CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011-12

AND

ANNUAL GOVERNANCE STATEMENT

Contents Page

Introduction to the Council's Statement of Accounts

The Council's financial statements are set out in the pages following this explanatory foreword. 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 2011-12. The money spent by the Council and where the money comes from is shown in a series of charts. There is a distinction between revenue spending (the annual cost of providing services) and capital expenditure; which has a long-term benefit for the citizens of the Bradford District.

2. Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

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. Councils raise taxation to cover expenditure in accordance with statute; this may be different from the accounting cost. The statutory position is shown in the Movement in Reserves Statement.

4. Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council.

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 Council during the reporting period.

6. Statement of Significant Accounting Policies

The Council has produced accounts under International Financial Reporting Standards (IFRS) since the 2010-11 financial year.

The Council's accounting policies set out the specific principles, bases, conventions, rules and practices applied by the Council 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 Council Accounting in the United Kingdom (the Code).

7. Notes to the Main Statements

The notes disclose information required by the CIPFA Code of Practice on Local Authority Accounting and information that makes the accounts easier to understand. They show the specific accounting policies and estimates used and breakdowns of figures shown in the main Financial Statements.

8. Collection Fund Statement

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.

9. The Group Accounts

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

10. The Pension Fund Account

As the Council 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.

11. 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.

12. 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 Council, 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 Council'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 he has issued:

- 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 Council'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 31 March 2012 and its income and expenditure for the year then ended. I authorise for issue the 2011-12 Statement of Accounts.

Signed:

Stuart McKinnon-Evans
Director of Finance
Date: 21 September 2012

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 21 September 2012.

Signed

Cllr Lynne Smith
Chair of Corporate Governance and Audit Committee
Date: 21 September 2012

Financial Summary

Background

The Council's financial result for 2011-12 needs to be considered in the context of a period of national economic and financial uncertainty. In the Comprehensive Spending Review 2010 (CSR) the Government set out its plans to reduce financial support for local authorities by 20% over the four years, a real terms decrease of 28% when inflation is accounted for. In the following January the Government confirmed in a two year financial settlement for Local Authorities that the reductions in funding would be significantly "front loaded" - meaning that the size of reductions in spending would be higher in the first two years of the CSR compared to the final two years.

For Bradford the settlement meant that it received in 2011-12 an 11.3%, £34.8m reduction in its general formula grant. In addition specific grants such as Working Neighbourhood and Local Enterprise Growth Initiative were cut by £19m. These losses were partially offset by an additional £6.2m NHS allocation for social care.

Overall the Council's "Spending Power" in 2011-12 (income from central government and Council Tax) was reduced by 8.8%. This was the highest reduction in West Yorkshire and double the average reduction in spending power for all local authorities in England.

In the CSR it was also announced that all local authorities that decided to freeze Council Tax in 2011-12 would be eligible for a grant equivalent to a 2.5% increase in Council Tax; the support continuing for the four years of the CSR. In 2011-12 the Council froze its Council Tax and received Government Grant of £4.08m.

2011-12 Revenue Budget

In approving a net expenditure budget for 2011-12 of £438.8m, the Council was required to make £48.7m savings; £44.1m (Service and Changing Our Council savings), and £4.6m from vacancy control and the top management restructure.

The scale of change was large, and the Council considered it prudent to set aside a budget of £4.5m to deal with any delays in implementing the proposals. The risk management plan was identified in the Council's total budget.

Driving out £48.7m of savings from the Council's cost base was always going to be very challenging. Forecasts in the first half of the year projected that the Council's spend in 2011-12 would significantly outstrip resources. However as the year progressed, financial grip, action taken to compensate for delays to making change and the receipt of unplanned income, all brought forecasts nearer to budgeted levels.

Out turn position

Key Messages

- Net revenue spending in 2011-12 was £433.5m, which is £5.3m (1.2%) lower than budgeted. The balance of £5.3m has been added to Corporate Reserves available to support future budget decisions.

- The £5.3m underspend is in line with the forecast reported at the 4th Quarter.

