200,406**

b) Adjustments between accounting basis and funding basis under Regulations 2009-10

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account : Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement :				
Charges for depreciation and impairment of non current assets	24,263	0	0	-24,263
Revaluation losses on property, plant and equipment	-10,099	0	0	10,099
Movements in the market value of Investment Properties	-5,093	0	0	5,093
Amortisation of intangible assets	1,746	0	0	-1,746
Capital grants and contributions applied	-26,574	0	0	26,574
Revenue expenditure funded from capital under statute (REFCUS)	3,258	0	0	-3,258
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-3,053	0	0	3,053
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :		0	0	
Statutory provision for the financing of capital investment	-22,230	0	0	22,230
Capital expenditure charged against the General Fund	-1,221	0	0	1,221
Adjustments primarily involving the Capital Grants Unapplied Account :				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-29,931	0	29,931	
Application of grants to capital financing transferred to the Capital Adjustment Account				
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	10,062	0	-10,062
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-5,120	0	5,120
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	-18	0	18
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	25	-25	0	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	86	0	-86
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-777	0	0	777
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	59,669	0	0	-59,669
Employer's pensions contributions and direct payments to pensioners payable in the year	-41,356	0	0	41,356
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	-1,465	0	0	1,465
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1,593	0	0	-1,593
Total Adjustments between accounting basis & funding basis under regulations	**-51,245**	**4,985**	**29,931**	**16,329**

Note 7. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010-11.

	Balance at 1 April 2009 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2010 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2011 £000
General Fund generally available	12,724	0	2,336	15,060	-4,257	0	10,803
Schools delegated balances	30,228	0	2,050	32,278	0	10,039	42,317
Total General Fund	**42,952**	**0**	**4,386**	**47,338**	**-4,257**	**10,039**	**53,120**
Corporate Earmarked Reserves							
VAT Refunds	6,804	-3,192	0	3,612	-3,612	0	0
Airport Interest	2,900	-2,900	0	0	0	0	0
Insurance	1,124	-1,124	742	742	-742	0	0
2009 Pay Award	0	0	4,900	4,900	-4,900	0	0
WNF budget support	2,830	-1,346	0	1,484	-1,484	0	0
Change Management	951	-97	0	854	-478	0	376
Executive Priorities	3,000	0	0	3,000	-1,000	0	2,000
Executive Initiatives	1,867	-512	0	1,355	-168	0	1,187
Single Status	4,650	-138	0	4,512	-3,664	0	848
LABGI	4,989	-3,651	0	1,338	-570	0	768
2010 Pay Award	0	0	0	0	0	4,150	4,150
Managed Severance	-48	0	129	81	0	1,327	1,408
Exempt VAT	2,000	0	0	2,000	0	0	2,000
Markets	299	0	219	518	0	349	867
LPSA	0		1,819	1,819	-1,562	139	396
ABG & WNF	2,883	-2,883	8,569	8,569	-7,663	6,481	7,387
PFI - IT Equipment	2,523	0	1,052	3,575	0	1,052	4,627
Capital Feasibility	0	0	0	0	0	551	551
Carbon Intervention	0	0	0	0	0	2,000	2,000
Major Project Support	0	0	0	0	0	1,193	1,193
Changing our Council	0	0	0	0	0	2,612	2,612
Renewal and Replacement	9,226	0	6,289	15,515	0	0	15,515
Transition Fund							
GF Surplus 09-10	0	0	0	0	0	4,257	4,257
GF Surplus 10-11	0	0	0	0	0	16,866	16,866
Better use of Budgets	4,673	-4,673	6,649	6,649	-4,773	0	1,876
Miscellaneous	784	-784	891	891	-891	0	0
Sub total	**51,455**	**-21,300**	**31,259**	**61,414**	**-31,507**	**40,977**	**70,884**
Service Earmarked Reserves							
PFI BSF Unitary charge	453	0	670	1,123	0	1,972	3,095
NASS contract	421	0	653	1,074	0	0	1,074
Supporting People	0	0	2,393	2,393	-1,225	0	1,168
Feasibility Study	0	0	1,126	1,126	0	0	1,126
Other	5,235	-1,592	0	3,643	-1,460	0	2,183
Sub total	**6,109**	**-1,592**	**4,842**	**9,359**	**-2,685**	**1,972**	**8,646**
Revenue Grant Reserves	7,468	-7,468	7,424	7,424	-7,424	593	593
Total Earmarked Reserves	**65,032**	**-30,360**	**43,525**	**78,197**	**-41,616**	**43,542**	**80,123**
Capital Grants Unapplied	25,032	0	29,931	54,963	-20,375	15,530	50,118
Capital Receipts Reserve	69	10,105	-5,120	5,054	-14,457	9,403	0
Total other Usable Reserves	**25,101**	**10,105**	**24,811**	**60,017**	**-34,832**	**24,933**	**50,118**
Overall Total Earmarked Reserves	**133,085**	**-20,255**	**72,722**	**185,552**	**-80,705**	**78,514**	**183,361**

a) General Fund Balance (£53.120m)

A net £53.120m balance has been carried forward to 2011-12 (£47.338m at 31 March 2010). This includes £42.317m carried forward for schools under delegated budgets.

The balance of £10.803m 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.

b) Corporate Reserves (£70.884m)

The level of earmarked Corporate Reserves increased by a net £9.470m, from £61.414m at 31 March 2010 to £70.884m at 31 March 2011. This was after £16.933m of corporate reserves were used to support the 2010-2011 budget. The overall increase is largely due to the £16.866m planned underspending in 2010-11. For further explanation see Director of Finance Report, page 4.

- VAT "Fleming" Refund Reserve (£0m): In 2008-9 the Authority successfully claimed back from HMRC £6.744m of overpaid VAT dating back to 1973. Over the last two financial years, all of the reserve has been used as overall budget support.
- Executive Initiatives and Priorities (£3.187m). The opening balance on these reserves at 1 April 2010 was £4.355m. A total of £1m was used to support the budget and £0.168m to fund specific one off initiatives in 2010-11, leaving a balance at 31 March 2011 of £3.187m.
- Change Management Reserve (£0.376m): After using £0.478m to support the 2010-2011 budget there remains a balance of £0.376m at 31 March 2011.
- Managed Severance Reserve: (£1.408m): The reserve had a balance of £0.81m at 31 March 2010. It has been replenished by departmental repayments and underspending of £1.222m on capital financing costs in 2010-11. The reserve will be used to meet any further termination costs arising in 2011-12 from the implementation of the revised operating model for the Council.
- Area Based Grant (ABG) (including WNF) (£7.387m). ABG was a non-ring fenced general grant with no conditions imposed upon how the funding can be used. Of this balance Members have approved £0.5m to be spent on Apprenticeships for looked after children and NEETS and £0.17m to offset the one off start -up costs of the new Uniformed Services. The balance of £6.717m remains a corporate resource for Members to determine its allocation
- As part of the 2010-2011 budget process £7.1m was approved for the Changing Our Council programme, Corporate Support for major projects, Capital Feasibility Studies and Carbon Intervention initiatives. As it was always intended that these budgets would be spent over more than one year, the underspending in 2010-11, of £6.357m has been transferred into four corporate reserves.
- Transitional Fund (£21.123m). The £16.866m underspend in 2010-11, together with the £4.257m from the General Fund balance has been transferred into a corporate transitional reserve. This reserve will act as a buffer against future budgetary pressures.
- Renewal and Replacement Reserve (£15.515m). This provides funds to finance capital expenditure and to manage and optimise capital resources. In 2010-11 there was no movement on this reserve leaving a balance at 31 March 2011 of £15.515m the same as at 31 March 2010.
- Better Use of Budgets (£1.876m). Out of the opening balance of £6.649m at 31 March 2010, Members approved the release of £4.773m. In arriving at the out turn position for 2010-11 Members have yet to consider any service requests hence the balance remains at £1.876m and relates entirely to under spends carried forward from 2009-10.
- Pay Award (£4.150m). A £3m saving in 2010-11 arising from the change in the timescale for delivering Single Status together with a £1.150m saving on the 2010 pay award has been transferred into a corporate reserve.
- Markets Reserve (£0.867m): 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 2011 is £0.867m.
- Exempt VAT Reserve (£2m): This is an amount set aside to meet the estimated 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 2010-11 and at 31 March 2011 remains at £2m.
- Local Authority Business Growth Initiative (LABGI) (£0.768m): During the year transfers out of this reserve included £0.3m to support the 2010-11 budget, and £0.229m to support regeneration activity in the city centre. This leaves a balance of £0.768m at 31 March 2011.
- PFI IT Equipment Reserve (£4.627m): 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 the time the Authority is required to pay for the new equipment. The balance on the reserve at 31 March 2011 is £4.627m.

c) Service Reserves (£8.646m)

The total Other Service Earmarked Reserves have reduced by a net £0.713m during 2010-11 from £9.359m at 31 March 2010 to £8.646m at 31 March 2011. This net reduction is largely accounted for by a £1.972m increase in the BSF unitary charge reserve and a transfer out of the supporting people reserve of £1.225m**.**

d) Revenue Grants (£0.593m)

Revenue grants reserve has been set up under the new IFRS accounting changes. This is made up of various ring fenced grant underspends including Mortgage Rescue Programme, Housing Options Trailblazer and Strategic Homelessness.

e) Usable Capital Receipts Reserve

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.

Authorities are required to pay 75% of their housing capital receipts into a national pool. The Authority was required to pay £43,053 to the pool in 2010-11 (£25,477 in 2009-10).

The Authority is required to make a corresponding transfer to the 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 Capital Receipts Reserve until applied either to finance capital expenditure or to repay debt.

2009-10	Capital Receipts Reserve	2010-11
£000		**£000**
69	**Balance at 1 April**	**5,054**
	Usable receipts in the year	
5,681	Disposal of assets	7,720
4,449	Other capital receipts	1,726
-25	Appropriation to (–) from Revenue Account re pooled housing receipts	-43
-5,120	Used to finance capital spending	-14,457
0	Used for debt repayment	0
5,054	**Balance at 31 March**	**0**

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. The receipt of £1.726m (£4.449m in 2009-10) comprises principal repayments towards a loan of £6.083m made in 2009-10.

Note 8. Analysis of the Comprehensive Income and Expenditure

The following tables provide a further analysis of the individual lines that appear on the face of the Comprehensive Income and Expenditure Statement

a) Other Operating expenditure

2009-10	Other Operating expenditure	2010-11
£000		**£000**
785	Parish Council Precepts	830
25	Payments to the Government Housing Capital Receipts Pool	43
-3,034	(Gains)/losses on the disposal of non-current assets	734
-2,224	**Total**	**1,607**

b) Financing and Investing Income and Expenditure

2009-10	Financing and Investing Income and Expenditure	2010-11
£000		**£000**
34,178	Interest payable and similar charges	34,576
31,636	Pensions interest cost and expected return on pension assets	17,738
-3,038	Interest receivable and other income	-1,783
-6,294	Income and expenditure in relation to investment properties and changes in their fair value	-12,102
-40	Other investment income	-595
-581	Net (Surplus)/ Deficit on Trading Accounts	2,850
55,861	**Total**	**40,684**

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 2010-11 the Council did not undertake any rescheduling of loans. In the case of loans rescheduled in previous years the cost of premiums has been spread over the outstanding period of the replacement loan. Conversely in respect of discounts the benefit of the discount has been taken over ten years.

2009-10	Interest Payable and Similar Charges	2010-11
£000		**£000**
	External interest charges	
25,643	PWLB	26,041
6,378	Interest on finance lease rentals (PFI)	6,464
1,849	LOBO's	1,760
308	Transferred debt	311
34,178	**Total**	**34,576**

c) Taxation and Non- Specific Grant Income

2009-10	Taxation and Non- Specific Grant Income	2010-11
£000		**£000**
-159,090	Council tax income	-163,456
-214,190	Non domestic rates	-237,482
-104,155	Non-ringfenced government grants	-96,878
-56,505	Capital grants and contributions	-51,972
-533,940	**Total**	**-549,788**

The key change arising from IFRS in respect of taxation and specific grant income is that capital grants and contributions received in the year financial year, which meet the necessary conditions and do not have any restrictions on their use, are now included in the Comprehensive Income and Expenditure Statement.

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 2010-11 the Authority received the following:

2009-10 Post IFRS	Government grants (not attributable to specific services)	2010-11
£000		**£000**
-49,438	Revenue Support Grant	-34,485
-51,338	Area Based Grant (ABG)	-62,393
-318	Local Authority Business Growth Incentive (LABGI)	0
-2,819	Local Public Service Agreement (LPSA)	0
-242	Housing and Planning Delivery Grant	0
-104,155	**Total**	**-96,878**

ABG is a non ring fenced general grant which has no conditions attached to its use. In June 2010 the Coalition Government announced that Bradford's original 2010-11 ABG allocation of £69m would be reduced by £7m. In 2011-12 all ABG grants have been either rolled into formula grant or ended.

Note 9. Property, Plant and Equipment: Movements on Balances in 2010-11

	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Constr-uction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	**905,246**	**49,040**	**225,573**	**34,721**	**37,075**	**48,978**	**1,300,633**	**98,062**
Additions	125,117	3,213	13,990	1,710	132	16,120	160,282	85,435
Donations	0	0	0	0	0	0	0	0
Rev. in the Rev. Reserve(1)	92,155	0	13	1,016	727	0	93,911	0
Rev. in Surplus/Deficit on the Provision of Services	-47,851	0	-3	-4,309	-2,331	0	-54,494	0
Derecognition - disposals	-1,142	0	0	-715	-5,354	0	-7,211	0
Derecognition - other	0	0	0	0	0	0	0	0
Assets reclassified (to)/ from Held for Sale	-89	0	0	0	-114	0	-203	0
Reclassifications	43,603	0	0	0	-13	-43,603	-13	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0
At 31 March 2011	**1,117,039**	**52,253**	**239,573**	**32,423**	**30,122**	**21,495**	**1,492,905**	**183,497**
Accumulated Depreciation & Impairment								
At 1 April 2010	**-29,409**	**-28,727**	**-53,340**	**-12,898**	**-4,102**	**0**	**-128,476**	**0**
Dep charge	-10,299	-7,205	-7,073	-68	501	0	-24,144	-2,313
Dep w/o Revaluation Reserve	10,273	0	0	4	68	0	10,345	0
Dep w/o to the Surplus/Deficit on the Provision of Services	7,100	0	0	34	619	0	7,753	0
Impairment losses/ (reversals) in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment in Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - disposals	138	0	0	111	1,511	0	1,760	
Derecognition -	0	0	0	0	14	0	14	0
Other movements in depreciation & impairment	0	0	0	0	0	0	0	0
At 31 March 2011	**-22,197**	**-35,932**	**-60,413**	**-12,817**	**-1,389**	**0**	**-132,748**	**-2,313**
At 31 March 2010 – Net Book Value	**875,837**	**20,312**	**172,233**	**21,823**	**32,973**	**48,978**	**1,172,155**	**98,062**
At 31 March 2011– Net Book Value	**1,094,842**	**16,321**	**179,160**	**19,606**	**28,733**	**21,495**	**1,360,157**	**181,184**

(1) Following a review of the authority's assets, 39 additional assets were identified and have been brought onto the asset register through the revaluation reserve, see p22

Comparative Movements in 2009-10

	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Constr-uction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2009	**823,684**	**44,177**	**209,896**	**30,095**	**36,460**	**41,003**	**1,185,315**	**85,500**
Additions	23,889	4,862	15,676	3,812	11	12,216	60,466	0
Donations	0	0	0	0	0	0	0	0
Rev. in the Rev. Reserve	55,984	0	0	323	1,246	0	57,553	12,562
Rev. in Surplus/Deficit on the Provision of Services	-2,154	0	0	0	0	0	-2,154	0
Derecognition - disposals	-1,167	0	0	-23	-267	0	-1,457	0
Derecognition - other								
Assets reclassified (to)/ from Held for Sale					-815		-815	
Reclassifications	5,444	0	0	514	492	-4,241	2,209	0
Other movements in cost or valuation	-434	0	0	0	-52	0	-486	0
At 31 March 2010	**905,246**	**49,039**	**225,572**	**34,721**	**37,075**	**48,978**	**1,300,631**	**98,062**
Accumulated Depreciation & Impairment								
At 1 April 2009	**-28,262**	**-21,359**	**-46,789**	**-13,856**	**-3,872**	**0**	**-114,138**	**0**
Dep charge	-11,197	-7,368	-6,551	-192	-27	0	-25,335	0
Dep w/o Revaluation Reserve	3,237	0	0	0	0	0	3,237	0
Dep w/o to the Surplus/Deficit on the Provision of Services	2,154	0	0	0	0	0	2,154	0
Impairment losses/ (reversals) in the Revaluation Reserve	1,903	0	0	0	0	0	1,903	0
Impairment in Surplus/Deficit on the Provision of Services	2,756	0	0	1,150	-203	0	3,703	0
Derecognition - disposals	0	0	0	0	0	0	0	0
Derecognition -	0	0	0	0	0	0	0	0
Other movements in depreciation & impairment	0	0	0	0	0	0	0	0
At 31 March 2010	**-29,409**	**-28,727**	**-53,340**	**-12,898**	**-4,102**	**0**	**-128,476**	**0**
At 31 March 2009 – Net Book Value	**795,422**	**22,818**	**163,107**	**16,239**	**32,588**	**41,003**	**1,071,177**	**85,500**
At 31 March 2010 – Net Book Value	**875,837**	**20,312**	**172,232**	**21,823**	**32,973**	**48,978**	**1,172,155**	**98,062**

The PFI assets disclosed at 31 March 2010 (£98,062) are higher than those disclosed in the audited 2009/10 accounts (£97,062) due to a revision in the figures calculated. This change in the disclosure is a Prior Period Adjustment but impacts on this note only.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – Individually estimated useful economic life
- Infrastructure – 30 years
- Vehicles, Plant, Furniture and Equipment – 3 to 7 years

Assets are not depreciated in their year of acquisition

Note 10. Valuations

Operational and non-operational assets have been valued by Belinda Gaynor 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.

The Property, Plant & Equipment note is expected to include Council dwellings. The Council constructed a number of dwellings (less than 50) for rent in 2010-11, which are managed by a housing association on its behalf. The Council does not have to establish a Housing Revenue Account (HRA) as it has received legal opinion that it is not required for such a small number of properties.