- The demand on the purchase care budget (£4.0m) is the key Service pressure that it was not possible to contain within the approved 2011-12 service budget. The reasons for this have been well explored and reported to Members in each of the quarterly Financial Reports to Executive.

- Since January 2012 the Council received £4.6m of one off income from the Government, PCT and Yorkshire Purchasing Organisation which it was not able to plan for when it set the 2011-12 budget.

- In arriving at the underspend of £5.3m Services have requested that £2.9m is transferred into a Better Use of Budget Reserve.

- Whilst savings were not always delivered in 2011-12 in accordance with the original £44.1m Changing our Council and Service savings plan, in a full year it is expected that £41.2m of the £44.1m savings will be achieved (94%). The shortfall primarily relates to Information Technology costs and has been addressed as part of the 2012-13 budget.

- The underspend of £5.3m was achieved against a clear trend in actual improvement in performance.

Explanation of major variances in spending against budget

	£m	£m
Composition of underspend in 2011-12		
Adult & Community Services	3.2	
Children's Services	-0.1	
Environment & Leisure	-1.2	
Regeneration & Culture	-0.8	
Office of the Director of Finance	1.4	
Office of City Solicitor	0.5	
Chief Executive's Office	-0.5	
Business Support	0.3	
Asset/property works	0.0	
		2.8
Variations in other costs		
Non Service Budgets	-1.5	
Contingencies not used	-2.1	
Risk Management Budget	-4.5	
		-8.1
Total variations in spending		**-5.3**
Transfer to Corporate Reserve		**5.3**
Impact on General Fund Balance		**0**

Explanation of major variances in spending by Services

For many Services, delays in the implementation of the Changing our Council Programme particularly reducing the number of management roles ("delayering") and the bringing together of common administrative functions into a single team had an adverse impact on their financial performance in 2011-12. To ensure costs were contained within budget, Service Managers exercised financial grip and identified compensating savings.

- **Adult and Community Services** (£3.2m overspend) The purchase of external care for nursing home and residential home placements (£4.0m overspend) was the main cost pressure. To limit the rise in costs due to an increase in demand, the Service sought to reduce the cost of packages of care without diluting the quality of services provided.
  The overall position for Adult Services was aided by an additional £4m on one off funding. This included £2m from the PCT to deal with a number of health related cost pressures and £1.5m from the Government allocated for investment in Social Care Services.

- **Children's Services** (£0.1m underspend) –The main change for the Service in 2011-12 was the transfer back to the Council of Education Services, which for the past ten years had been provided by Serco PLC. The transition on 29th July 2011 involved 1,305 staff. Specialist Services (Care Management Services, Adoption and Fostering) overspent by £1.5m, offset primarily by savings in the Access and Inclusion Service (mainly Early Years and Childcare Services).

- **Environment and Neighbourhoods** (£1.2m underspend) – significant underspends in Waste Collection and Disposals and Neighbourhood Services were partially offset by a £0.5m overspend on Sports and Leisure Facilities. Two key emerging trends in year were lower tonnage requiring disposal and a reduction in the distance waste has to be transported due to the increased utilisation of local contractors.
  The underspend on Street Cleaning (£0.7m) following a policy of strict vacancy control was partially offset by disappointing results for car park income. Whilst the number of Sports Facility users held up in 2011-12 income collected was not as high as budgeted.

- **Regeneration and Culture** (£0.8m underspend) – Cost restraint across the Service was combined with efforts to boost income through external trading. Within the net Planning, Transportation and Highways underspend of £0.1m, there were significant variations between the Planning function which overspent by £0.7m and the Highways function which primarily due to street lighting efficiencies underspent by £0.8m.
  A £0.3m contribution from School budgets towards the new Carbon Reduction Commitment tax and a similar underspend within the Economic Development Service contributed significantly to the Service's overall favourable financial performance.

- **Office of the Director of Finance** -During the year Members were advised that the ICT Service would be unable to deliver the £1.9m Bradford I contract savings approved as part of the 2011-12 budget proposals. To partially mitigate the overspend, discretionary spend with IBM was carefully managed leading to a final overall overspend of £1.4m.