Revaluations

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Worksheet	**OBC**	**NA**	**Surplus**	**NA**	**Comm Assets pivot**	**AUC**	
Carried at Historical Cost	2	16,321	0	179,160	19,606	21,495	236,584
Valued at Fair Value in:							
2006/07	51,249	0	4	0			51,253
2007/08	66,047	0	3,307	0			69,354
2008/09	281,373	0	650	0			282,023
2009/10	118,163	0	1,991	0			120,154
2010/11	578,008	0	22,781	0			600,789
Total Cost or Valuation	**1,094,842**	**16,321**	**28,733**	**179,160**	**19,606**	**21,495**	**1,360,157**

Note 11. Capital Commitments and Obligations Under long Term Contracts

a) Capital Commitments

The Council has an approved Capital investment Plan for the period 2010-15. At 31 March 2011 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011-12 and future years budgeted to cost £38.846m. Similar commitments at 31 March 2010 were £23.239m. The major commitments (over £1m) are:

Capital Commitments	31 March 2011
	£000
Primary Capital Programme	3,522
Primary Schools Expansion Programme	
City Park	5,255
New Affordable Housing – Longfield Drive	2,377
New Affordable Housing – Beechgrove	6,123
BSF Phase 2 ICT Costs	12,119
BSF Phase 2	90,276
Total	**119,672**

b) Obligations Under Long-Term Contracts

Bradford-I

Bradford-I is a 10 year contract, which started in September 2005, with IBM UK Ltd, and SERCO (which is 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.
- a framework for the specification and procurement of ICT hardware and software

The estimated contract value is £189.9m 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 comprised 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 (including utilities £9m) is £322m. The Council has secured funding support from the former Department for Children, Schools and Families, now the Department for Education (DCSF), 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 its scope of which £6.9m has been secured in support from the former DCSF.

The contract for Phase 2 of the local BSF Programme was finalised in September 2009 with £281m of support being provided by the former 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.

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

Education Bradford

The 10 year contract with Serco Plc for education services in Bradford expires on the 29th July 2011. The Council has been actively planning for how the affected services will be delivered after the contract expiry date.

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 12. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The investments of £74.433m at 31 March 2011 shown below generated rental income, partially offset by management expenses and repairs.

2009-10 £000	Analysis of Rental Income and Management Costs of Investments	2010-11 £000
-2,750	Rental income from investment property	-3,184
-40	Other income (service and other charges)	-540
	Direct operating expenses:	
366	Repairs & maintenance	376
3,132	Management expenses	2,188
708	**Net (gain) / loss**	**-1,160**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The movement in the fair value of investment properties over the year is summarised as:

2009-10 Pre IFRS	2009-10 IFRS	Reconciliation of Movements on Investments	2010-11
£000	**£000**		**£000**
74,752	**60,466**	**Balance at start of the year**	**65,616**
		Additions :	
0	0	Purchases	0
0	0	Construction	0
555	555	Subsequent expenditure	78
-1,125	-1,478	**Disposals**	-1,731
8,285	8,285	Net gains/(losses) from fair value adjustments	(1) 10,470
		Transfers	
0	0	To/from inventories	0
-1,026	-2,209	To/from Property, Plant and Equipment	0
-3	-3	**Other changes**	0
81,438	**65,616**	**Balance at end of the year**	**74,433**

(1) Following a review of the authority's assets in 2010/11, 39 additional assets were identified and have been brought onto the asset register through the revaluation reserve, see p22

Note 13. Intangible Assets.

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licences and do not include any internally generated software. The Council does not have any intangible assets apart from software.

All software is given a useful life, based on the assessments of the period that the software is expected to be of use to the Council. All of the Council's software has an estimated useful life of 10 years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.785m charged to revenue in 2010-11 (£1.746m in 2009-10) was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2009-10 £000	2010-11 £000
Balance at 1 April each year		
• Gross carrying amounts	16,410	16,647
• Accumulated amortisation	-4,106	-5,852
Net carrying amount at start of year	12,304	10,795
Additions :		
• Internal development	0	0
• Purchases	237	0
• Acquired through business combinations	0	0
Assets reclassified as held for sale	0	0
Other disposals	0	0
Revaluations increases or decreases	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0
Reversals of past impairment losses written back to the Surplus/ Deficit on the Provision of Services	0	0
Amortisation for the period	-1,746	-1,785
Other changes	0	0
		0
Net carrying amount at end of year	**10,795**	**9,010**
Comprising :		
• Gross carrying amounts	16,647	16,647
• Accumulated amortisation	-5,852	-7,637

The intangible assets figures largely comprise the software required to run the Council's SAP computer system. The Council has not been able to revalue this software due to its specialist nature as it has been specifically configured for the Council and is not easily comparable with any other system. However, the life of the system used for amortisation is estimated to be conservative, and the actual life should exceed the estimated life for accounting purposes.

Note 14. Construction Contracts

The Council has not entered into any construction contracts as the contractor in either 2009-10 or 2010-11.

Note 15. Long Term Investment

The Council's long term investment at 31 March 2011 is made up of £1,000 interest in Integrated Bradford LEP Ltd (31 March 2010 £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.

Note 16. Long Term Debtors

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

The £401,000 due from Wakefield MDC at 31 March 2011 (£502,000 at 31 March 2010) 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 0 on page 75).

The amount owed by other local authorities at 31 March 2011 of £402,788 is in respect of transferred debt for Probation Service and Magistrates Courts services owed by other West Yorkshire authorities.

The balance due on long term finance leases of £330,000 represents the principal element of the leases.

31 March 2009	31 March 2010	Analysis of Long Term Debtors	31 March 2011
£000	£000		£000
374	288	Former Council house tenants	197
602	502	Waste Management SSA	401
480	427	Other local authorities re joint services	403
1,311	1,273	Car loans	1,133
94	303	Building Schools for the Future Ltd	303
7	7	Housing Advances	7
352	341	Balance owing on sale of assets on finance lease(s)	330
33	33	Other	34
3,253	**3,174**	**Total**	**2,808**

Note 17. Net Current Assets

31 March 2009 £000	31 March 2010 £000	Inventories	31 March 2011 £000
70	48	Trading services	78
1,038	1,427	Other	1,808
1,108	**1,475**	**Total**	**1,886**

Debtors and Payments In Advance

General payments in advance have been shown separately since they are of significant value. The majority is in respect of payments to Education Bradford at £13m each year, paid quarterly in advance. The contract ceases at the end of July 2011.

31 March 2009	31 March 2010	Analysis of Debtors and Payments in Advance	31 March 2011
£000	£000		£000
		Amounts falling due within one year	
25,241	38,425	Central Government bodies	34,659
2,207	2,418	Other local authorities	2,059
12,981	14,662	NHS bodies	12,862
0	0	Public corporations and trading funds	0
42,891	52,264	Other entities and individuals	50,811
0	15,343	Payment in advance BSF Phase 2	0
15,395	17,439	General payments in advance	15,466
98,715	**140,551**	**Total**	**115,857**
		Less provision for bad and doubtful debts	
7,474	8,669	Collection Fund	9,493
4,526	6,004	Other	5,821
86,715	**125,878**	**Net Total**	**100,543**

The net debtors have changed from a total of £125.878m at 31 March 2010 to £106.827m at 31 March 2011, a decrease of £19.051m. This is mainly due to the payment in advance of £15.343m in 2009-10 on the BSF Phase 2 schools being applied in 2010-11 against the finance lease liability when the schools were completed.

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 2011 £64.073m was invested in short term deposits with the government, banks and building societies (£63.260m at 31 March 2010) (£39,672 at 31 March 2009).

Cash and Cash Equivalents

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
1,276	1,100	Cash held by the Council	1,281
58,033	83,604	Bank accounts	82,697
44,100	8,849	Short term deposits with building societies and banks	31,794
103,409	**93,553**	**Total Cash and Cash Equivalents**	**115,772**
-7,391	-5,748	Cash Overdrawn	-4,093
96,018	**87,805**	**Total net Cash and Cash Equivalents**	**111,679**

The Balance Sheet shows cash in hand of £1.281m, bank current accounts of £85.746m and cash equivalents of £31.794m. Cash overdrawn is £13.425m giving a net cash figure of £105.396m. The equivalent figure for 2009-10 is £87.805m. This takes account of the value of cheques and BACS issued but not cleared. The net cash positions are shown in the cashflow statement.

As part of its management of cash balances the Authority has made arrangements to invest surplus cash with ready access. At 31 March 2011 the Authority had invested £42.751m on this basis (£41.3m at 31 March 2010).

Creditors and Receipts in Advance

31 March 2009	31 March 2010	Analysis of Creditors and Receipts in Advance	31 March 2011
£000	£000		£000
		Amounts falling due within one year	
11,318	12,861	Central Government bodies	11,136
460	604	Other local authorities	498
2,291	0	NHS bodies	4,196
	0	Public corporations and trading funds	0
80,371	75,842	Other entities and individuals	83,783
94,440	**89,307**	**Total**	**99,613**
		Receipts in advance	
9,987	10,708	Sundry	16,940
6,004	7,226	Developer's contributions	6,881
15,991	**17,934**	**Total**	**23,821**
110,431	**107,241**	**Total Creditors and Receipts in Advance**	**123,434**

Note 18. Assets held for sale

	Non Current 2009-10 £000	Non Current 2010-11 £000
Balance outstanding at start of year	**138**	**679**
Assets newly classified as held for sale :		
- Property, Plant and Equipment	679	203
Assets sold	-138	-679
Balance outstanding at year end	**679**	**203**

There were no changes as a result of revaluation gains and losses, impairment losses, or assets being declassified as held for sale.

Note 19. Provisions

The provisions total of £27,493m at 31 March 2011 and £26.290m at 31 March 2010 are separated on the Balance Sheet into current and long term provisions. The Current provisions are those expecting to be used in the next financial year, £13.619m at 1 April 2011 (£4.735m at 31 March 2010). Long term provisions are those expecting to be used in more than 12 months after the Balance Sheet date, £13.874m at 1 April 2011 (21.556m at 31 March 2010).

	Outstanding legal cases £000	**Injury and Damage Compensation Claims** £000	**Equal Pay Provisions** £000	**Other Provisions** £000	**Total** £000
Balance at 1 April 2009	**4,231**	**5,012**	**20,153**	**0**	**29,396**
Additional provisions made in 2009-10	1,078	4,372	0	0	5,450
Amounts used in 2009-10	-1,262	-1,878	-3,877	0	-7,017
Unused amounts reversed in 2009-10	0	-1,539	0	0	-1,539
Unwinding of discounting in 2009-10	0	0	0	0	0
Balance at 31 March 2010	**4,047**	**5,967**	**16,276**	**0**	**26,290**
Additional provisions made in 2010-11	1,260	5,422	674	719	8,075
Amounts used in 2010-11	-1,398	-2,699	-58	0	-4,155
Unused amounts reversed in 2010-11	-147	-2,570	0	0	-2,717
Unwinding of discounting in 2010-11	0	0	0	0	0
Balance at 31 March 2011	**3,762**	**6,120**	**16,892**	**719**	**27,493**

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 International Accounting Standard 37, the Authority has set aside a provision for the cost of claims. At 31 March 2011, claims and legal costs totalling £10,782m (£10.724m at 31 March 2010) have been paid out leaving £16.892m in the provision at 31 March 2011 (£16.276m at 31 March 2010).

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 2010 £000	**Analysis of Insurance Provision**	**31 March 2011 £000**
175	Property	7
9,212	Liability	9,312
627	Motor	560
0	Other	3
10,014	**Total**	**9,882**

Other provision – In 2010-11 the Council has set aside a provision of £719,000 to cover the cost of dilapidations and reinstating alterations made in properties it has given notice of its intention to terminate leases in 2011-12.

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 2010-11 is 106,197 tonnes (104,251 2009-10). As the market price of 2010-11 allowances at 31 March 2011 has been deemed to be nil, the provision at 31 March 2011 is zero.

Note 20. Unusable Reserves

1 April 2009	31 March 2010		31 March 2011
£000	**£000**		**£000**
106,952	163,495	Revaluation Reserve	263,782
0	0	Available for Sale Financial Instruments Reserve	0
514,898	551,233	Capital Adjustment Account	574,682
-9,582	-8,805	Financial Instruments Adjustment Account	-8,053
759	663	Deferred capital receipts reserve	561
-377,047	-823,597	Pensions reserve	-505,172
-1,933	-467	Collection Fund Adjustment Account	2,003
-11,929	-13,522	Accumulated Absences Account	-13,357
222,118	**-131,000**	**Total Unusable Reserves**	**314,446**

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment, and intangible assets. The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The overall increase in the reserves of £100.3m was primarily due to revaluation increases of £104.6m, reduced down by impairments, and other revaluation amounts written off pro-rata to depreciation and disposals

2009-10 IFRS based		2010-11
£000		**£000**
106,952	**Balance at 1 April**	**163,493**
60,779	Upward revaluation of assets	104,643
-1,903	Downward revaluation of assets and impairment losses not charged to the to the Surplus or Deficit on the Provision of Services	-385
58,876	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**104,258**
-1,266	Difference between fair value depreciation and historical cost depreciation	-3,578
-1,071	Accumulated gains on assets sold or scrapped	-391
-2,337	**Amount written off to the Capital Adjustment Account**	**-3,969**
163,495	**Balance at 31 March**	**263,782**

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.
The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009-10 £000		2010-11 £000
514,898	**Balance at 1 April**	**551,233**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
-24,263	- Charges for depreciation and impairment of non-current assets	-24,144
10,099	- Revaluation losses on Property, Plant and Equipment	-46,741
-1,746	- Amortisation of Intangible Assets	-1,785
-3,258	- Revenue expenditure funded from capital under statute (REFCUS)	-2,617
-2,720	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-7,860
2,337	Adjusting amounts written out of the Revaluation Reserve	3,969
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year :	
5,120	- Use of the Capital Receipts Reserve to finance new capital expenditure	14,457
26,574	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	36,443
	- Application of grants to capital financing from the Capital Grants Unapplied Account	15,822
22,240	- Statutory provision for the financing of capital investment charged against the General Fund	24,105
1,221	- Capital expenditure charged against the General Fund balance	3,055
5,093	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	10,471
-4,362	Repayment of Capital Loans	-1,726
551,233	**Balance at 31 March**	**574,682**

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. For the Council, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2011 will be charged to the General Fund over the next 42 years.

2009-10 £000		2010-11 £000
-9,582	**Balance at 1 April**	**-8,805**
987	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	913
-210	Removal of Effective Interest Rate on stepped interest loans LOBO's	-161
777	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	752
-8,805	**Balance at 31 March**	**-8,053**

d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009-10 £000		2010-11 £000
-377,047	**Balance at 1 April**	**-823,597**
-428,237	Actuarial gains or losses on pensions assets or liabilities	140,782
-59,669	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	134,469
41,356	Employer's pensions contributions and direct payments to pensioners payable in the year	43,174
-823,597	**Balance at 31 March**	**-505,172**

e) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009-10 IFRS based £000		2010-11 £000
759	**Balance at 1 April**	**663**
-10	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
-86	Transfer to the Capital Receipts Reserve upon receipt of cash	-102
663	**Balance at 31 March**	**561**

f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009-10 £000		2010-11 £000
-1,933	**Balance at 1 April**	**-467**
1,466	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,470
-467	**Balance at 31 March**	**2,003**

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2009-10 £000		2010-11 £000
-11,929	**Balance at 1 April**	**-13,522**
11,929	Settlement or cancellation of the accrual made at the end of the preceding year	13,522
-13,522	Amounts accrued at the end of the current year	-13,357
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year in accordance with statutory requirements.	0
-13,522	**Balance at 31 March**	**-13,357**

h) 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 2011.

Note 21. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2009-10 £000		2010-11 £000
-68,792	Net (surplus) or deficit on the provision of services	-198,217
14,121	Adjustments to surplus or deficit for non-cash movements, or from investing and financing activities	117,899
-5,507	Interest Received	-2,449
33,429	Interest paid	34,425
0	Dividends Received	-733
-26,749	**Net cash flows from operating activities**	**-49,075**

b) Investing Activities

The cash flows for investing activities include the following items:

2009-10 £000		2010-11 £000
67,014	Purchase of property, plant and equipment, investment property and intangible assets	74,104
142,890	Purchase of short term and long term investments	216,448
6,296	Other payments for investing activities	0
-5,732	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-7,719
-62,097	Capital grants	-54,073
-128,803	Proceeds from short term and long term investments	-215,323
19,568	**Net cash flows from investing activities**	**13,437**

c) Financing Activities

2009-10 £000		2010-11 £000
-10,000	Cash receipts of short and long term borrowing	0
0	Other receipts from financing activities	0
18,332	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	9,474
209	Repayments of short and long term borrowing	5,000
6,853	Other payments for financing activities	-2,710
15,394	**Net cash flows from financing activities**	**11,764**

d) Reconciliation of the Surplus on Revenue Accounts to Operating Activities Net Cash Flow

2009-10 IFRS based £000	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow	2010-11 £000
-68,792	Net deficit / surplus (-) for year on the Comprehensive Income and Expenditure Account (I & E)	-198,217
	Add back non cash I & E items:	
-12,319	Depreciation, impairment, revaluation gains and losses	-61,986
-18,313	IAS19 Pension adjustments	177,643
0	Amortisation of government grants	0
56,507	Capital Grants included in I&E	51,971
	Items on accruals basis:	
367	Decrease (-) / Increase in stocks	411
12,325	Decrease (-) / increase in amounts due to Council	-4,920
-1,071	Decrease / increase (-) in amounts due from Council	-12,707
	Items classified elsewhere on the cash flow statement:	
0	Interest paid	0
0	Interest received	0
0	Non revenue accruals	0
3,034	Gain/(loss) - on disposal of assets	-232
	Non cash items:	
3,106	Movement on the and provisions	-1,203
-1,593	Net movement on Employee Benefit accrual	164
-26,749	**Operating activities - net cash flow**	**-49,076**

Note 22. Amounts Reported for Resource Allocation

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice.* However, decisions about resource allocation are taken by the Council's Executive on the basis of financial monitoring and budget reports analysed across Council Services. These reports are prepared on a different basis from the accounting policies used in the financial statements as they focus on identifying the net expenditure on key services, and how that varies from the budget for those services . In particular:

- The budget analysis shown in the first two tables below is based on the Council's management structure following the restructuring undertaken in 2010-11. For ease of comparison between financial years, the 2009-10 figures have therefore also been shown based on the current structure. The key changes made in the 2010 restructuring were the separation of the former Culture Tourism and Sport Department into Environment (the Sport element) and Regeneration (the Culture element). In addition Corporate Services was disaggregated with Business Transformation, Revenues & Benefits and Payroll transferring to the Office of Finance and Legal and Democratic Services forming a new office under the City Solicitor. Strategic Human Resources is now part of Business Support. All these are included under central and corporate services in the tables below.
- Service expenditure excludes support services. In year support service costs are budgeted for centrally and included in Central, Corporate and Non Service Expenditure, and not shown as charged to services in the quarterly financial monitoring reports.
- A reconciliation to the Cost of Services included in the Comprehensive Income and Expenditure Statement is shown at the foot of this note.