- **Other Central Services** – During the year Business Support (£0.3m overspend) underwent significant organisational change. Whilst core staffing reduced by 22%, the scope of the service was expanded with the transfer of former Education Bradford Human Resources, Workforce Development and Information and Performance staff. In the Office of City Solicitor savings relating to Members' expenditure and external legal advice were not achieved leading to an overspend of £0.5m. Within the Chief Executive's office, prudent control over centralised budgets for print procurement and publicity materials continued to deliver significant savings (£0.5m).

- **Asset/Property works** – The Asset/Property works programme delivered £930k of full year revenue savings from vacating premises. In addition 275 employees adopted flexible working arrangements and a further 1000 were trained to work flexibly from 2012-13.

- **Non Service Budgets** – A combination of higher than forecasted average cash balances and investment returns, resulted in the Council earning £0.5m more bank interest than planned. The Council also benefited from a £0.6m Yorkshire Purchasing Organisation (YPO) Dividend paid to member authorities. Other positive variances totalled £0.4m

- **Contingencies:** The amount required for unforeseen events and waste management contingencies was £2.1m less than originally budgeted for, and the risk management budget was not required.

Schools' Delegated Budgets

At the end of the financial year 2011-12, school balances have reached £25.462m (an increase of £0.102m) and school contingencies and other balances have increased by £16.957m to £19.105m. After taking into account both increases, the overall level of school balances increased from £42.317m at 31 March 2011 to £44.567m at 31 March 2012.These sums have been carried forward to schools' budgets in 2012-13 in accordance with delegated arrangements.

Only one school was in deficit at 31 March 2012, compared to 2 at the end of 2010-11. In addition 62 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. At 31 March 2012 the General Fund balance remains at £10.803m and within the Council's policy of 2.5% of the net budget requirement.

Annual Performance

In 2011-12 62% of the Council's reportable performance indicators show an improved performance and the majority of targets have been achieved. At a time of major organisational change and reductions in staffing level this represents a significant achievement.

More Details

The Director of Finance presented his "Outturn Financial Statement for year ended 31 March 2012" to a meeting of the Council's Executive on 22 June 2012. The report provides more details of the Council's financial performance in 2011-12. This Committee also considered the Strategic Director Business Support's Annual Performance Outturn Report which set out where there has been notable improvements in performance over the last year. Both reports are public documents and can be viewed via the Council's Internet site www.bradford.gov.uk

How Much Money Did the Council Spend?

In 2011-12, the gross revenue expenditure on the provision of services was £1.452bn (£1.189bn in 2010-11). Included in this figure is £22.573m (£21.217m in 2010-11) paid to the West Yorkshire Integrated Transport Authority and £846k (£829k in 2010-11) paid in local precepts to Parish Councils. For a further breakdown of the amount spent on individual services, please see the following chart and the Comprehensive Income and Expenditure Statement (page 15).