Service Analysis

The income and expenditure of the Council's services reported in the Council's Financial Review Outturn Statement for 31 March 2011 is as follows:

Service Income and Expenditure 2010-11	Children's Services £000	Environment & Sports £000	Adults and Community £000	Regeneration & Culture £000	Central , Corporate & Non Service £000	Total £000
Fees, charges & other service income	-43,008	-32,017	-38,955	-63,524	-66,279	-243,783
Government grants	-539,110	-3,223	-37,213	-27,055	-148,567	-755,168
Total Income	**-582,118**	**-35,240**	**-76,168**	**-90,579**	**-214,846**	**-998,951**
Employee Expenses	400,971	39,621	46,674	65,059	-160,171	392,154
Other service expenses	251,846	50,278	152,224	79,344	223,892	757,584
Capital Charges	41,622	10,056	743	11,174	2,188	65,783
Support services recharges	0	0	0	0	0	0
Total Expenditure	**694,439**	**99,955**	**199,641**	**155,577**	**65,909**	**1,215,521**
Net Expenditure	**112,321**	**64,715**	**123,473**	**64,998**	**-148,937**	**216,570**

The table below shows the comparative figures reported to Executive Committee on 28 June 2010 converted into the new Council structure implemented during 2010.

Service Income and Expenditure 2009-10	Children's Services £000	Environment & Sports £000	Adults and Community £000	Regeneration & Culture £000	Central , Corporate & Non Service £000	Total £000
Fees, charges & other service income	-44,059	-32,562	-43,826	-64,368	-25,814	-210,629
Government grants	-526,004	-9,338	-38,523	-36,408	-202,034	-812,307
Total Income	**-570,063**	**-41,900**	**-82,349**	**-100,776**	**-227,848**	**-1,022,936**
Employee Expenses	384,760	37,653	42,856	59,041	37,001	561,311
Other service expenses	237,717	52,519	152,601	75,561	235,818	754,216
Capital Charges	9,479	2,496	-52	5,491	2,076	19,490
Support services recharges	0	0	0	0	0	0
Total Expenditure	**631,956**	**92,668**	**195,405**	**140,093**	**274,895**	**1,335,017**
Net Expenditure	**61,893**	**50,768**	**113,056**	**39,317**	**47,047**	**312,081**

Reconciliation of Service Income and Expenditure to Costs of Services in the Comprehensive Income and Expenditure Statement for 2010-11.

The Net Cost of Services total of £216.570m is different to the Net Cost of Services of £309.279m included in the Comprehensive Income and Expenditure Statement in the Statement of Accounts. The differences totalling £92.709m are explained in the reconciliation statement below.

	2009-10 £000	2010-11 £000
Net expenditure included in Service Analysis	**312,081**	**216,570**
Adjustments to Reconcile to pre IFRS Income and Expenditure Account :		
Exclude Area Based Grant (included in services for budget reporting, but excluded in the Statement of Accounts as it is included under Taxation and Non-Specific Grant Income	50,081	59,296
Add West Yorkshire Integrated Transport Authority (WYITA) levy	21,115	21,217
Exclude income and expenditure in relation to changes in fair value of investment properties	0	11,630
VAT refund not included in budgetary control report	-3,571	0
Plus other service net expenditure / income (-) not included in budgetary control report	-5,966	567
Amounts in the Comprehensive income and Expenditure Statement not reported to management in the analysis	**61,659**	**92,710**
Cost of Services in the Comprehensive income and Expenditure Statement pre IFRS	**373,740**	**309,280**
Add IFRS restatement Changes :		
Increase in accrual for employee benefits	1,593	0
Reversal of amortisation of capital grants in 2009-10	34,373	0
Net changes to revenue income	44	0
Leasing adjustments	186	0
Reclassification of investment property expenditure and income	1,518	0
Depreciation adjustments arising from depreciation	139	0
Total Changes arising from IFRS restatement	**37,853**	**0**
Cost of Services restated on an IFRS basis	**411,593**	**309,280**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Service Analysis	Services & support not included in analysis	Amounts not reported to management for decision making	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-222,553	-18,891	20,059	0	-221,385	0	-221,385
Interest and investment income	-2,339	0	2,339	0	0	-2,378	-2,378
Council tax income	0	0	0	0	0	-163,456	-163,456
Government grants & contributions	-752,900	-2,268	60,088	0	-695,080	-386,331	-1,081,411
Total Income	**-977,792**	**-21,159**	**82,486**	**0**	**-916,465**	**-552,165**	**-1,468,630**
Employee expense	358,806	33,347	-12,509	0	379,644	0	379,644
Other service expenses	720,132	37,452	-9,590	0	747,994	0	747,994
Support Service recharges	0	-52,113	0	52,113	0	0	0
Depreciation, amortisation and impairment	63,311	2,473	11,106	0	76,890	0	76,890
Interest payments	0	0	0	0	0	34,576	34,576
Net Pension Interest Cost	0	0	0	0	0	17,738	17,738
Precepts & levies	0	0	21,217	0	21,217	830	22,047
Payments to Housing Capital Receipts Pool	0	0	0	0	0	43	43
Gain or loss on trading accounts	0	0	0	0	0	2,850	2,850
Gain or loss on investment properties	0	0	0	0	0	-12,103	-12,103
Gain or loss on disposal of Fixed Assets	0	0	0	0	0	734	734
Total Expenditure	**1,142,249**	**21,159**	**10,224**	**52,113**	**1,225,745**	**44,668**	**1,270,413**
Surplus or deficit on the provision of services	**164,457**	**0**	**92,710**	**52,113**	**309,280**	**-507,497**	**-198,217**

2009-10 Comparative Figures

	Service Analysis	Services & support not included in analysis	Amounts not reported to management for decision making	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-191,821	-18,808	-5,061	0	-215,690	0	-215,690
Interest and investment income	0	0	-2,053	0	-2,053	-2,966	-5,019
Council tax income	0	0	0	0	0	-159,090	-159,090
Government grants & contributions	-808,124	-4,183	84,498	0	-727,809	-374,850	-1,102,659
Total Income	**-999,945**	**-22,991**	**77,384**	**0**	**-945,552**	**-536,906**	**-1,482,458**
Employee expense	531,637	29,674	806	0	562,117	0	562,117
Other service expenses	715,743	38,473	207	0	754,423	0	754,423
Support Service recharges	0	-47,200	0	47,200	0	0	0
Depreciation, amortisation and impairment	17,446	2,044	0	0	19,490	0	19,490
Interest payments	0	0	0	0	0	33,982	33,982
Net Pension Interest Cost	0	0	0	0	0	31,636	31,636
Precepts & levies	0	0	21,115	0	21,115	785	21,900
Payments to Housing Capital Receipts Pool	0	0	0	0	0	25	25
Gain or loss on trading accounts	0	0	0	0	0	-581	-581
Gain or loss on investment properties	0	0	0	0	0	-6,294	-6,294
Gain or loss on disposal of Fixed Assets	0	0	0	0	0	-3,034	-3,034
Total Expenditure	**1,264,826**	**22,991**	**22,128**	**47,200**	**1,357,145**	**56,519**	**1,413,664**
Surplus or deficit on the provision of services	**264,881**	**0**	**99,512**	**47,200**	**411,593**	**-480,387**	**-68,794**

Note 23. Acquired and Discontinued Operations

There were no acquired or discontinued operations in either 2009-10or 2010-11.

Note 24. 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 2010-11.

Trading Services Surplus (-) / Deficit

2009-10 Surplus (-) /Deficit £000		2010-11 Turnover £000	2010-11 Surplus (-) /Deficit £000
-867	School & welfare catering	-14,495	-1,209
-17	Non-Bradford school catering	-57	922
529	Other catering	-929	1,163
-226	Building cleaning	-1,643	1,974
-581	**Total**	**-17,124**	**2,850**

Trading Services Included in Net Cost of Services

2009-10 Surplus (-) /Deficit £000		2010-11 Turnover £000	2010-11 Surplus (-) /Deficit £000
-251	Markets	-2,829	1,486
-644	Car parks	-4,308	1,515
211	Trade refuse	-3,356	-74
-684	**Total**	**-10,493**	**2,927**

The services have been shown in the Comprehensive Income and Expenditure Statement 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 cost of services.

The deficit in Trading Services is caused by a number of factors. In relation to non-bradford school catering, the increased deficit is caused mainly by a change in the Best Value Code of Practice whicjh has reclassified certain costs. For other catering, there has been an increase in running costs. With regards to the building cleaning services, there has been a reduction in contact income together with an increase in costs.

Note 25. Agency Services

The Council did not undertake any such work in 2010-11 or 2009-10.

Note 26. Road Charging Schemes

The Council did not undertake or operate any road charging schemes in 2010-11 or 2009-10.

Note 27. Pooled Budgets Arrangements Under Section 31 of the Health Act 1999, and Section 75 of the Health Act 2006

Community Equipment Service Section 31 Agreement

The Council in association with Airedale, South and West, North and City Primary Care Trusts entered into a formal Section 31 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.

	2009-10 £000	2010-11 £000
Funding provided		
Council	1,556	1,147
PCT	1,556	1,147
	3,112	2,294
Expenditure		
Council	1,556	
PCT	1,556	
	3,112	2,862
Net overspend	0	568
Authority share of the net overs Arising on the pooled budget	0	2

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. Following changes to the original arrangements, the agreement now falls under Section 75 of the Health Act 2006. The total operating expenses of the BDCT in 2010-11 were £112.480m (£127.267m in 2009-10). The cost of services delivered on behalf of the Council was £19.274m (£18.464m in 2009-10) plus a further £11,179m (£10.4m in 2009-10) in relation to the Valuing People transfer for Learning Disability Services. This represents expenditure that was previously funded via the PCT which will be transferred directly to the Council from central government from 2011-12 onwards in additional Formula Grant.

Note 28. Termination Benefits

In 2010-11 the Council incurred voluntary and top management restructure redundancy costs of £2.742m together with £2.509m for early retirement pension costs The costs relate to a large number of voluntary early retirements approved during 2010-11 as part of the Council's plans to reduce its expenditure to help to offset the impact of significant Government grant reductions from 2011-12 onwards. The cost was fully funded from a planned under spend on capital financing costs in 2010-11.

Note 29. Pension Schemes Accounted For As Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010-11, the Council paid £23.467m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for

2009/10 were £23.365m and 14.1%. There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 30.

Note 30. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered through a number of separate regional funds. Bradford is a member of the West Yorkshire Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets, determined by the fund's professionally qualified actuary at 31 March 2010 for the three years 1 April 2011 to 31 March 2014. The contribution rates set by the actuary are intended to balance the fund's liabilities with the investment assets over the period. The employer contribution rate for the year 2010-11 in respect of Bradford members of the West Yorkshire Pension Fund was 15.0%.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Pension costs are charged to the Comprehensive Income and Expenditure Statement in accordance with IAS 19. 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 Government announced in June 2010 that statutory increases to pensions would be linked future to the Consumer Price Index (CPI) instead of the Retail Price Index (RPI). The CPI is usually lower that RPI so this has the effect of reducing the pension deficit.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year: 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 Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

2009-10				2010-11		
Local Government Pension Scheme £000	**Teachers Voluntary Early Retirement £000**	**Total £000**		**Local Government Pension Scheme £000**	**Teachers Voluntary Early Retirement £000**	**Total £000**
			Comprehensive Income and Expenditure Statement			
			Cost of Services:			
27,016	0	27,016	• Current service cost	49,734	0	49,734
1,017	0	1,017	• Past service cost / gain (-)	-193,505	-8,436	-201,941
0	0	0	• Settlements and curtailments	0	0	0
			Financing and Investment Income and Expenditure			
82,432	4,888	87,320	• Interest cost	95,642	4,241	99,883
-55,684	0	-55,684	• Expected return on scheme assets	-82,145	0	-82,145
54,781	**4,888**	**59,669**	Total Post Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**-130,274**	**-4,195**	**-134,469**
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement			
-412,807	-15,430	-428,237	• Actuarial gains and losses	145,777	-4,995	140,782
-358,026	**-10,542**	**-368,568**	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**15,503**	**-9,190**	**6,313**
			Movement in Reserves Statement			
-19,019	706	-18,313	• Reversal of net charges made to the Surplus or Deficit for the Provision of Service for post employment retirement benefits in accordance with the Code	167,908	9,735	177,643
			Actual amount charged against the General Fund balance for pensions in the year:			
35,762	**0**	**35,762**	• Employers' contributions payable to the scheme	**37,634**	**0**	**37,634**
0	**5,594**	**5,594**	• Retirement benefits payable to pensioners	**0**	**5,540**	**5,540**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £287.455m.

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2009-10 Local Government Pension Scheme £000	2009-10 Teachers Voluntary Early Retirement £000	2009-10 Total £000		2010-11 Local Government Pension Scheme £000	2010-11 Teachers Voluntary Early Retirement £000	2010-11 Total £000
1,165,405	**71,589**	**1,236,994**	**Opening balance at 1 April**	**1,880,686**	**86,313**	**1,966,999**
27,016	0	27,016	Current service cost	49,734	0	49,734
82,431	4,888	87,319	Interest cost	95,642	4,241	99,883
14,181	0	14,181	Contributions by scheme participants	14,848	0	14,848
641,826	15,430	657,256	Actuarial gains (-) and losses	-118,560	4,995	-113,565
-51,190	-5,594	-56,784	Benefits paid	-50,598	-5,540	-56,138
1,017	0	1,017	Past service costs	-193,505	-8,436	-201,941
1,880,686	**86,313**	**1,966,999**	**Closing balance at 31 March**	**1,678,247**	**81,573**	**1,759,820**

Reconciliation of fair value of the scheme (plan) assets:

2009-10 Local Government Pension Scheme £000	2009-10 Teachers Voluntary Early Retirement £000	2009-10 Total £000		2010-11 Local Government Pension Scheme £000	2010-11 Teachers Voluntary Early Retirement £000	2010-11 Total £000
859,947	**0**	**859,947**	**Opening balance at 1 April**	**1,143,403**	**0**	**1,143,403**
55,684	0	55,684	Expected rate of return	82,145	0	82,145
229,019	0	229,019	Actuarial gain and losses (-)	27,217	0	27,217
32,214	5,594	37,808	Employer contributions	34,173	5,540	39,713
14,181	0	14,181	Contributions made by scheme participants	14,848	0	14,848
-47,642	-5,594	-53,236	Benefits paid	-47,137	-5,540	-52,677
1,143,403	**0**	**1,143,403**	**Closing balance at 31 March**	**1,254,649**	**0**	**1,254,649**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £109.362m (2009/10: £284.703m). The increase in the fair value of scheme assets from £1.143bn at 31 March 2010 to £1.255bn at 31 March 2011 is a 9.8% increase.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited (formerly Hewitt Associates Limited), an independent firm of actuaries, with estimates for the West Yorkshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used in the Actuary's assessments of assets and liabilities are:

31 March 2010	Local Government Pension Scheme Funded	31 March 2011
	Long-term expected rate of return on assets	
8.0%	Equity investments	8.4%
4.5%	Government bonds	4.4%
5.5%	Other bonds	5.1%
8.5%	Property	7.9%
0.7%	Cash	1.5%
8.0%	Other	8.4%
	Mortality Assumptions	
	Longevity at 65 for future pensioners (currently aged 45) :	
24.1 years	Men	23.7 years
27.9 years	Women	26.0 years
	Longevity at 65 for current pensioners:	
21.8 years	Men	21.9 years
25.4 years	Women	24.0 years
	Financial assumptions	
3.9%	Rate of RPI inflation	3.7%
N/A	Rate of CPI Inflation	2.8%
5.65%	Rate of increase in salaries	5.2%
3.9%	Rate of increase in pensions	2.8%
5.5%	Discount rate	5.4%
See Below	Take-up of option to convert annual pension into retirement lump sum	See Below

At 31 March 2010, a total of 48% of members were assumed to take the maximum amount permitted of their pension entitlement, and the remaining 52% of members are assumed to take cash based on 3/80ths accrual. At 31 March 2011, each member is assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their future service pension rights, for additional lump sum.

31 March 2010	Local Government Pension Scheme Unfunded & Teachers Voluntary Early Retirement Unfunded	31 March 2011
	Mortality Assumptions	
	Longevity at 65 for future pensioners (currently aged 45) :	
24.1 years	Men	23.7 years
27.9 years	Women	26.0 years
	Longevity at 65 for current pensioners:	
21.8 years	Men	21.9 years
25.4 years	Women	24.0 years
	Financial assumptions	
3.8%	Rate of RPI inflation	3.6%
N/A	Rate of CPI Inflation	2.7%
3.8%	Rate of increase in pensions	2.7%
5.5%	Discount rate	5.5%

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.

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2010			31 March 2011	
£m	**%**		**£m**	**%**
818	71.6	Equity investments	917	73.1
139	12.2	Government bonds	143	11.4
39	3.4	Other bonds	49	3.9
39	3.4	Property	45	3.6
39	3.4	Cash	29	2.3
69	6.0	Other assets	72	5.7
1,143	**100.0**	**Total**	**1,255**	**100.0**

Scheme History

	2006-07 £m	2007-08 Restated £m	2008-09 £m	2009-10 £m	2010-11 £m
Present value of liabilities :					
Local Government Pension Scheme	-1,245	-1,369	-1,165	-1,881	-1,678
Teachers Voluntary Early Retirement	-73	-82	-72	-86	-82
Fair value of assets in the Local Government Pension Scheme	1,038	1,053	860	1,143	1,255
Surplus/(deficit) in the scheme :					
Local Government Pension Scheme	-207	-316	-305	-738	-423
Teachers Voluntary Early Retirement	-73	-82	-72	-86	-82
Total	**-280**	**-398**	**-377**	**-824**	**-505**

A summary of the underlying assets and liabilities for both the Local Government Pension Scheme and Teachers' Voluntary Early Retirement benefits are set out above.

The assets and liabilities for retirement benefits attributable to the Local Government Pension Scheme have been assessed by the scheme's Actuary, Aon Hewitt Limited, formerly Hewitt Associates Limited. The deficits represent the extent to which the scheme is unfunded. The estimated total net liability was £505m at 31 March 2011 (£824m at 31 March 2010).

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, Aon Hewitt Limited, based on information provided by the Authority. There are no assets to cover teacher's voluntary early retirement benefit liabilities.

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £505m at 31 March 2011 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme Actuary. The impact of this on the Council was built into the latest full triennial valuation as at 31 March 2010.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 are £35.744m. Expected contributions for the Discretionary Benefits schemes in the year to 31 March 2012 are £9.274m.

History of Experience Gains and Losses

The net decrease in the total liability of £318.425m includes £140.782m of actuarial gains that are included in the Other Comprehensive Income and Expenditure line of the Comprehensive income and Expenditure Statement. The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	2006-7		2007-8		2008-9		2009-10		2010-11	
	£000	%	£000	%	£000	%	£000	%	£000	%
Local Government Pension Scheme										
Difference between the expected and actual return on assets	11,344	1.1	-51,228	-4.9	-264,607	-30.8	229,019	20.0	27,217	2.2
Experience gains and losses (-) on liabilities	0	0	15,769	1.2	0	0	15,054	0.8	13,132	0.8
Gains and losses (-) on liabilities due to changes in assumptions	62,614	5.0	-60,498	-4.4	293,522	25.2	-656,880	-34.9	105,428	6.3
Total	**73,958**		**-95,957**		**28,915**		**-412,807**		**145,777**	
Teacher's Voluntary Early Retirement Benefits										
Experience gains and losses (-) on liabilities	0	0	-1,674	-2.0	0	0	2,264	2.6	-9,148	-11.2
Gains and losses (-) on liabilities due to changes in assumptions	2,082	2.9	-8,579	-10.4	11,193	15.6	-17,694	-20.4	4,153	5.1
Total	**2,082**		**-10,253**		**11,193**		**-15,430**		**-4,995**	
Total Gain / Loss (-)	**76,040**		**-106,210**		**40,108**		**-428,237**		**140,782**	

Note 31. Members' Allowances

The total amount paid in respect of Members' allowances in 2010-11 was £2,110,355 (£2,053,696 in 2009-10).

Note 32. 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
- The remuneration bandings include the Senior Officers, also disclosed separately below

Number of Employees 2009-10	Employees Emoluments	Number of Employees 2010-11
186	£50,000 - £54,999	164
102	£55,000 - £59,999	145
57	£60,000 - £64,999	73
44	£65,000 - £69,999	35
20	£70,000 - £74,999	29
13	£75,000 - £79,999	21
21	£80,000 - £84,999	16
3	£85,000 - £89,999	13
9	£90,000 - £94,999	8
5	£95,000 - £99,999	7
3	£100,000 - £104,999	2
2	£105,000 - £109,999	2
0	£110,000 - £114,999	1
1	£115,000 - £119,999	3
5	£120,000 - £124,999	3
0	£125,000 - £129,999	0
0	£130,000 - £134,999	1
0	£135,000 - £139,999	1
1	£140,000 - £144,999	0
1	£145,000 - £149,999	1
0	£175,000 – £179,999	1
1	£195,000 - £199,999	1
474	Total	527

The above figures include 431 teachers (384 2009/10)

Senior Officers Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to more than £50,000 per year.
A Senior Officer is defined as an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

a) The designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989
b) The head of staff for a relevant body which does not have a designated head of paid service; or
c) Any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

2010-11 Senior Officers with a salary less than £150k per annum

Post Title	Note	Salary including fees & Allowances 2010-11 £	Expense Allowances 2010-11 £	Comp'n for loss of Office 2010-11 £	Benefits in kind 2010-11 £	Total Remuneration excluding pension contributions 2010-11 £	Pension contributions 2010-11 £	Total remuneration including pension contributions 2010-11 £
Strategic Director - Corporate Services	A							
Strategic Director - Performance & Commissioning	A							
Strategic Director – Business Support	A	114,383	1,239		0	115,622	16,692	132,314
Strategic Director – Children's services		135,961	1,239		0	137,200	20,094	157,294
Strategic Director - Adult and Community Services		118,486	1,239		0	119,725	17,323	137,048
Strategic Director - Culture , Tourism and Sport	A	98,503	1,029	79,886	0	179,418	14,389	193,807
Strategic Director - Regeneration and Culture	A,B	130,780	1,300		0	132,080	19,155	151,235
Strategic Director - Environment & Sport		114,283	1,239		0	115,522	16,692	132,214
Strategic Director Changing Our Council/ (Director of Finance)	A,F	147,137	1,239		0	148,376	21,621	169,997
City Solicitor	B,D	109,662	1,300		0	110,962	16,142	127,104
Director - West Yorkshire Pension Fund		91,238	1,239		0	92,477	13,386	105,863

2009-10 Senior Officers with a salary less than £150k per annum

Post Title	Note	Salary including fees & Allowances 2009-10 £	Expense Allowances 2009-10 £	Comp'n for Loss of Office 2009-10 £	Benefits in kind 2009-10 £	Total Remuneration excluding pension contributions 2009-10 £	Pension contributions 2009-10 £	Total remuneration including pension contributions 2009-10 £
Strategic Director - Corporate Services	B	152,125	1,220	0	0	153,345	20,756	174,101
Strategic Director - Performance & Commissioning	B	56,142	585	0	0	56,727	7,588	64,315
Strategic Director - Adult and Community Services	B	121,340	1,220	0	0	122,560	16,469	139,029
Strategic Director - Children and Young People	B	143,580	1,220	0	0	144,800	19,683	164,483
Strategic Director - Culture , Tourism and Sport	B,E	121,776	1,220	0	0	122,996	16,470	139,466
Strategic Director - Regeneration	B	122,255	1,167	0	0	123,422	16,618	140,040
Strategic Director - Environment & Neighbourhoods	B	116,755	1,721	0	0	118,476	15,824	134,300
Assistant Director - Corporate Services (City Solicitor)		102,378	1,167	0	0	103,545	13,999	117,544
Director - West Yorkshire Pension Fund		56,582	718	0	0	57,300	7,679	64,979
Director - West Yorkshire Pension Fund		28,941	371	0	0	29,312	3,934	33,246

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £150,000

2010-11 Senior Officers with salary more than £150k per annum

Post Title and Holder	Note	Salary including Fees & Allowances 2010-11	Expense Allowances 2010-11	Comp'n for Loss of Office 2010-11	Benefits in kind 2010-11	Total Remuneration excluding pension contributions 2010-11	Pension contributions 2010-11	Total remuneration including pension contributions 2010-11
		£	£	£	£	£	£	£
Chief Executive - Tony Reeves	D	196,908	1,239	0	0	198,147	29,087	227,234

2009-10 Senior Officers with salary more than £150k per annum

Post Title and Holder	Note	Salary including Fees & Allowances 2009-10	Expense Allowances 2009-10	Comp'n for Loss of Office 2009-10	Benefits in kind 2009-10	Total Remuneration excluding pension contributions 2009-10	Pension contributions 2009-10	Total remuneration including pension contributions 2009-10
		£	£	£	£	£	£	£
Chief Executive - Tony Reeves	B	195,792	1,170	0	0	196,962	26,798	223,760

Notes:

A. A management restructuring was undertaken in 2010-11 which led to the deletion of three Strategic Director posts - for Corporate Services, Performance and Commissioning, and Culture, Tourism and Sport. Their responsibilities were taken over by other departments (mainly Regeneration & Culture) plus by the creation of a Strategic Director of Business Support and a new post of Director of Finance.

B. An adjustment is included in the 2010-11 salaries of those senior officers who opted to move from being paid four weekly to monthly. The adjustment for the Strategic Director of Regeneration amounts to £6,400 and accounts for most of the increase in salary, fees and allowances shown between 2009/2010 and 2010/2011. The annualised salary for the Strategic Director of Regeneration is shown in Note C.

C. The contracted annualised salaries of the Senior Officers posts are as follows:

<u>Annualised Salary for 2009-10</u>

Chief Executive – Tony Reeves - £178,476
Strategic Director Corporate Services - £142,877
Strategic Director Children and Young People - £132,700
Strategic Director Adult and Community Services - £113,384
Strategic Director Culture, Tourism and Sport - £113,384
Strategic Director Regeneration - £119,684
Strategic Director Performance and Commissioning - £109,186
Strategic Director Environment and Neighbourhoods - £107,086 (up to 17.06.09) £109,186 (from 18.06.09)
Assistant Director Corporate Services (City Solicitor) - £92,736

<u>Annualised Salary for 2010-11</u>

Chief Executive – Tony Reeves - £178,476
Strategic Director Business Support - £111,283
Strategic Director Children's Services - £133,961
Strategic Director Adult and Community Services - £115,486
Strategic Director Culture, Tourism and Sport – £115,486
Strategic Director Regeneration and Culture – £121,783
Strategic Director Environment and Sport – £111,283
Strategic Director Finance – £144,137
City Solicitor – £94,488
The Director West Yorkshire Pension Fund – £89,238

D. The following amounts were paid in 2010-11 for election duties and included in salaries.
Chief Executive – Tony Reeves- £15,432
City Solicitor - £8,536

E. The Strategic Director, Culture Tourism and Sport left the Authority on 30 January 2011.
F. The Strategic Director of Changing Our Council continues to cover the role of Director of Finance.

Note 33. Capital Charges and the Repayment of External Loans

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

- The depreciation and impairment of fixed assets.
- Expenditure on Revenue Expenditure Funded from Capital under Statute (REFCUS)

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 2010-11 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.

The MRP for 2010/11 is £24.105m.

These changes are reflected in a transfer to or from 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 £3.055m in 2010-11 (£1.221m in 2009-10) is not shown in the Comprehensive Income and Expenditure Account but is charged to the General Fund and shown in the Movement in Reserves Statement on page 30.

Profit or Loss on the Disposal of Assets and Investments

Profits or losses arising on the disposal of assets are charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The total also includes income defined as capital receipts but not arising from asset disposals. The loss of £0.232m in 2010-11 largely relates to sales of non current assets. (In 2009-10 the profit of £3.034m related largely to a compensation order and the sale of the lease for Myrtle Walk Bingley.

Although generally accepted accounting practice requires any profit or loss to be charged to the Comprehensive Income and Expenditure Statement, 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 34. Leases

Authority as Lessee

Finance Leases

The Council has a number of assets which have been acquired under finance leases. These include Industrial Units, vehicles, IT equipment and photocopiers.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2010 £000	Finance Leases as Lessee	31 March 2011 £000
92	Other land and Buildings	82
2,339	Vehicles, Plant, Furniture and Equipment	1,576
2,431	**Total**	**1,658**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2010 £000	**Finance Lease liabilities** (net present value of minimum lease payments)	31 March 2011 £000
926	Current	744
1,434	Non-current	843
484	Finance costs payable in future years	360
2,844	**Total Minimum Lease Payments**	**1,947**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than one year	1,070	849	926	744
Later than one year and not later than five years	1,467	854	1,226	667
Later than five years	307	244	208	176
	2,844	**1,947**	**2,360**	**1,587**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Authority has sub-let some of the Industrial Units held under the finance lease. As at the 31 March the forecast rental income for 2011-12 is £23,000.

No investment property held under operating leases have been classified as finance leases. However, should the economic reality be equivalent to the sale of investment property, these would be treated as finance leases.

Operating Leases

The Council has entered into a number of operating leases for buildings, vehicles, photocopiers and office equipment. The amount charged under these arrangements in the Comprehensive Income and Expenditure Statement during 2010-11 was £2.8m (£3.2m 2009-10).

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2010 £000		31 March 2011 £000
2,528	Not later than one year	1,713
4,295	Later than one year and not later than five years	2,912
2,984	Later than five years	3,078
9,807	**Total**	7,703

Council as Lessor

Finance Leases

The Council has leased out two properties respectively for 999 and 125 years.

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the properties acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2010	Finance lease debtor (net present value of minimum lease payments)	31 March 2011
£000		**£000**
12	Current	13
330	Non-current	317
2,847	Unearned finance income	2,808
0	Unguaranteed residual value of property	0
3,189	**Gross Investment in the Lease**	**3,138**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2010	**31 March 2011**	**31 March 2010**	**31 March 2011**
	£000	**£000**	**£000**	**£000**
Not later than one year	51	51	51	51
Later than one year and not later than five years	203	203	203	203
Later than five years	2,935	2,884	2,935	2,884
	3,189	**3,138**	**3,189**	**3,138**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The gross investment in the leases is assumed to be the same as the minimum lease payments because no residual value has been assumed for the leases at their end date.

Operating Leases

The Council leases out property under operating leases for the following purposes :

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2010		31 March 2011
£000		**£000**
4,391	Not later than one year	3,535
12,696	Later than one year and not later than five years	11,319
150,698	Later than five years	158,955
167,785	**Total**	**173,809**

The minimum lease payments receivable are based on current rents and do not include any forecasts for future rent changes.

Note 35. Private Finance Initiative (PFI)

BSF Phase 1 – Provision of three schools

The Authority has a 25 year PFI contract for the building and maintenance of three schools under the Building Schools for the Future Phase 1 programme. The contract is in its third year and commenced in August 2008 and expires in August 2033. The Authority has rights under the contract to specify the activities undertaken at each school, and the contract specific minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct and maintain the schools to a minimum acceptable condition and to procure and maintain the necessary plant and equipment need to keep the schools operational. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Authority for nil consideration. The Authority would have to pay the contractor substantial compensation if it terminated the contract early without due cause.

2009-10 £000	BSF Private Financing Initiative	2010-11 £000
	Charges to the Revenue Account	
4,247	Unitary Payments to the Contractor for services provided	4,874
4,247	**Total charges to the revenue account**	**4,874**
	Net Operating Expenditure	
6,182	Interest element of finance lease payments	6,090
	Statement of Movement on the General Fund Balance	
2,484	Capital element of finance lease	1,917
-784	Contribution to / from(-) PFI MRP Reserve	0
12,129	**Total PFI charges**	**12,881**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
3,794	Education	4,562
12,799	**Total Financing**	**13,567**
670	**Transfer to BSF PFI Reserve**	**686**

The assets used to provide services at the schools are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9 on page 45.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Estimated cash payments remaining to be made under the PFI contract at 31 March 2011 are as follows:

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	£000	£000	£000
Within 1 yr	11,314	2,036	5,991	3,287
2-5	46,371	9,275	22,563	14,533
6-10	60,688	13,391	24,287	23,010
11-15	64,087	16,564	17,597	29,926
16-20	67,932	24,213	10,891	32,828
21-25	33,884	15,620	2,119	16,145
Total	**284,276**	**81,099**	**83,448**	**119,729**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, any capital expenditure incurred, and principal and interest payable to reduce the outstanding liability to the contractor. The liability outstanding to the contractor for capital expenditure incurred is as follows:

2009-10 £000	Analysis of Outstanding Liability for BSF Phase 1	2010-11 £000
84,716	**Balance outstanding at 31 March**	**83,016**
-1,700	Payments during the year	-1,917
0	Capital Expenditure incurred in the year	0
83,016	**Balance outstanding at year end**	**81,099**

The closing value of assets held under the scheme at 31 March 2011 was £97.123m (£98.062m at 31 March 2010) in respect of the BSF Phase 1 scheme. The liabilities (i.e the total principal repayments due over the life of the scheme) due on these assets at 31 March 2011 were £81.099m (£83.016m at 31 March 2010). The decrease of £1.917m is due to the principal repayment made in 2010-11.

BSF Phase II

The Authority entered into a contract for Phase 2 of the BSF programme in September 2009, ending 2035-36. This relates to the building and maintenance of four mainstream Secondary Schools and three co-located Special Needs Secondary Schools. Two of the sites were completed during March 2011 and the other two will be handed over during 2011-12. The Council controls these assets and they will transfer to the Council at no cost at the end of the contract. The figures below relate only to the sites that were completed prior to the 31 March 2011.

2009-10 £000	BSF Private Financing Initiative	2010-11 £000
	Charges to the Revenue Account	
0	Unitary Payments to the Contractor for services provided	201
0	**Total charges to the revenue account**	**201**
	Net Operating Expenditure	
0	Interest element of finance lease payments	227
	Statement of Movement on the General Fund Balance	
0	Capital element of finance lease	95
0	Contribution to / from(-) PFI MRP Reserve	0
0	**Total PFI charges**	**523**
	Financed By	
0	Government PFI Revenue Grant	1,525
0	Education	278
0	Transfer to long term debtors re assets	0
0	**Total Financing**	**1,803**
0	**Transfer to BSF PFI Reserve**	**1,280**

The assets that were handed over to the Authority before 31 March 2011 have been recognised on the Balance Sheet as an addition to Property, Plant and Equipment.

Estimated cash payments remaining to be made under the PFI contract at 31 March are as follows:

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	£000	£000	£000
Within 1 yr	10,753	2,282	5,021	3,450
2-5	44,250	10,393	19,901	13,956
6-10	57,746	11,744	23,395	22,607
11-15	60,779	11,453	21,668	27,658
16-20	64,209	13,000	19,304	31,905
21-23	67,471	14,628	15,564	37,279
Total	**305,208**	**63,500**	**104,853**	**136,855**

The liability outstanding to the contractor for capital expenditure incurred is as follows:

2009-10 £000	Analysis of Outstanding Liability for BSF Phase 1	2010-11 £000
0	**Balance outstanding at 31 March**	**0**
0	Payments during the year	-21,935
0	Capital Expenditure incurred in the year	85,435
0	Other Movements	0
0	**Balance outstanding at year end**	**63,500**

The closing value of assets held under the scheme at 31 March 2011 was £85.435m (£0m £2009/10) in respect of the BSF Phase 2 scheme. The liabilities (i.e. the total principal repayments due over the life of the scheme) due on these assets at 31 March 2011 were £63.500m (£0m 2009/10). The payments during the year relate to the principal repayment made in 2010-11 the prepayments made during 2009-10 and 2010-11.