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

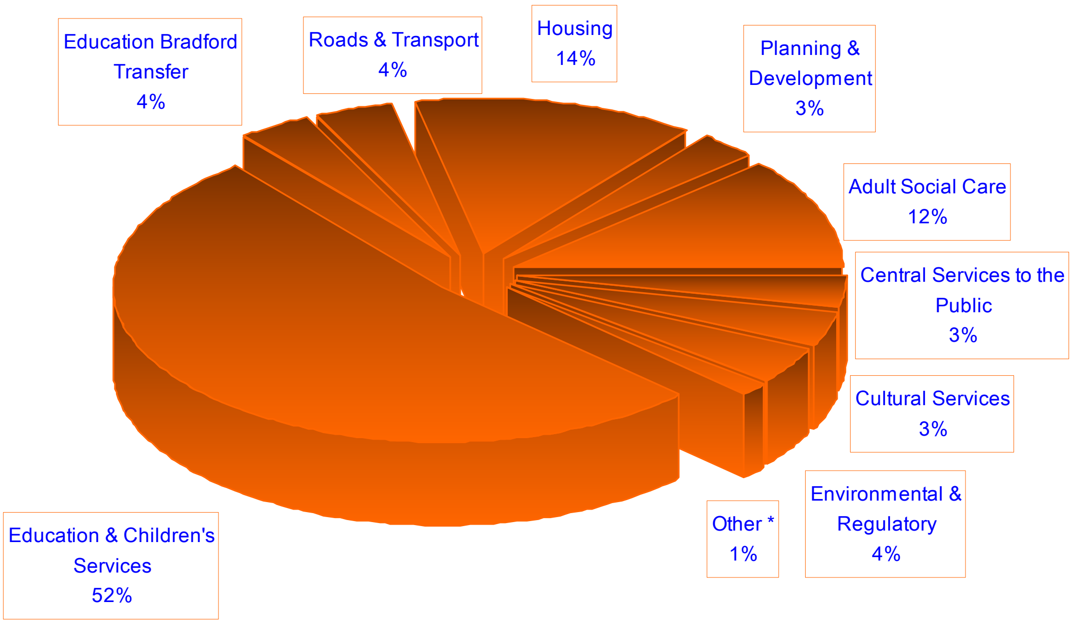
Where Did the Council Get Its Money?

The Council's General Fund revenue spending is funded through general government grants £114.638m (£96.878m in 2010-11), Council Tax £163.269m (£163.456m in 2010-11) and redistributed non-domestic rate income £209.204m (£237.482m in 2010-11). The government through specific grants provided a further £715.958m (£749.190m in 2010-11) of funding, of which £415.538m (£351.427m in 2010-11) 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?

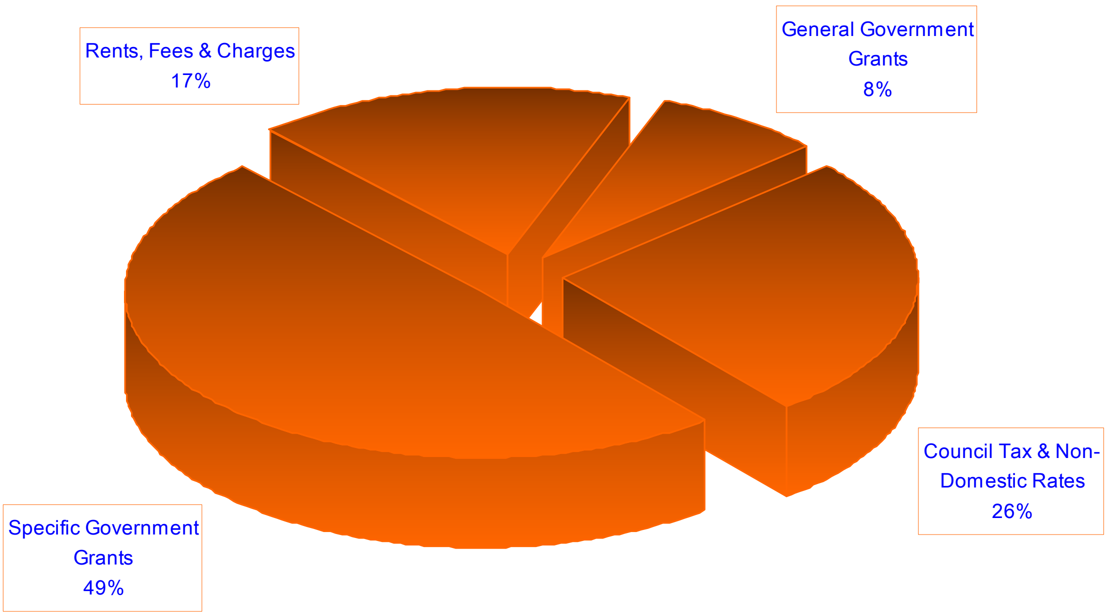
Total staff costs amounted to £597.785m (£579.974m in 2010-11). This includes staff in schools (£250.847m) and a one-off £26.052m pension adjustment for staff joining the Council from Education Bradford. In 2011-12, spending on other operating costs and capital financing costs was £647.746m (£625.470m in 2010-11) and Council Tax and rent benefits together totalled £206.173m (£193.556m in 2010-11).