Note 36. Capital Expenditure and Financing

The 2009-10 figures have been restated in line with the 2010-11 IFRS and SORP requirements. The main changes are:

2009-10 £000 pre IFRS £000	2009-10 £000 IFRS £000		2010-11 £000 £000
		Capital Expenditure and Capital Financing Requirement	
518,729	**522,661**	**Opening Capital Financing Requirement**	**536,894**
		Capital investment	
60,465	60,466	Property, Plant and Equipment	160,282
555	555	Investment properties	78
237	237	Intangible Assets	0
0	0	Contribution to PFI Liability	0
20,591	20,591	Revenue Expenditure funded from Capital under statute	20,213
213	213	Long Term Debts	0
6,083	6,083	Short Term Loans	0
		Sources of Finance	
-5,120	-5,120	Capital Receipts Applied	-14,456
-43,890	-43,890	Government grants and other contributions	-69,862
-1,221	-1,221	Sums set aside from revenue	-3,055
-2,484	-3,700	Repayment of Principal on PFI and Other Finance Leases	-2,977
0	0	Repayment of Principal on PFI & Other Finance Lease amendments	-217
-19,968	-19,968	MRP/loans fund principal	-20,903
0	**-13**	Miscellaneous other	**-21**
534,190	**536,894**	**Closing Capital Financing Requirement**	**605,976**
		Explanation of movements in year	
15,416	15,416	Increase in underlying need to borrow (supported by government financial assistance)	13,044
45	-4,243	Increase/decrease in underlying need to borrow (unsupported by government financial assistance)	-29,585
0	3,060	Assets acquired under finance leases	188
0	0	Assets acquired under PFI/PPP contracts	85,435
15,461	**14,233**	**Increase/ (decrease) in Capital Financing Requirement**	**69,082**

Note 37. Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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) in the year was £20.213m (£20.591m in 2009-10). Grants of £13.043m received in year and £4.554m transferred from the Capital Grants Unapplied were used to fund the REFCUS charges. (£17.333m in 2009-10). £7.169m (£3.258m in 2009-10) 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. No balance was carried forward in respect of REFCUS.

Note 38. Other Long Term Liabilities

The total deferred liabilities at 31 March 2011 are £652.640m compared to a restated total of £912.801m at 31 March 2010. The main liability is in respect of the actuarially calculated pension liability which is £318.425m lower at 31 March 2011 when compared to 31 March 2010.
Other significant liabilities are :
a) PFI principal repayments due over the remaining life of the BSF Phase 1 and Phase 2 contracts. The total outstanding PFI liability as at 31 March 2011 was £144.6m (£83m at 31 March 2010), of which £140.3m is a deferred liabilities and £4.3m a creditor in respect of the 2011-12 principal repayment.

b) 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 2011 was £5.010m (£5.219m at 31 March 2010).

The smaller deferred liabilities relate to finance and embedded leases. These comprise property and equipment leased by the Council where the real substance of the transaction is that the assets are bought on credit.

2008-09 £000	2009-10 £000	Other Long Term Liabilities	2010-11 £000
377,047	823,597	Pension Liability	505,172
		BSF	
83,016	81,099	Phase 1	79,063
	0	Phase 2	61,217
5,436	5,219	Waste Management Joint Committee Debt	5,010
4,093	2,886	Other	1,434
469,592	**912,801**		**651,896**

A prior period adjustment is included in the disclosure for the Waste Management Joint Committee Debt as at 2009/10. The disclosure has been restated as £5.219m in contrast to the 2009/10 accounts, which showed the amount as £4.837m.

Note 39. 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 2011 was £401,448 (£501,900 at 31 March 2010).

Note 40. Related Party Transactions

Authorities are required to disclose transactions between themselves and related parties. In this context related parties are individuals or bodies which 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 for revenue purposes are set out in which identifies the cash grants received in the year for inclusion in the Cash Flow Statement (page).

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 2010-11 it charged the Fund £510k in respect of support services provided (£568k in 2009-10). The charge includes accommodation, financial, legal and information technology services. The Head 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:

2009-10 £000	Other Public Bodies	2010-11 £000
	Payment of precepts & distribution of collection fund surplus:	
7,431	West Yorkshire Fire and Rescue Authority	7,670
18,412	West Yorkshire Police Authority	19,099
785	Parish Councils	830
23,560	Payments to joint committees, joint services and other bodies	25,519
28	Parish Councils (running expenses and allotment grants)	26

Subsidiary and Associated Companies

The Council had financial relationships in 2010-11 with the following companies. Their assets and liabilities are not included in the Council's accounts. Transactions with the companies in 2010-11 were:

2009-10 £000	Subsidiary and Associated Companies	2010-11 £000
	.	
276	Bradford City Centre URC Limited	0
213	Building Schools for the Future Ltd Phase 2	213
90	Building Schools for the Future Ltd Phase 1	90
1	Integrated Bradford LEP Ltd	1

Details of the Authority's long term investment in Integrated Bradford LEP Ltd, is shown in, page

Bradford City Centre URC Limited (BCR) was wound up in 2010-11. The final accounts can be obtained from Financial Services, Britannia House, Hall Ings Bradford BD1 1HX.

CMDC 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 2009-10 a further loan of £213,000 for Phase 2 was made to Integrated Bradford LEP Finco One Ltd (5797779).

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 8 (eight in 2009-10) JANES the most significant of which is West Yorkshire Joint Services Committee. In 2010-11 the Council included its contribution of £1.8m to the arrangement (£1.6m in 2009-10) in the Comprehensive Income & Expenditure Statement but has not included its share of the assets and liabilities on the grounds of materiality.

Note 41. 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:

2009-10 £000	External Audit Costs	2010-11 £000
429	General audit services	455
80	Certification of grant claims and returns	75
71	West Yorkshire Pension Fund	66
580	**Total**	**596**

Note 42. Dedicated Schools Grant (DSG)

The Council is allocated the Designated Schools Grant (DSG) from the Department for Education, formerly the Department for Children, Families and Schools (DCSF) to be used in support of expenditure relating to the schools budget. The DSG must be allocated between the Individual Schools Budget (ISB) and the Central Schools Budget, and over or underspends on the two elements need to be shown separately. The DSG has been made under section 14 of the Education Act 2002 and has been spent in accordance with the regulations made under sections 45A, 45AA, 47, 48 (1) and (2) and 138 (7) of, and paragraph 1 (7) (b) of Schedule 14 to the School Standards Framework Act 1998 (England). Bradford was allocated £350.283m DSG for 2010-11 (£336.624m for 2009-10). The allocation of this grant between the Individual Schools Budget and the Central Schools Budgets is shown in the table below:

Dedicated Schools Grant	**2009-10**	**2009-10**	**2009-10**	**2010-11**	**2010-11**	**2010-11**
	Total	Central Expenditure	Individual Schools Budget (ISB)	Total	Central Expenditure	Individual Schools Budget (ISB)
	£000	£000	£000	£000	£000	£000
Final DSG	336,624			350,283		
Plus DSG b/f from previous year	378			412		
Add/(Less) carry forward to next year	**-412**			**437**		
Agreed DSG budget distribution	336,590	31,758	304,832	351,132	35,219	315,913
Actual Expenditure	335,808	31,429	304,379	347,797	31,419	316,378
Carry Forward Over / Underspend (-)	**-782**	**-329**	**-453**	**-3,335**	**-3,800**	**465**

The Schools Forum, which determines the allocation of the DSG, agreed on September 29 2011 to carry forward £437,000 of over allocated DSG into 2011-12.

Note 43. Contingent Liabilities and Assets

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.

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, with further additions in 2008/09 and 2009/10. 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 £2.829m.

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, and Education Bradford. The contract with Education Bradford ends July 2011 but for the other two organisations the guarantee will only be operational in the unanticipated event that they cease to exist. In addition the Council agreed subject to limitations to guarantee the pension fund deficit of the Bradford District Care Trust at 31 March 2011 should it cease to exist. The pension deficit of BDCT was £520k at 31 March 2011 compared to £10.796m at 31 March 2010. The large decrease was primarily due to the change in the inflation index used to derive statutory pension increases from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI), plus the effect of other actuarial assumptions.

PFI BSF Phase 1 Asbestos Compensation Claim

The main contractor responsible for delivery of the PFI BSF Phase 1 scheme has lodged a claim for compensation for extra costs claimed to be incurred in dealing with asbestos during construction of the scheme. The potential liability is being considered by the Authority's legal and technical advisers for the scheme.

Contingent Assets

Nursing Care Cases – Continuing Health Care

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 residual number of cases and each requires 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 in the last two years. 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 44. Grant Income

The revenue government grants shown in the tables 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.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010-11 (the Supporting People grant for 2010-11 is included within Area Based Grant):

	2009-10 £000	2010-11 £000
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	49,438	34,485
Non Domestic Rates Redistribution	214,190	237,482
Area Based Grant	51,338	62,393
Local Authority Business Growth Incentive (LABGI)	318	0
Local Public Service Agreement (LPSA)	2,819	0
Housing and Planning Delivery Grant	242	0
Total	**318,345**	**334,360**
Credited to Services		
Dedicated Schools Grant (DSG)	336,624	350,283
Rent Allowance Subsidy	139,738	157,252
Education and schools	106,456	118,213
Council tax benefit and benefits administration	40,317	44,655
Early years	25,188	26,187
Supporting People	19,220	0
European Union	3,033	1,949
PFI Revenue Support	9,005	9,005
Arts, Heritage & Leisure	2,081	1,338
Local Area Agreement (LAA)	1,750	7,256
Social services carers	1,646	2,441
Personal social services	1,165	2,133
Drug Intervention Programme	1,115	2,756
Health education	904	597
Safer communities	811	506
DWP	748	763
Asylum accommodation	553	515
Youth training	261	1,026
Miscellaneous under £500k	1,473	1,808
REFCUS	17,333	13,043
Total	**709,421**	**741,726**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances shown below are included in the Balance Sheet in Capital Grants Receipts in Advance under Long Term Liabilities and the amounts at year end are as follows

	2009-10 £000	2010-11 £000
Capital Grants Receipts in Advance		
Southgate	1,726	1,726
Developer's contributions	4,948	3,948
Total	**6,674**	**5,674**

Note 45. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. The Code distinguishes between impairment loss – which represents the consumption of economic benefit specific to an asset – and revaluation loss – which represent a general decrease in prices. These disclosures are consolidated in Note 9 on Property, Plant and Equipment and Note 13 on Intangible Assets.

During 2010-11, the Council has recognised no impairment loss but did recognise £46.7 million of revaluation losses that were charged to the Surplus and Deficit on the Provision of Services. This arises where there has been a downward movement in the valuation of an asset where there is no matching balance on the revaluation reserve. The total impairment loss was £46.747m, comprising £40.75m on Land and Buildings, £4.284m on Community Assets and £1.712m on Surplus Assets.

Note 46. 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 IAS 32, IAS 39 and IFRS 7. 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. Interest receivable has been restated as short term debtors and not added to the carrying value of the investments.

The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of financial instruments.

Long term	2009-10 £000	Restated 2009-10 £000	2010-11 £000
Financial liabilities at amortised cost			
PWLB Loans	368,452	368,452	368,449
Lender Option Borrower Option (Lobo's) loans	42,709	42,709	42,874
Other local authorities re joint services	5,437	5,437	5,220
Other	284	303	381
PFI & Finance lease liabilities	81,100	82,534	141,124
Total financial liabilities	**497,982**	**499,435**	**558,048**
Loans and receivables at amortised cost			
Investments	0	0	0
Car loans	1,273	1,273	1,132
Other local authorities re joint services	427	427	403
BSF Phase 1	90	90	90
BSF Phase 2	213	213	213
Finance leases	0	342	330
Other	829	829	639
Available for sale financial assets	0	0	0
Unquoted equity investment at cost:			
Integrated Bradford LEP Ltd	1	1	1
Total financial assets	**2,833**	**3,175**	**2,808**

Current	2009-10 £000	Restated 2009-10 £000	2010-11 £000
Financial liabilities at amortised cost			
PWLB Loans	5,000	5,000	-
Short term borrowing	6,620	6,620	6,760
Cash overdrawn	5,749	5,749	4,095
Trade Payables	44,778	44,778	53,368
Other local authorities re. joint services	227	227	217
PFI & Finance lease liabilities	1,916	2,842	5,062
Total financial liabilities	**64,290**	**65,216**	**69,502**
Loans and receivables			
Cash in hand	84,704	93,553	115,772
Investments	72,109	63,260	50,576
Trade Receivables less impairment	51,193	51,193	45,811
Other local authorities re joint services	53	53	24
Available for sale financial assets	0	0	13,497
Total financial assets	**208,059**	**208,059**	**225,680**

Reclassification

In 2010-11 the Authority reclassified its investments in Treasury Bills from Loans and Receivables to Available for Sale Financial Assets.

Fair value of liabilities and assets carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. The fair values of liabilities and assets carried at amortised costs at 31 March 2011 and 31 March 2010 are as follows:

2009-10 Carrying value Pre IFRS	2009-10 Carrying value IFRS based	2010-11 Carrying value	Fair value of liabilities carried at amortised cost at 31 March	2010 Fair value Pre IFRS	2010 Fair value IFRS based	2011 Fair value
£000	£000	£000		£000	£000	£000
373,452	373,452	368,449	PWLB Loans	448,738	448,738	415,625
42,709	42,709	42,874	LOBO's	46,600	46,600	45,806
6,620	6,620	6,760	Short term borrowing	6,620	6,620	6,760
5,749	5,749	4,095	Cash overdrawn	5,749	5,749	4,095
5,664	5,664	5,437	Other local authorities re joint services	6,930	6,930	5,837
44,778	44,778	53,368	Trade Payables	44,778	44,778	53,368
284	303	381	Other	284	303	381
83,016	85,376	146,186	PFI and finance lease liabilities	83,016	85,376	146,186
562,272	**564,651**	**627,550**	**Total Financial Liabilities**	**642,715**	**645,094**	**678,058**

2010 Carrying value Pre IFRS	2010 Carrying value IFRS based	2011 Carrying value	Fair value of assets carried at amortised cost at 31 March	2010 Fair value Pre IFRS	2010 Fair value IFRS based	2011 Fair value
£000	£000	£000		£000	£000	£000
84,704	93,553	115,772	Cash in hand	84,704	93,553	115,772
72,109	63,260	50,576	Investments	72,109	63,260	50,646
51,193	51,193	45,811	Trade receivables	51,193	51,193	45,811
0	342	330	Finance leases	0	342	330
1,273	1,273	1,132	Car loans	1,273	1,273	1,132
480	480	427	Other local authorities re joint services	604	604	516
303	303	303	Building Schools for the Future Ltd	303	303	303
1	1	1	Integrated Bradford LEP Ltd	1	1	1
829	829	639	Other	829	829	639
210,892	**211,234**	**214,991**	**Total Financial Assets**	**211,016**	**211,358**	**215,150**

The fair value of a financial instrument can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments.

The calculations are made with the following assumptions:

- For loans from the PWLB and other loans payable, the discount rate used is the PWLB rate for new borrowing.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair value is higher than the carrying amount because the Council's portfolio of loans includes 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 fair value of investments is slightly higher than the carrying amount because the Council's portfolio includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above 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 Comprehensive Income and Expenditure Statement.

2009-10 £000	Restated 2009-10 £000	Recognised gains and losses	2010-11 £000
		Recognised in the Comprehensive Income and Expenditure Statement	
		Financial assets	
-3,038	-3,078	Interest receivable on loans & disposals	-2,378
		Financial Liabilities	
27,800	27,800	Interest payable	28,112
6,182	6,378	Interest Payable on PFI and Finance leases	6,464
0	0	Recognised in Other Comprehensive Income and Expenditure	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 Director of Finance 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:-

a. Credit Risk - the possibility that other parties might fail to pay amounts due to the Council.
b. Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
c. 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 deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

It is the policy of the Council set out in the Annual Investment Strategy 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 (such as Moody's or Fitch's) credit rating.

Customers for goods and services are assessed, dependent on materiality, taking into account their financial position, past experience and other factors as appropriate.

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 certificate 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 and MR1+ or Fitch AAA MMF: Maximum Investment with any one counter party – £20 million
4. Royal Bank of Scotland, HSBC, Lloyds and Barclays with a Moody's rating of A1 or better , Fitch short-term rating of at least F1 with a support rating of 2 or above and S+P rating of A-1 or better : Maximum Investment with any one counter party – £40 million
5. Any other Bank or Building Society with a credit criteria as above: Maximum Investment with any one counter party – £20million
6. 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
7. 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

A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2011 that any losses were likely to crystallise. The Council has not suffered any historical experience of default on any deposits with financial institutions, and does not expect to suffer any defaults on any of its existing deposits and therefore there is no requirement for any impairment of financial assets to be made.

Individual School banking deposits as a whole amount to £34.9M at 31 March 2011 (£33.7m at 31 March 2010). This amount is higher than the criteria that the Council uses for credit risk. The schools which manage their own funds are all using the same bank. They have been informed of the risk of holding all their assets in the same bank by the Authority's officers however it is the school's right to choose which bank to use.

Geographical split of the Council's Investments

The Council has investments based in the following countries as at 31 March 2011.

Country	Amount £000	%
UK	64,073	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.

31 March 2010 £000	Deposits with banks and other financial institutions	31 March 2011 £000
156,813	Amounts at 31 March	179,846
0	Historical experience of default	0
0	Historical experience adjusted for market conditions as at 31March	0
0	Estimated maximum exposure to default and uncollectible debt	0

The Council does not allow credit for customers.

b. Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed.

If unexpected movements occur, 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 meet 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 2009 £000	31 March 2010 £000	Total Borrowing	31 March 2011 £000
		Source of loan and interest rate range :	
363,453	373,452	Public Works Loan Board (3.7% to 10.25%)	368,449
42,500	42,709	Commercial Bank (3.2% to 4.5%)	42,874
405,953	**416,161**		**411,323**
		Analysis of loans:	
		Short Term Borrowing	
0	**5,000**	Maturing in less than 1year	**0**
		Long Term Borrowing	
5000	25,944	Maturing in 2 - 5 years	79,514
124,933	116,121	Maturing in 5 - 10 years	64,366
36,454	39,047	Maturing in 10 - 15 years	43,715
239,566	230,049	Maturing in more than 15 years	223,728
405,953	**411,161**	**Total Long Term Borrowing**	**411,323**
405,953	**416,161**	**Total Borrowing**	**411,323**

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 effect of fluctuations in interest rates on the fair value of an instrument.

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on the revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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.

According to this investment strategy, if interest rates had been 1% higher at 31 March 2011 with all other variables held constant, the financial effect would be :

31 March 2010 £000	Effect of 1% increase in interest rates	31 March 2011 £000
415	Increase in interest payable on variable rate borrowings	0
-975	Increase in interest receivable on variable rate investments	-1,287
0	Increase in government grant receivable for financing costs	
-560	**Impact on Surplus or Deficit on the Provision of Services**	**-1,287**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

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.

Price Risk

The Council does not generally invest in equity shares and does not have any material shareholdings in joint ventures or local companies, and it is not therefore subject to price risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 47. Trust Funds and Custodial Money

The Director of Finance acts as treasurer to approximately 19 funds (inclusive of 11 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 and gilt edged securities and deposit accounts.

The reduction in the Trust Fund balance for the Bradford & Keighley area of £170,740.00 from 31/03/2010 to 31/03/2011, relates to the transfer of the dormant Education Trusts, using sections 74 & 75 of the Charities Act 1993, as amended by the Charities Act 2006. At the 31/03/2011 the Trusts transferred to the Bradford Community Fund, and are to be administered by the Leeds Community Foundation Network. The value of the cash and capital transferred was £219,246.04.

£76,000 (£170,000 at 31 March 2010) 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 2010	**Analysis of Trust Funds and Custodial Money Balances**	**Expenditure 2010-11**	**Income 2010-11**	**Balance 31 March 2011**
£		**£**	**£**	**£**
	Education charities:			
527,098	Charles Semon Educational Foundation	5,348	14,091	535,841
492,269	Bradford area	181,789	30,092	340,572
360,635	Keighley area	39,592	20,549	341,592
50,998	Housing charities	31,784	1,706	20,920
244,060	Charities for the Blind	820	12	243,252
1,675,060		**259,333**	**66,450**	**1,482,177**

For those Trust Funds where the Authority acts as sole trustee and which at 31 March 2011 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 2010-11**	**Balance at 31 March 2011**
		£	**£**
Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	8,743	535,841
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	12,503	332,989
Royd House Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	(8,447)	126,820
Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	2,283	64,228
Littlemoor Queensbury (519426)	Maintenance of Public Park & Recreation Ground for the benefit and use of Queensbury and the general public	1,716	51,288

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. Any deficit or surplus at year end which is due to or from the Council is included in the Comprehensive Income and Expenditure Statement. Any amounts due to or from precepting bodies at year end will not be included in the Collection Fund, but will be included in debtors and/or creditors as appropriate.

2009-10 £000	**Collection Fund**	**2010-11 £000**
	Income	
150,352	Due from council tax payers (excluding benefits)	153,288
36,468	Due in respect of council tax benefits	38,650
123,854	Due from business ratepayers	120,744
310,674	**Total income**	**312,682**
	Expenditure	
	Precepts	
156,840	Bradford Council	160,155
7,431	West Yorkshire Fire and Rescue Authority	7,670
18,412	West Yorkshire Police Authority	19,099
	Business rate	
123,106	Payment to national pool	120,005
748	Costs of collection	739
1,020	Council tax write-offs	1,185
1,412	Contribution to / -from provision for losses on collection	944
308,969	**Total Expenditure**	**309,797**
(1,705)	**Net movement (surplus) in the fund balance**	**(2,885)**
0	Balance at beginning of year	0
1,465	Transfer to Collection Fund Adjustment Account	2,472
240	Preceptor's share of surplus at 31 March	413
0	**Collection Fund balance at end of year**	**0**

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 £1,277.24 in 2010-11 (£1,263.27 in 2009-10) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

2009-10 Band D Equivalent	**Band**	**2010-11 Number of chargeable dwellings**	**Multiplier**	**2010-11 Band D Equivalent**
61	A*	131	5/9	72
47,414	A	74,114	6/9	49,409
28,641	B	38,278	7/9	29,772
29,538	C	34,097	8/9	30,308
14,944	D	15,295	9/9	15,295
12,788	E	10,708	11/9	13,087
7,287	F	5,139	13/9	7,453
5,340	G	3,215	15/9	5,359
428	H	221	18/9	443
146,441	Total Band D equivalent			151,198
-1,831	Adjustment for estimated losses on collection			-2,268
144,610	**Council Tax Base**			**148,930**

Note 2 Business Rates

The Council collects business rates (non-domestic rates) on behalf of central government 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 40.7p (48.1p in 2009-10) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 41.4p (48.5p in 2009-10) 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 2010-11 was £237.5m (£214.2m in 2009-10).

The business rates income, after reliefs and provisions, was based on a total rateable value for the Council's area of £380,041,325 for 2010-11 (£320,004,528 for 2009-10).

Note 3 Provision for Council Tax Bad Debts

Following the SORP changes in 2009-10, the bad debt provision only includes the element of council tax owed to the Council and excludes amounts owed to preceptors (approximately 14% of total council tax). The bad debt provision at 31 March 2011 for council tax owed to the Council is £9.493m (£8.669m at 31 March 2010)

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. In line with proper accounting practice for council tax and the Collection Fund, any surplus or deficit in year must be allocated in year to the Authority and the preceptors in the required proportions. However, in order to reflect the fact that the Authority is not allowed by statutory legislation to either fund deficits or use surpluses in year, the distribution is offset by an entry to the council tax Adjustment Account in the Authority's Balance Sheet. This change does not therefore affect the statutory position which is that any surplus or deficit on the Collection Fund must be used as an adjustment to the council tax in future years.

An overall surplus of £2.885m was achieved in 2010-11 (£1.705m surplus in 2009-10), of which the Council's share was £2.472m (£1.465m surplus in 2009-10) and the preceptors share was £413k (£240k surplus in 2009-10). The Council's share was used to reduce the deficit on the Collection Fund Adjustment Account from £468k at 31 March 2010 to a surplus of £2.003m at 31 March 2011.

2009-10 Restated £000	Fund Account	2010-11 £000	Note
	Contributions and Benefits		
367,139	Contributions receivable	359,403	*7*
38,629	Transfers in	37,970	*8*
1	Other income	6	
19,058	Non-statutory pensions and pensions increases recharged	18,553	*9*
424,827	**Income total**	**415,932**	
342,398	Benefits payable	360,863	*11*
19,058	Non-statutory pensions and pensions increases	18,553	*9*
44	Refund of contributions	56	
32,140	Payments to and on account of leavers	38,585	*13*
5,095	Administrative and other expenses borne by the scheme	5,288	*14*
398,735	**Expenditure Total**	**423,345**	
26,092	**Net additions from dealings with members**	**-7,413**	
	Returns on investments		
201,045	Investment income	205,676	*15*
-2,737	Taxes on income	-2,709	
1,770,493	Profit and losses on disposal of and changes in value of investments	515,445	*17*
1,641	Stock Lending	1,486	*16*
24	Underwriting Commission	3	
-1,733	Investment management expenses	-1,733	
1,968,733	**Net return on investments**	**718,168**	
1,994,825	**Net increase in the net assets available for benefits during the year**	**710,755**	
5,944,684	**Opening net assets of the scheme**	**7,939,509**	
7,939,509	**Closing net assets of the scheme**	**8,650,264**	

1 April 2009 Restated for IFRS £'000	31 March 2010 Restated £000	Net Assets Statement	31 March 2011 £000	
		Investment assets		*17*
643,160	711,601	Fixed interest securities	755,761	
3,497,591	5,154,025	Equities	5,675,486	
483,530	498,100	Index-linked securities	552,466	
936,180	1,235,760	Pooled investment vehicles	1,396,320	
320,289	265,889	Cash Deposits	195,864	
25,356	29,822	Other investment balances	32,742	
		Investment liabilities		
-1,486	-5,140	Other investment balances	-432	
5,904,620	**7,890,057**	**Investments at 31 March 2011**	**8,608,207**	
		Current assets		
29,966	68,083	Debtors	52,606	*21*
5,404	-9,286	Cash balances (not forming part of the investment assets)*	4,074	
		Current liabilities		
-8,504	-9,345	Creditors	-14,623	21
26,866	**49,452**	**Net current assets and liabilities**	**42,057**	
5,931,486	**7,939,509**	**Net assets of the Scheme available for benefits at 31 March**	**8,650,264**	

* This figure takes account of cheques drawn but not presented, the balance on the bank account at 31 March 2011 was £4,22,653

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2011.

To comply with the Code of Practice, WYPF is required to restate the opening Net Asset Statement in IFRS format as at 1 April 2009. It should be noted that there are no changes to the values of the Fund reported at this date.

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).

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 Fund 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 224 participating employers at 31 March 2011 whose employees were entitled to be contributors to the Fund.

Membership

2009-10	Profile of Membership	2010-11
96,912	Active members	92,707
63,084	Pensioner members	66,546
63,917	Members with preserved pensions	68,535
223,913	**Total Members**	**227,788**

Note 2. Actuary's Report

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. Rates of contributions paid by the participating employers during 2010/11 were based on the previous actuarial valuation which was carried out as at 31 March 2007 by Mercer.

2. The valuation as at 31 March 2010 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £7,942.3M) covering 93% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

3. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2011 is:

- 13.8% of pensionable pay per annum. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2011, amounting to £33.6M in 2011/12, and increasing by 5.3% p.a. thereafter.

This would imply an average employer contribution rate of about 15.6% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.

4. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2011 (the "actuarial valuation report"). In addition to the contribution rate shown, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

5. 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 individual employers' recovery periods are set out in the actuarial valuation report.

6. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled Bodies	7.15% p.a.
Admission Bodies	6.25% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	7.15% p.a.
Admission Bodies	4.75% p.a.
Rate of pay increases:	5.3% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

7. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2010. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

8. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.

9. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2010. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, City of Bradford Metropolitan District Council, the Administering Authority of the Fund, in respect of this statement.

Aon Hewitt Limited

6 May 2011

Note 3. Accounting Policies

From 31 March 2011, West Yorkshire Pension Fund is required to prepare its financial statements under International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards, published by the Chartered Institute of Public Finance and Accountancy. This requires that the Fund's accounts should be prepared in accordance with International Accounting Standard (IAS) 26, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The financial statements summarise the transactions of the Fund and deal with the net assets of West Yorkshire Pension Fund, available to fund benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a separate note (note 12) in a statement by AON Hewitt, the Fund's Actuary. The full actuarial position of the Fund, which does take account of such obligations, is dealt with in the statement by the Actuary in the West Yorkshire Pension Fund's own Report and Accounts, and these financial statements should be read in conjunction with it.

Financial assets and liabilities

On initial recognition, the Fund is required to classify financial assets and liabilities into held-to-maturity investments, available-for-sale financial assets, held-for-trading, designated at fair value through profit or loss, or loans and receivables.

The assets and liabilities held by West Yorkshire Pension Fund are classified as designated at fair value through profit or loss, or loans and receivables.

Financial instruments at fair value through profit or loss

Financial assets may be designated as at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Fund manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract. Financial assets that the Fund designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss, and are subsequently measured at fair value. Gains and losses on financial assets that are designated as at fair value through profit or loss are recognised in profit or loss as they arise.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs.

Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Fair value for a net open position in a financial instrument in an active market is the number of units of the instrument held times the current bid price (for financial assets) or offer price (for financial liabilities).

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three level hierarchy. Financial Instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

Valuation methodology

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The methodologies adopted in valuing financial instruments are explained in greater detail in note 20.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful.

Readers of these financial statements are thus advised to use caution when using this data to evaluate the Fund's financial position.

Fair value information is not provided for items that do not meet the definition of a financial instrument. These items include creditors and accruals.

Fair Values of financial instruments carried at amortised cost – loans and receivables.
The fair value of deposits is considered to be equal to their carrying value.

Receivables are disclosed at their carrying value, and no discounting is performed on amounts receivable in greater than 12 months as this is not considered material.

Additional Voluntary Contributions (AVCs)

In line with Regulation 5(2) (c) of the Local Government Pension Scheme (management and Investment of Funds) Regulations 1998, AVCs are not shown in the Fund Account and Net Assets Statement. Details of AVC investments are, however, included in the commentary in the 'Notes to the Accounts' (Note 10).

AVC investments are valued by the Equitable Life Assurance Society, Scottish Widows and Prudential. Those AVC funds that relate to the with profits fund are valued at contributions. The value of the unit linked fund element is based on the bid price of the relevant fund at the year end date.

Currency Translation

Assets and liabilities in foreign currency are translated into Sterling at exchange rates ruling at the financial year-end. Any gains or losses 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 individual and bulk transfers that came into, or out of 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 is 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. The costs 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.

AVCs 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.

Acquisition Costs of Investments
Acquisition costs of investments are included in the purchase price.

Investment Management Expenses
Investment management expenses are shown within the Fund Account. These costs are met from within the employer contribution rate.

Note 4. Critical Accounting Estimates and Judgements

The preparation of the Fund's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements made by management in applying the Fund's accounting policies and key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Fund's results and financial position, are explained below.

Fair value of financial instruments
In accordance with IFRS 7, the Fund categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. These require management judgement and contain significant estimation uncertainty.

Retirement benefit obligations
Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a note (note 12) and doesn't form part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which is disclosed in note 12.

Netting
A financial asset and a financial liability shall be offset and the net amount presented in the Net Assets Statement when, and only when, the Fund:

a) currently has a legally enforceable right to set off the recognised amounts, and
b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Note 5. Transition from UK GAAP to IFRS

From 31 March 2011, West Yorkshire Pension Fund (WYPF) is required to prepare its financial statements under International Financial Reporting Standards (IFRS) instead of UK GAAP. The accounting policies fundamentally remain the same for WYPF, however, there are numerous presentational changes to the financial statements and increased disclosure requirements. The impacts on the financial statements of WYPF are set out as follows:

Changes in the Fund Account:

i. Irrecoverable withholding tax is now disclosed on the face of the Fund Account under the heading Taxes on income. Formerly this was disclosed as part of the Investment Income note.

ii. Change in market value of investments – realised and unrealised now goes under the description of Profit and losses on disposal of and changes in value of investments.

Change in format of Net Assets Statement:

i. Investments are split between investment assets and Investment liabilities. Previously other investment balances were disclosed as other investments combining the assets and liabilities on the face of the Net Assets Statement.

ii. Current assets and liabilities are shown separately on the face of the Net Assets Statement. Further analysis by type of body is disclosed in the notes.

In reviewing the accounting policies for IFRS compliance, WYPF have also changed the accounting policy for pension strain costs of early retirements. This has resulted in a restatement of the 2010 figures, the detail of which is disclosed in note 6.

The requirements for increased disclosures for pension funds are set out in the CIPFA Code of Practice and mainly relate to classification and valuations of financial instruments. The extra disclosures are set out in notes 18 to 20.

One significant change in disclosure is a requirement by International Accounting Standard 26 (IAS 26) to disclose the actuarial present value of promised retirement benefits. IAS 26 gives pension funds the option of disclosing this in three different ways:

Option A – in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit
Option B – in the notes to the accounts
Option C – by reference to this information in an accompanying actuarial report. If an actuarial valuation has not been prepared at the date of the financial statements, IAS 26 requires the most recent valuation (which should be based on IAS 19, not the pension fund's funding assumptions) to be used as a base and the date of the valuation disclosed.

WYPF has elected option B and the statement is disclosed in note 12.

Note 6. Prior Period Adjustment

A prior period adjustment has been made in the accounts in respect of a change in accounting policy in the year. In the event that a member is allowed to retire early, pension strain costs may apply to the respective employer. Some employers pay the cost of this strain in instalments spread over 5 years. Historically WYPF has credited to the Fund Account, only the instalment amount invoiced in that year. Under the change in accounting policy, WYPF now accounts for the full amount of income accruing, in the year in which the retirement took place regardless of whether the cost to the employer has been spread over 5 years or paid in one lump sum.

The following table summarises the adjustments made to re-state the 2009-2010 accounts:

Fund Account	**2009/10 Restated £'000**	**Effect of adjustment £'000**	**2009/10 Original £'000**
Contributions receivable	367,139	9,401	357,738
Net additions from dealing with members	**26,092**	**9,401**	**16,691**
Net increase / (decrease) in the Fund during the year	**1,994,825**	**9,401**	**1,985,424**
Opening net assets of the Fund	**5,944,684**	**13,198**	**5,931,486**
Closing net assets of the Fund	**7,939,509**	**22,599**	**7,916,910**
Net Asset Statement			
Debtors	68,083	22,599	45,484
Net assets of the Fund at 31 March	**7,939,509**	**22,599**	**7,916,910**

Note 7. Contributions Receivable

2009-10 Restated £000	Analysis of Contributions Receivable	2010-11 £000
	Employers' contributions	
182,789	Normal	185,480
38,276	Deficit Funding	44,154
854	Augmentation	863
36,092	Other	18,895
258,011	**Employers' contributions**	**249,392**
109,128	Employees' contributions	110,011
367,139	**Total Contributions Received**	**359,403**

Contributions are further analysed by type of member body.

2009-10 Restated £000	Contributions Receivable by Type of Member Body	2010-11 £000
46,072	Administering authority	48,847
275,596	Scheduled bodies	270,027
45,230	Admitted bodies	40,513
241	Bodies with no further interest	16
367,139	**Total Contributions Received**	**359,403**

Employers are required to pay contributions at a rate set by the Fund's Actuary at 3 yearly intervals.

The Employers' Contributions for 2010/11 reflect the Rates set for the three financial years 2008/2009 to 2010/11 arising from the 2007 actuarial valuation.

Employees' contributions are as set out in the new LGPS regulations from 1 April 2008, and there are several tiered employee contribution rates. For 2010/11 the rates start at 5.5% payable by employees with salaries up to £12,600 a year, and the highest rate is 7.5% to be paid on salaries over £78,700 a year.

The Fund has made provision for employees to make additional voluntary contributions (AVCs) under AVC Schemes with Equitable Life, Scottish Widows and Prudential. All contributions by employees to the AVC Schemes are made direct to Equitable Life, Scottish Widows and Prudential, further details of which are shown in Note 10.

Note 8. Transfers In

	2010/11 £'000	2009/10 £'000
Individual transfers in from other schemes	**37,970**	**38,629**

Note 9. Non-Statutory Pensions and Pensions Increase Recharged

	2010/11 £'000	2009/10 £'000
Pensions	**18,553**	**19,058**

The costs of Added Years granted by participating Employers for Early Retirement together with associated inflation proofing costs are reimbursed to the Fund, by the Employer, out of current revenues.

Costs of annual inflation proofing for non-participating Employers are also recharged.

Note 10. AVC Scheme with Equitable Life, Scottish Widows and Prudential

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, Scottish Widows and Prudential. Additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions.