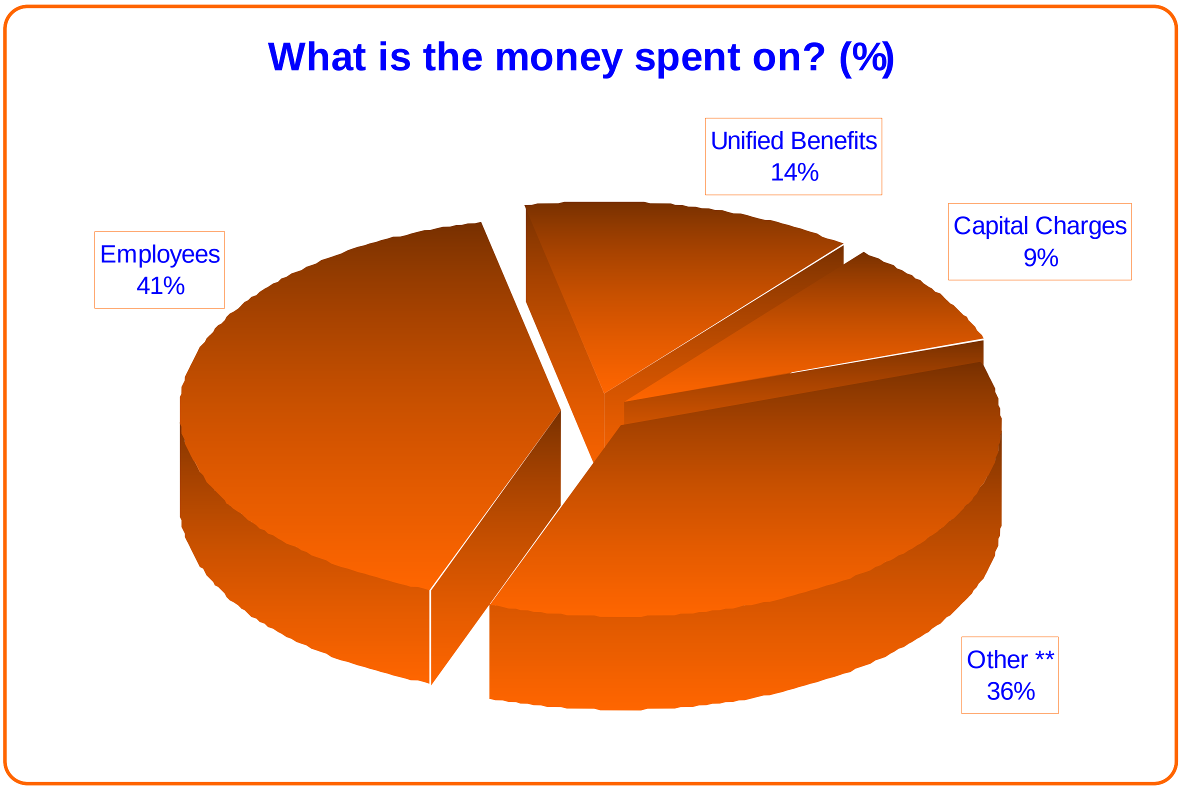
How much money did the Council spend? (%)



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

Where did the Council get its money? (%)





** “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 Council's own limits on the level and structure of its external borrowing.

In 2011-12 the cost of most Council 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 2011-12

The Council spent £224.7m in the year (£187.3m in 2010-11) including £90.6m of capitalised Private Finance Initiative (PFI) and other finance lease costs. This was £17.4m less than planned, predominantly due to delays in projects commencing and completing as well as some underspends. The variance will not create extra resources, as spending is re profiled to take place in 2012-13.