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

2009-10 £000	Additional Voluntary Contributions	2010-11 £000
16,446	Value of funds at 1 April	18,138
860	Contributions received	2,491
103	Transfers and withdrawals	27
0	Internal Transfers	30
3,004	Interest and bonuses / Change in market value of assets	1,024
-2,275	Sale of investments to settle benefits due to members	-3,663
18,138	**Value of fund at 31 March**	**18,048**

Note 11. Benefits Payable

2009-10 £000	Analysis of Benefits Payable	2010-11 £000
	Funded pensions	
223,847	Retired employees	237,646
20,930	Dependants	21,589
	Funded lump sums	
90,331	On retirement	92,649
7,290	On death	8,979
342,398	**Total Benefits Payable**	**360,863**

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

2009-10 £000	Analysis of Benefits Payable by Member Body	2010-11 £000
50,452	Administering authority	50,720
246,754	Scheduled bodies	261,448
42,099	Admitted bodies	44,930
3,093	Other interested bodies with no pensionable employees	3,765
342,398	**Total Benefits Payable**	**360,863**

For participating employers, all basic pensions plus the costs of annual inflation proofing are met from the assets of the fund.

Note 12. Actuarial present value of promised retirement benefits

Introduction

IAS26 requires the "actuarial present value of the promised retirement benefits" to be disclosed, which is the IAS26 terminology for what IAS19 refers to as the "defined benefit obligation".

The information set out below relates to actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme. The Fund provides defined benefits, based on members' Final Pensionable Pay.

Actuarial present value of promised retirement benefits

Paragraph 6.5.2.8 of CIPFA's Code of Practice on local authority accounting for 2010/11 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed. CIPFA have also indicated that comparator values at the 2007 valuation should also be provided.

The results at both dates are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS19 assumptions.

	Value as at 31 March 2010 £'Ms	Value as at 31 March 2007 £'Ms
Fair value of net assets	7,916.91	7,305.96
Actuarial present value of the promised retirement benefits	11,726.54	9,175.58
Surplus / (deficit) in the Fund as measured for IAS26 purposes	(3,809.63)	(1,869.62)

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities in accordance with the requirements of IAS26 took place at 31 March 2010. The principal assumptions used by the Fund's independent qualified actuaries were:

	31 March 2010 (% p.a.)	31 March 2007 (% p.a.)
Discount rate	5.5	5.4
RPI Inflation	3.9	3.1
CPI Inflation	3.0	N/A
Rate of increase to pensions in payment*	3.9	3.1
Rate of increase to deferred pensions*	3.9	3.1
Rate of general increase in salaries **	5.4	4.85

Principal demographic assumptions

Post retirement mortality	31 March 2010	31 March 2007
Males		
Base table	Standard SAPS Normal Health All Amounts tables (S1NMA)	Standard tables PMA92
Rating to above base table *	0	2
Scaling to above base table rates **	105%	100%
Allowance for future improvements	In line with CMI 2009 with long term improvement of 1.25% p.a.	In line with Medium Cohort improvements
Future lifetime from age 65 (currently aged 65)	21.7	20.3
Future lifetime from age 65 (currently aged 45)	23.6	21.3
Females		
Base table	Standard SAPS Normal Health All Amounts tables (S1NFA)	Standard tables PFA92
Rating to above base table *	0	1
Scaling to above base table rates **	105%	100%
Allowance for future improvements	In line with CMI 2009 with long term improvement of 1.25% p.a.	In line with Medium Cohort improvements
Future lifetime from age 65 (currently aged 65)	23.9	24.0
Future lifetime from age 65 (currently aged 45)	25.9	25.0

* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

** The scaling factors shown apply to normal health retirements.

	31 March 2010	31 March 2007
Commutation	Each member is assumed to exchange 50% of the maximum amount permitted, of their past service pension rights on retirement, for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted, of their future service pension rights on retirement, for additional lump sum.	50% of members are assumed to take the maximum amount permitted of their pension entitlement, the remaining 50% of members are assumed to take cash based on 3/80ths accrual.

Changes in benefits during the accounting period

In his budget on 22 June 2010, the Chancellor announced the following:

"The Government will use the CPI for the price indexation of benefits and tax credits from April 2011. The CPI provides a more appropriate measure of benefit and pension recipients' inflation experiences than RPI, because it excludes the majority of housing costs faced by homeowners (low income households are subsidised separately through Housing Benefit, and the majority of pensioners own their home outright) and differences in calculation mean it may be considered a better representation of the way consumers change their consumption patterns in response to price changes. This will also ensure consistency with the measure of inflation used by the Bank of England. This change will also apply to public service pensions through the statutory link to the indexation of the Second State Pension. The Government is also reviewing how the CPI can be used for the indexation of taxes and duties while protecting revenues."

The switch to CPI as the basis for future revaluation and pension increases has a significant impact on the actuarial present value of the promised retirement benefits.

This is because all pensions, once they come into payment, and the deferred pensions of former employees, will now be increased in line with an index that is expected, over the long term, to be lower than the RPI index it replaces. This, in turn, will reduce the value of the benefits and hence the value placed on those benefits.

The Fund's actuary has estimated that, had the switch to CPI been implemented on 31 March 2010, the actuarial present value of the promised retirement benefits would have reduced by £1,260.29M. i.e. the actuarial present value of promised retirement benefits would have been £10,466.25M.

Note 13. Payments to and on account of leavers

2009-10 £000	**Payments to and on account of leavers**	**2010-11 £000**
29,746	Individual transfers out to other schemes	28,166
2,394	Bulk transfers out to other schemes	10,419
32,140	**Total Transfers Out**	**38,585**

Note 14. Administrative and other expenses borne by the Fund

2009-10 £000	**Administrative Expenses**	**2010-11 £000**
4,761	Administration and processing	4,791
257	Actuarial fees	428
71	Audit fee	66
6	Legal and other professional fees	3
5,095	**Total Administrative Expenses**	**5,288**

Note 15. Investment Income

2009-10 £000	**Investment Income**	**2010-11 £000**
34,751	Income from fixed interest securities	37,498
142,167	Dividends from equities	145,118
8,728	Income from index-linked securities	9,172
12,506	Income from pooled investment vehicles	12,258
2,893	Interest on cash deposits	1,630
201,045		**205,676**

Note 16. Stock Lending

2009-10 £000	**Analysis of Stock Lending**		**2010-11 £000**
134	Income	- Fixed Interest	126
475		- UK Equities	549
1,240		- International Equities	1,017
-208	Expenditure		-206
1,641	**Total**		**1,486**

As at 31 March 2011, £634m of stock was on loan to market makers, and this was covered by collateral totalling £678.9m (which includes an appropriate margin), comprising bonds (£128.5m), government bonds (£165.1m), stocks and shares (£385.3m).

Note 17. Non-current Assets

Investments	Opening Value at 1 April 2010 £000	Purchases at Cost £000	Sale Proceeds £000	Change in Market Value £000	Closing Value at 31 March 2011 £000
Fixed Interest Securities	711,601	311,755	-241,310	-26,285	755,761
Equities	5,154,025	442,198	-267,753	347,016	5,675,486
Index-linked Securities	498,100	118,077	-120,914	57,203	552,466
Pooled Investment Vehicles	1,235,760	79,371	-56,322	137,511	1,396,320
Cash Deposits	265,889	0	-70,025	0	195,864
Other Investment assets	29,822	0	2,920	0	32,742
Other Investment liabilities	-5,140	4,708	0	0	-432
Total Investments	**7,890,057**	**956,109**	**-753,404**	**515,445**	**8,608,207**

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.

The cash deposits balance represents a current element of the Investment Assets.

2009-10 £000	Analysis of Investments Closing Market Values	2010-11 £000
	Fixed Interest Securities:	
359,404	UK Public Sector quoted	362,352
162,700	UK Other quoted	213,108
136,605	Overseas Public Sector Quoted	111,534
52,892	Overseas Other quoted	68,767
711,601		**755,761**
	Equities:	
2,828,259	UK quoted	3,065,650
76,396	UK unquoted	105,346
2,029,532	Overseas quoted	2,231,621
219,838	Overseas unquoted	272,869
5,154,025		**5,675,486**
	Index Linked Securities:	
386,593	UK Public Sector quoted	407,758
42,710	UK Other quoted	48,557
67,775	Overseas Public Sector Quoted	96,151
1,022	Overseas other quoted	0
498,100		**552,466**
	Pooled Investment Vehicles:	
128,132	Currency Funds	156,385
344,275	Hedge Funds	340,215
269,215	Property	306,685
494,138	Other	593,035
1,235,760		**1,396,320**
	Cash Deposits:	
265,889	Sterling	**195,864**

Note 18. Financial Instruments – classification

Accounting policy describes how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities (excluding cash) by category and by net asset statement heading.

	31 March 2011 Designated as at fair value through profit or loss	Loans and receivables	Non-financial assets / liabilities	Total financial assets / liabilities
Financial Assets	**£'000**	**£'000**	**£'000**	**£'000**
Fixed Interest Securities	755,761	-	-	755,761
Equities	5,675,486	-	-	5,675,486
Index-linked securities	552,466	-	-	552,466
Managed and unitised funds	1,396,320	-	-	1,396,320
Cash deposits		195,864	-	195,864
Other investment balances	32,742		-	32,742
Debtors	-	52,606	-	52,606
Total	**8,412,775**	**248,470**	-	**8,661,245**
Financial Liabilities				
Other investment balances	432	-	-	432
Creditors	-	-	14,623	-
Total	**432**	**0**	**14,623**	**432**

	31 March 2010 Designated as at fair value through profit or loss	Loans and receivables	Non-financial assets / liabilities	Total
Financial Assets	**£'000**	**£'000**	**£'000**	**£'000**
Fixed Interest Securities	711,601	-	-	711,601
Equities	5,154,025	-	-	5,154,025
Index-linked securities	498,100	-	-	498,100
Managed and unitised funds	1,235,760	-	-	1,235,760
Cash deposits	-	265,889	-	265,889
Other investment balances	29,822	-	-	29,822
Debtors	-	68,083	-	68,083
Total	**7,629,308**	**333,972**		**7,963,280**
Financial Liabilities				
Other investment balances	5,140	-	-	5,140
Creditors	-	-	9,345	0
Total	**5,140**	**-**	**9,345**	**5,140**

Note 19. Financial Instruments – Fair values of financial assets and liabilities

The following table summarises the carrying values of financial assets and liabilities presented on the Fund's net asset statement. The fair values presented in the table are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

	Carrying value 2011	Carrying value 2010	Fair value 2011	Fair value 2010
Financial Assets	**£'000**	**£'000**	**£'000**	**£'000**
Trading and other financial assets at fair value through profit or loss	8,412,775	7,629,308	8,412,775	7,629,308
Loans and receivables	248,470	333,972	247,442	332,542
Total financial assets	**8,661,245**	**7,963,280**	**8,660,217**	**7,961,850**
Financial Liabilities				
Trading and other financial liabilities at fair value through profit or loss	432	5,140	432	5,140
Total financial liabilities	**432**	**5,140**	**432**	**5,140**

Note 20. Financial Instruments – Valuation

Valuation of financial instruments carried at fair value.
The valuations of financial instruments have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1
Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts.

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.

Level 2
Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Products classified as level 2 are property funds and currency funds.

Property Funds are valued at closing bid price. Property valuations are normally undertaken by the Property Trusts' own valuers. The values disclosed in the financial statements are extracted from valuation statements issued by the Property Trusts. Valuations are performed in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation Standards (The Red Book).

Investments in Currency Funds are valued using net asset values provided by fund managers as at 31 March. Assurance over these valuations is gained from fund managers in the form of SAS70 reports and audited accounts which are prepared in accordance with appropriate accounting standards.

Level 3
Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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 are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of investments in Hedge Funds are based on the net asset values provided by the fund managers. Assurance over these valuations is gained from fund managers in the form of SAS70 reports and audited accounts which are prepared in accordance with appropriate accounting standards. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of fund performance in March, as informed by fund managers.

The table overleaf provides an analysis of the financial assets and liabilities of the Fund that are carried at fair value in the Fund's consolidated balance sheet, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Valuation hierarchy

	31 March 2011 Level 1	Level 2	Level 3	Total
Financial assets	**£'m**	**£'m**	**£'m**	**£'m**
Financial assets at fair value through profit or loss	7,231	464	718	8,413
Loans and receivables	248	-	-	248
Total financial assets	**7,479**	**464**	**718**	**8,661**
Financial liabilities				
Financial liabilities at fair value through profit or loss	0	-	-	0
Total financial liabilities	**0**	**0**	**0**	**0**

	31 March 2010 Level 1	Level 2	Level 3	Total
Financial assets	**£'m**	**£'m**	**£'m**	**£'m**
Financial assets at fair value through profit or loss	6,591	397	641	7,629
Loans and receivables	334	-	-	334
Total financial assets	**6,925**	**397**	**641**	**7,963**
Financial liabilities				
Financial liabilities at fair value through profit or loss	5	-	-	5
Total financial liabilities	**5**	**0**	**0**	**5**

Note 21. Current Assets and Liabilities

2009-10 Restated	Current Assets and Liabilities	2010-11
£000		**£000**
	Debtors	
25,935	Contributions due from employees and employers	27,718
42,148	Other debtors	24,888
68,083	**Total Assets**	**52,606**
	Creditors	
5.510	Unpaid benefits	6,910
3.835	Other current liabilities	7,713
9,345	**Total Creditors**	**14,623**

2009-10 Restated	Current assets by type of body	2010-11
£000		**£000**
6,241	Central government bodies	8,427
49,594	Other local authorities	36,902
51	NHS bodies	-
1,165	Public corporations and trading funds	1,458
11,032	Bodies external to general government	5,819
68,083	**Total Creditors**	**52,606**

Note 22. Risk management

As a pension fund, financial instruments are fundamental to the Fund's activities and, as a consequence, the risks associated with financial instruments represent a significant component of the risks faced by the Fund. The primary risks affecting the Fund through its use of financial instruments are market risk and credit risk.

The management of risk is set out in the Fund's Statement of Investment Principles, which in turn is driven by the Funding Strategy Statement.

The Investment Principles are managed by the Investment Advisory Panel, whose responsibility it is to ensure the Fund's investment portfolio, that is undertaken entirely in-house, agrees with policy and strategy with regard to asset allocation.

The Funding Strategy Statement (FSS) sets out one of the aims of the Fund to maximise the returns from investments within reasonable risk parameters.

Market risk

To minimise risk, the investment portfolio of the Fund is continually monitored and reviewed, and is well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and management funds.

Risk is controlled by reviewing on a continuous basis, the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable. Mercer Investment Consulting completed an "Investment Strategy Review" for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.

Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's Actuary.

Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

Credit risk

The credit risk the Fund is exposed to is in relation to stock lending. The risk is managed by covering the lending with collateral which will always have a value greater than the amount of stock lending at any one time. Stock lending and the associated collateral at the year end is detailed in note 16.

Venture capital and equity investments

The valuation techniques used for unlisted equities and venture capital investments vary depending on the nature of the investment. Third party valuers have been used to determine the value of unlisted equities and property funds. As these factors differ for each investment, depending on the nature of the valuation technique used and the inputs, there is no single common factor that could be adjusted to provide a reasonable alternative valuation for these investment portfolios.

Note 23. Related Party Transactions

In accordance with IAS24 "Related Party Disclosures", material transactions with related parties not disclosed elsewhere, are detailed below.

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. Contributions in respect of March 2011 payroll are included within the debtors figure in note 17.

In 2010-11, City of Bradford Metropolitan District Council charged the West Yorkshire Pension Fund £510,717 in respect of support services provided (£568,356 in 2009/10). The charge included accommodation, financial, legal and information technology services.

Under legislation introduced in 2003/04, eligible Councillors are entitled to join the scheme.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with City of Bradford Metropolitan District Council, for the supply of goods or services to the Fund.

The Fund has an investment in Montanaro European Smaller Companies Fund Plc, which at 31 March 2011 was valued at £15.7m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2010/11. Rodney Barton, the Director of West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund Plc, for which he is paid a fee.

Note 24. Contingent Liabilities and Contractual Commitments

	Investment Value at 31 March 2010 £'m	Un-drawn commitments £'m
Private equity	378.2	275.6
Property funds	306.7	4.7
Corporate Bonds UK	92.9	36.8
Corporate Bonds foreign	500.1	11.3
Total un-drawn commitments		**328.4**

Note 25. Events after the Reporting Period

Since 31 March 2011, fears of a double recession, and difficulties experienced by governments in reducing their debt burden, have resulted in a period of turbulence on the financial markets in August and September. At the time of writing, the value of the Fund is approximately £7.97bn, compared with £8.58bn at the year end. WYPF takes a long term view on its investments and the strategy in place ensures exposure to market risks is minimised.

Note 26. 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 27. List of Scheduled Bodies Contributing to the Fund

Major Scheduled Bodies

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

Other Scheduled Bodies

Ackworth Parish Council
Aire Valley Homes Leeds
All Saints C.E Junior & Infant School
Appleton Academy
Aspire i
Bingley Grammar
Boston Spa School
Bradford Academy
Bradford College
Brighouse High School
Brooksbank School
Burley Parish Council
CAFCASS
Calderdale College
Castle Hall School
Clayton Parish Council
Crescent Further Education Ltd
Crossley Heath School
David Young Community Academy
Denby Dale Parish Council
Dixons Allerton Academy
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
Horsforth Town Council
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 and Enterprise College
Leeds City College
Leeds College of Art and Design
Leeds College of Building
Leeds College of Music
Leeds Metropolitan University
Leeds West Academy
Lightcliffe C.E Primary School
Longroye 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
North West Homes Leeds
Northern Schools of Contemporary Dance
Notre Dame Sixth Form College
Oakbank Primary School
Oakworth Primary School
Ossett Academy and Sixth Form College
Ossett Pension Trust
Otley Town Council
Outwood Grange Academy
Park Lane Learning Trust (formerly Park Lane College)
Pontefract Education Trust
Pool Parish Council
Pudsey Grangefield Trust
Rastrick High School
Russell Hall First School
Ryburn Valley High School
Ryhill Parish Council
Salterlee Primary School
Schools Partnership Trust
Shipley College
South Elmsall Town Council
South Hiendley Parish Council
South Leeds Academy
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
The Crawshaw Trust
The Greetland Academy
The Morley Academy
Thornton Grammar School
Todmorden Parish Council
Trinity Acacemy Halifax
University Academy Keighley
University of Huddersfield
Wakefield City Academy
Wakefield College
West North West Homes Leeds
West Vale Primary School
West Yorkshire Fire and Rescue Authority
West Yorkshire Passenger Transport Authority
West Yorkshire Passenger Transport Executive
West Yorkshire Police
West Yorkshire Probation
West Yorkshire Valuation Tribunal
Wetherby Town Council
Whitehill Community Learning Trust
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.