Where the Money Came From

The spending of £224.7m was funded as follows:

- £39.2m (18%) by external borrowing generating capital financing charges which will form part of future revenue spending.
- £81.7m (36%) from government and other grants.
- £7.0m (3%) from revenue contributions and other revenue reserves.
- £6.2m (3%) from capital receipts from the sale of land and buildings.
- £90.2m (40%) from the Private Finance Initiative.
- £0.4m (0%) from other Finance Leases.

Major Capital Schemes in 2011-12

The table opposite shows the expenditure in 2011-12 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes Expenditure 2011-12

	Main Schemes £000	Total Spend £000
Adult and Community Services		**685**
Children & Young People		**91,787**
Devolved Formula Capital	7,138	
Primary Capital Programme	8,690	
Capital Improvement Programme	861	
Academies Programme	30,698	
Primary Schools Expansion Programme	19,719	
Capital Maintenance Grant	2,380	
Other Children & Young People	22,301	
Finance		**560**
Bradford-I Contract	560	
Legal		**-55***
Environment and Sport		**2,776**
Replacement of Vehicles	1,530	
Other Environment & Sport	1,246	
Culture & Tourism		**592**
Property & Economic Development		**15,545**
Council Buildings	5,549	
City Park	8,546	
Other Property & Economic Development	1,450	
Climate, Housing, Employment & Skills		**11,057**
New Affordable Housing – Beech Grove	4,229	
Development of Equity Loans	335	
Carbon & Other Efficiencies	299	
Other Climate, Housing & Skills	6,194	
Planning		**274**
Highways & Transport		**10,842**
Integrated Transport	1,158	
Local Integrated Transport	921	
Connect 2 (Manchester Road Footbridge)	1,743	
Other Highways & Transport	7,020	
PFI & Other Finance Leases		**90,637**
Southfield Special School	25,367	
Grange School	25,367	
Hanson School	39,542	
Other Schools' Finance Leases	361	
Grand Total		**224,700**

(* This is an accounting adjustment and relates to a retention that was owed at 31 March 2011 but which no longer has to paid over.)

Capital Borrowing and Sources of Finance

The Prudential Code defines the Capital Financing Requirement (CFR) as the measure of a Council's borrowing for capital purposes. It is one of the indicators a Council must set and monitor against each year to ensure capital spending and borrowing are affordable.

The Council's CFR at 31 March 2012 is £706m which is within the indicator it set for the year of £722m.

In view of the continued precarious economic climate and the Council's aspirations for inward investment and city regeneration, Members requested a thorough review of the Capital Programme. The review included 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 also aligned capital and revenue resources and investigated options for increasing the capital resources available to the Council.

In the absence of certainty regarding the accounting treatment for the various categories of schools; - Community, Voluntary Controlled, Voluntary Aided, Foundation, Trust and Academies, the Council has had to make a judgement on which schools should be included on the Council's Balance Sheet. This judgement based on who owns the land, controls the asset and has access to future service potential is set out in the Critical Judgements in Applying Accounting Policies Note on page 32 and summarised in the Table below.

Type of school	2010-11	2011-12	Accounting Treatment
Community	111	110	On Balance Sheet
Special Schools	7	7	On Balance Sheet
Foundation	13	13	Off Balance sheet
Voluntary Aided	36	35	Off Balance sheet
Voluntary Controlled	15	14	Off Balance sheet
Academies*	5	7	Off Balance sheet
Trust	3	4	Off Balance sheet
TOTAL SCHOOLS	**190**	**190**	
Nurseries	7	7	On Balance Sheet

* Academies include 2 schools that have not previously been LEA controlled – Bradford Academy & Dixon's City College.

In 2011-12 Statement of Accounts the Council determined that four Trust Schools; - Thornton Grammar, Tong, Buttershaw and Aire Valley/Nab Wood and one Foundation School (Queensbury) should be removed from the Council's 31 March 2012 Balance Sheet. As the date of implementation for transferring the ownership of the schools from the Council to a Trust for two of the schools, Aire Valley and Buttershaw was in 2009-10 and for Tong in 2010-11, the 2010-11 Comprehensive Income and Expenditure Statement, page 15, and Balance Sheet, page 16, have been restated to reflect the derecognition of these school assets in those years.