Assets Held for Sale

These are assets previously used in the provision of services by the Authority which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

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 comprise depreciation, based on the current 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. Fixed assets provide economic benefits to the Authority for a period in excess of one year.

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.

Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

This document is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). It defines proper accounting practices for local authorities in the United Kingdom, and is generally abbreviated to 'the Code' in the text. The 2010-11 Code is the first edition based on International Financial Reporting Standards.

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.

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.

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)

Accounting practice to be followed in the preparation of accounting statements in the years prior to 2010-11. For example FRS17 governs the way in which pension liabilities must be presented in the accounts. From 2010-11 onwards FRS will be fully replaced by IFRS (International Financial Reporting Standards), see below.

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 at the same rate as the assets are depreciated.

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.

International Financial Reporting Standards (IFRS)

These are accounting standards issued by the International Accounting Standards Board.

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.

Comprehensive Income and Expenditure Statement
This statement is compiled in accordance with IFRS 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 whose purpose is to produce capital gain and rental income, 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 held for capital gain and rental income and not 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 Current Assets
Assets that yield economic benefits to the Authority for a period of more than one year. Examples include land, buildings, vehicles and investment property.

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.

Property, Plant and Equipment (PPE)
These are non-current assets used directly to deliver the Authority's services. The assets comprise land, buildings and plant with a carrying value in the Balance Sheet based on fair value in use. PPE also includes equipment like vehicles, which are valued at historic cost.

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 Expenditure Funded from capital under Statute (REFCUS)

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.

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 for financial reporting standards, which have been replaced by International Financial Reporting Standards from 2010-11 onwards.

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

The City of Bradford Metropolitan District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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 Council is also the administering authority for the West Yorkshire Pension Fund (WYPF). The WYPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (Amendment No. 3 Regulations 2007).

In discharging its 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 purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Council and its partners are directed and controlled and those activities through which it accounts to, 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. It is designed to ensure:-

- effective and efficient use of resources
- compliance with established policies, practices, laws and regulations
- safeguarding of the Council's assets and interests from loss
- the quality, integrity and reliability of information, accounts and data
- management of risk to a reasonable level.

It cannot eliminate all risk to the achievement of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of Council's objectives, to evaluate the likelihood of those risks being realised and their potential impact, and to manage them efficiently, effectively and economically.

The governance framework has continued in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

The governance framework

The systems and processes that comprise the Council's governance are developed around the following key elements:

- ***Code of Corporate Governance.***
  The Council has approved and adopted a code of corporate governance which is consistent with and founded on the six core principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government"

- ***Identification and communication of a clear vision of the Council's purpose, its shared priorities with its partners and intended outcomes for citizens and service users.***

- ***Review of the Council's vision and implications for its governance arrangements.***

- ***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.***

- ***Defining the roles and responsibilities of the Executive, the non-executive, scrutiny and officer functions including clear delegation arrangements and protocols for effective communication.***

- ***Embedding and communicating codes of conduct defining the standards of behaviour for Members and staff across the organisation.***

- ***Standing orders, standing financial instructions, a scheme of delegation and documented supporting procedures and strategies which clearly define how decisions are taken and how the processes and controls required to manage risks are implemented.***

- ***Compliance with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government".***

- ***Arrangements to ensure compliance with relevant laws and regulations, internal policies and procedures, that expenditure is lawful and an anti fraud and corruption strategy, all monitored by the Corporate Governance and Audit Committee.***

- ***Arrangements supporting whistle blowing and for receiving and investigating complaints from the public.***

- ***Developing the needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.***

- ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.***

- ***Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements.***

Review of effectiveness

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 obtained 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, provide a fraud risk assessment and to report on the level of compliance with key controls that are set out in the Key Control Booklets.

The Constitution, reviewed at Annual Council, 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.

The Council has in place a Corporate Governance and Audit Committee, independent of the Executive, to strengthen and consolidate its governance arrangements and provide the core functions as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities".

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 is responsible for formulating the broad future policy for investment. A Director of Finance from one of the member Authorities sits on the Panel, this position is currently held by the Head of Finance for Bradford MDC.

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 approves the budget estimates for the pensions administration and investment management functions of WYPF, and also receives WYPF's Annual Report and Accounts.

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

The Council's Risk Management Strategy was reviewed in January 2011 and 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 regularly 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 action plans are in place for risks assessed as requiring active management. A risk management report is submitted annually 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.

The Council is committed to providing for business continuity, 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 out the Council's policy for business continuity management.

Assistant Directors 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.

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 which are reported at regular intervals 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.

The Council's internal control environment is reviewed on a continual basis by Internal Audit. Internal Audit's opinion on the overall adequacy and effectiveness of the internal control environment is contained within the Annual Report which was presented to the 30th June 2011 Corporate Governance and Audit Committee meeting. A number of operational control issues have been identified particularly in respect of procedures for capturing and recording Section 106 planning agreements and elements of financial management in schools. Action is being taken to put improvements in place.

Action plans for improvement are devised and implemented in response to External Audit recommendations.

Following review of the operation of the provisions of the Regulation of Investigatory Powers Act 2000 (RIPA) in Bradford the officer level for granting RIPA approvals will be charged to the City Solicitor in consultation with the Leader or Deputy Leader (in the absence of the leader) of the Council. The intention of this measure is to ensure that approval is controlled by an appropriate group of senior officers and Members.

The Council liaises fully and promptly with the Local Government Ombudsman's enquiries into complaints against the Council. In the last annual report complaints referred to the Ombudsman were down on the previous year, continuing the downward trend. No maladministration was found in any of the complaints considered by the Ombudsman who commended the Council for the promptness and quality of the responses provided, demonstrating the Council's continuing commitment to the resolution of complaints and good customer service.

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 issues 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 most significant governance challenges currently facing the Council are,

1) The need to review strategies for delivery of the Council's vision in response to the significant budget reductions, amounting to £44million, resulting from central government's Comprehensive Spending Review.

   This presents an urgent need to re-examine priorities, eliminate waste, improve productivity and develop innovative service delivery models whilst avoiding conflict between short term budget challenges and long term objectives and without compromising the Council's governance framework or outcomes for the community.

   There are significant risks associated with the high level of savings required to balance the budget. The level of reductions and other external influences could weaken the chance of economic recovery within the district and make the achievement of income targets more difficult including capital receipts and council tax collection rates. Pressure for increased services could also result. Robust programme management processes are being put in place to mitigate these heightened risks. In addition, improved financial reporting and focussed monitoring will ensure that the financial position of the Council is securely based.

   The achievement of the necessary savings is predicated on delivering changes to the Council's business model. "Changing Our Council" is a transformational programme established to enable the Council to respond to the financial challenges ahead and become a modern, fit for purpose public sector organisation. The programme consists of six elements, or workstreams, intended to support the delivery of a new organisational or operating model for the Council and help secure associated financial and cultural benefits.

   The workstreams are:-

   - Customer and Citizen Services – including a review of all service areas of the Council where the public make direct contact.
   - Delivery – to determine the most efficient delivery models that will achieve the priority outcomes for Bradford citizens.
   - Commissioning and procurement – development and implementation of a new centre of excellence to ensure that the services the Council commissions are achieved in the most effective way, focussed on Council priorities and that internal and external partnerships are managed so that required outcomes are delivered.
   - Strategic Support Services – development of a centre of excellence for delivery of strategic support services including performance management, legal and democratic services, strategic finance and strategic human resources.
   - Transactional Support Services – development of a shared service centre for transactional finance, transactional human resources and administration.
   - Management Structures – review and implementation of a structure that will produce optimum benefits for the Council, particularly in reducing the number of management tiers, increasing spans of control and achieving greater consistency in management to deliver both financial and cultural benefits.

   Each of the workstreams has an Executive sponsor from the Corporate Management Team.

   The programme aims to achieve a new organisational vision and direction for the Council through developing an operating model which will transform the way all functions are delivered and organised, generating radical productivity gains and supporting a new relationship with citizens. To get to that point a number of initiatives, activities and projects will be undertaken. For example**,** a differently structured and resourced Council will exploit new ways of working effectively, coordinate service delivery, (potentially including those commissioned from a number of partners and providers), and achieve a seamless range of services from the citizens**'** perspective in ways which will be demonstrably more efficient and outcome focused.

   A governance framework for the programme has been established. The Programme Board will act as the key decision making body for the programme. It will report and be accountable to the Chief Executive and will provide leadership to ensure that the outcomes of the programme are realised.

2) Responding to the provisions of the Localism Bill which has implications for several areas of governance. It provides for the abolition of the current Standards Regime and the requirement for Councils to have a Standards Committee and revokes the Members' Code of Conduct while introducing a new duty on Councils to promote and maintain high standards of conduct on the part of Members and co-opted Members. A general power of competence will replace the wellbeing powers in the previous Local Government Act 2000.

   The Bill will give voluntary and community groups the right to express an interest in taking over the running of a local service and allow people to suggest local referendums on any local issue they think is important. Communities will have the right to draw up a "neighbourhood development plan" for which they may seek approval in a local referendum.

   The Government is developing a new approach to inspection and regulation of local government based on the principles of:

- Reducing the burden of inspection and reporting on Councils.
- Increasing transparency and accountability to the public.
- Making Councils responsible for their own performance – self-regulation

The Council's corporate performance framework covers the different tools, mechanisms and performance indicators that ensure that strategic and business plan priorities are translated into action and that progress towards priorities is monitored effectively so that timely actions can be put in place to deal with any slippage or obstacles in the way of delivery. The review of the Council's corporate performance framework is linked to the development of the business support hub as part of the Changing our Council programme. Changes needed to the existing framework have been identified and work is progressing to redesign key elements under the overview of the Corporate Strategic Performance Group.

The Bill seeks to clarify the law on "predetermination" and makes it clear that if a Councillor has previously given a view on an issue they will nonetheless be able to participate in Council business relating to the matter.

It is proposed that twelve English cities, including Bradford, should be required to hold a referendum on the introduction of an elected mayor.

3) An Education Services Review Programme Team was established in autumn 2009 to ensure arrangements are in place to manage the transition of those services currently provided by Education Bradford to the Council, when the contract comes to an end on 29th July 2011.

Robust governance arrangements are in place. These include fortnightly meetings with Education Bradford/Serco, monthly Programme Board meetings and bi monthly Strategic Partnership Board meetings. The Strategic Partnership Board is chaired by the Leader of the Council and includes wide representation comprising opposition group leaders, the Chief Executive, Strategic Director Children's Services, primary, secondary and special school head teachers, Chair of Governors, further education representatives, trade unions and the Department for Education. Regular reports are also made to the Children's Services Overview and Scrutiny Committee.

The programme comprises six specific project teams:

- Raising Achievement
- Legal
- Finance
- Assets
- ICT
- Human Resources

These project themes are reciprocated within Education Bradford, managed by a Serco Transition Team.

A detailed programme plan is in place and weekly project meetings are held to ensure that the programme remains on target and that dependencies between the respective project teams are managed.

A risk register is held and reviewed fortnightly. Risks and emerging issues are discussed through the programme governance arrangements. Current high level risks consider the migration of ICT systems and information and securing accommodation for staff at the end of the current lease on Future House, Education Bradford's head office and main staff location. An ICT strategy has been developed and is being implemented and meetings are taking place with Education Bradford and the landlord of Future House.

TUPE (Transfer of Undertakings – Protection of Employment) consultation with staff is well underway. Regular meetings are taking place with relevant trade union representatives and a wider communication strategy exists that ensures staff and stakeholders receive regular monthly updates on progress.

Challenges will exist for Bradford, and all local authorities, to continue to raise achievement against a backdrop of reducing resources and the cessation of grant funded initiatives. As a result of planning for transition the Raising Achievement Project team has been working with groups of head teachers and governors for the last 12 months. This has placed Bradford in an advantageous position as the solutions discussed with head teachers and presented to Executive and Council (September 2010) reflect the emerging position of government and the recently published Schools White Paper.

Planning is now taking place to manage the introduction of Education Bradford staff back to the Council so as to minimise the impact on staff, schools and the districts children and young people.

4) In progressing the implementation of the National Single Status Agreement , Chief Officer approval has been obtained for the proposed new equality proof pay structure. This forms the basis of negotiations which have commenced with the trade unions. The implementation of a new pay structure will be on a phased basis, with the first phase scheduled for October 2011. This remains a highly challenging target. Implementation has been timed to coincide with the future-proofing arrangements for the 2nd memorandum of understanding (MoU). This MoU is in the process of being agreed between the Council & legal representatives of the trade unions in settlement of outstanding equal pay claims.

The implementation of the first phase of the new pay structure up to scale 6, and compliance with the terms of the MoU, represents the best possible approach to minimising the Council's exposure to equal pay claims. Phase 2 of pay structure implementation is dependent on the outcome of Changing our Council, & the eventual management structures produced. The Council has faced no significant equal pay risk to date in relation to workers at grade SO1 and above.

5) In respect of its waste management strategy the Council has now made arrangements for dealing with waste arisings in advance of the PFI contract due to start in 2015. Recycling outturn for 2010/11 is currently projected to exceed the target of 33% - an improvement of 3 percentage points on 2009/10. The Council has awarded contracts to a number of local and regional disposal and

recycling facilities to remove recyclables from and dispose of waste arising from Household Waste Sites, Commercial and Domestic collections. These contracts will be used flexibly up to 2015 alongside the trading of landfill allowances with other West Yorkshire Councils so as to meet the Council's waste management requirements in the most cost effective way possible. There is still some concern about the resilience of these arrangements as a significant amount of the waste is being handled by a single contractor. The Council is looking at ensuring that other arrangements are being developed to reduce the reliance on a single waste outlet.

6) In January 2010 the Audit Commission reported that the Council and Bradford District Care Trust (BDCT) had made progress in developing the commissioning arrangements for people with learning disabilities and mental health needs although some significant challenges and risks remained. Further progress was reported in July which included developing a shared approach to risk and quality management.

The Audit Commission identified six key areas of challenge, which were to:

- Finalise the Section 75 agreement between the Council and the Care Trust;
- Establish a shared approach to risk management across the partners;
- Communicate commissioning intentions in a clear and timely way to allow providers to develop robust business plans;
- Effectively implement the programmes for change and improvement in learning disability and mental health services;
- Demonstrate that new service models are affordable and sustainable;
- Demonstrate the achievement of value for money.

Since the review, the Section 75 agreement has been finalised and was signed in May 2010. This makes provision for managing risks with BDCT, as does the memorandum of understanding with the PCT on aligned commissioning.

The Council can evidence clear and timely communication of commissioning intentions in the way that provider forums have been set up well in advance of tendering processes. Forum meetings included delivery of training to support participation in the tender process.

Both the programmes for change and improvement in learning disability and mental health services are on track to complete as planned.

- The "Changing Lives" programme for people with learning disabilities presents a considerable challenge. The Council has had to request a variation to the agreement in relation to the date for day services to transfer out of BDCT, as there is insufficient time to procure and transfer staff from the Care Trust to a new provider by the previous long stop date of the 31 March 2011.

- The review of mental health day services has been completed. There will be more readily available information, clearer referral pathways and a greater emphasis on community based social leisure, training and employment opportunities. An Action Plan has been produced to support implementation.

The new service models for people with learning disabilities are being procured through tendering processes which specify clear quality and price criteria, which in turn are based upon extensive research into prices paid elsewhere in the country to ensure they are realistic and sustainable. Previously, control of prices paid has been poor and the Council expects significant savings. There is a specific challenge to sustainability in the level of new accommodation options needed for people with learning disabilities at a time of central government restrictions on Housing Benefit, which the Council is addressing by working closely with existing and potential landlords.

With mental health provision, the Council is working with the Care Trust to redesign existing day services, following the above review, to build in more choice and flexibility and access to options for volunteering, training and employment, ensuring personalisation is built into assessment processes and that people have real choices outside day centres. The challenge here is to ensure that day centre-based options continue to be sustainable for the many people who want them, while at the same time offering real choice to the people who need and want individual alternatives.

In relation to demonstrating value for money, the Councilwe will be able to demonstrate the achievement of better quality for people with learning disabilities and reduced unit costs when procurement processes have been completed. The mental health programme is focussing on improved outcomes for people within the existing Care Trust contracts, and on reducing costs linked to hospital admissions.

7) The Health and Social Care Bill envisages a new role for Local Authorities in public health. Local Authorities will be given responsibility for health improvement currently carried out by Primary Care Trusts and will, therefore, play a leading role in improving, promoting and protecting the health of their communities. As this develops appropriate engagement, challenge and governance arrangements will be identified and put in place.

8) The Council is to develop an Information Technology (IT) Strategy to aid the long term planning and application of it's IT resources. This will ensure that the Council is making best use of IT in supporting the achievement of its corporate objectives.

The Council has drafted an IT security policy which is due for approval, whereupon it will be made available to all IT users, thereby reducing the risk of security incidents, unauthorised access, poor data quality and poor controls over information sharing.

9) Tackling climate change. In January 2010 the Council agreed to CO2 reduction targets for the district and the development of a District Climate Change Strategy (DCCS) was agreed by Executive in March 2010. The Bradford Environment Partnership has been leading on the development of this strategy and established a strategy working group to take the work forward. In

March 2010 the Local Government Association and the Department of Energy and Climate Change announced an agreement on how local and central government can work together to tackle climate change with the objective of –

- Reducing carbon emissions from their own estate and operations

- Reducing carbon emissions from homes, businesses and transport infrastructure, creating more, appropriate renewable energy generation.

- Participating in national carbon reduction initiatives at the local level

The agreement will be reviewed annually.

The Council is a signatory to the original Nottingham Declaration, a pledge by more than 300 English Councils to address systematically the causes of climate change and to prepare their communities for its impacts, and as such is committed to action to tackle the causes and effects of climate change in the Bradford district.

The Public will be invited to submit comments on the draft DCCS once approved by the Environment and Waste Management Overview and Scrutiny Committee. In addition the public will be invited to submit climate change actions, for themselves as citizens or on behalf of organisations, which will be included in the final version of the strategy and its accompanying action plans.

Over the coming year the Council proposes to take steps to address the above matters to further enhance its governance arrangements. The Council is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Signed:
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Councillor Ian Greenwood, Leader of Council

Signed:
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Tony Reeves, Chief Executive
[Date]