At the same time as £112m has been removed from the closing 31 March 2012 Balance Sheet for the four Trust Schools and one Foundation School, £51m has been added for the two new Phase 2 PFI schools Grange and Southfield (Note 6, page 39). Hanson, the third Phase 2 PFI School to be opened in 2011-12, is a Foundation School. As such it has not been included on the Council's Balance Sheet and the in year capital expenditure of £39.5m has been treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS) Note 35, page 69. Further information on the Council's Building Schools for the Future Programme is set out in the following paragraph and in Note 33, page 67.

The 2011-12 changes in school status and its impact on the Statement of Accounts is summarised as follows:-

- Thornton Grammar (previously a Foundation School) converted to a Trust School and Queensbury (previously a Community School) became a Foundation School. Queensbury was derecognised in the Balance Sheet by a disposal for nil consideration in the 2011-12 CIES.
- £51m added to Property, Plant and Equipment assets for Grange and Southfield. The schools continue to be Community Schools. The £39.5m PFI expenditure on Hanson (Foundation School) is treated as REFCUS and not added to Property, Plant and Equipment assets in the Balance Sheet.
- Feversham College and Ilkley Grammar became Academies. As these were previously VA and VC schools and already not included on the Council's Balance Sheet there was no change to the closing Balance Sheet.

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.

2011-12 saw the completion of BSF Phase 2 with the opening of the final three schools, Hanson, Grange Technology College and Southfield Special School. At the same time work started on the new Academy Schools, Appleton and Dixons Allerton Academy. Overall since 2008-09 BSF Phase 1 and Phase 2 has seen £285.011m (excluding ICT) invested in seven mainstream and three co located Special Needs Secondary Schools in the District. In addition Phase 2 also incorporated 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.

Following the Government's announcement in the summer of 2010 that no BSF Phase 3 building projects would be progressed, in May 2012 the Council heard that four schools, Belle Vue Boys, Carlton Bolling College, Oakbank and Samuel Lister Academy would qualify for funding under the Government's priority School Building Initiative. This scheme is designed to provide schools with the highest refurbishment standards.

Provision of Education Services transferring from SERCO Plc

The contract with Serco Plc, operating locally as Education Bradford (EB), for provision of education services ended at midnight on 29 July 2011 and 1,305 staff transferred back to the Council. To oversee the transfer of the functions that were previously undertaken by Serco/Education Bradford an Education Services Review Programme was established. The overarching principle behind the programme was to provide a stable and steady platform for the transition with no dip in educational attainment. This it successfully achieved.

Having initially focused on the transition of the functions formerly undertaken by Education Bradford, work commenced in the second half of the financial year on a transformational change programme. A new Education Improvement strategy has been launched that sets out how the Council will work closely in partnership with all schools and education providers to raise educational outcomes and provide Bradford's children and young people with the best possible opportunities to learn and develop, allowing them to achieve their full potential.

In the Comprehensive Income and Expenditure statement on page 15, the money the Council spent on former EB services has been shown separately as an acquired service transferring from SERCO Plc.

The gross expenditure figure of £52.610m includes net pension costs of £26.052m for former Education Bradford staff who transferred back to the Council on 30 July 2011. This figure was calculated in accordance with International Accounting Standard 19 (IAS 19) by the Council's actuary. It is nearly £24.4m higher than the figure of £1.7m that was calculated in May 2011, in advance of the actual transfer of Education Bradford on 30 July 2011.

This was due to the use of different assumptions, most significantly, a lower discount rate for the IAS 19 calculation. A lower discount rate results in an increase in liabilities.

It is important to note that although the net liabilities of £26.052m have been recognised as gross expenditure in the Comprehensive Income & Expenditure Statement, no corresponding payment to West Yorkshire Pension Fund (WYPF) was necessary, as the Council's contribution payments to WYPF are based on a rate that was set for the 3 years from 1 April 2011 to 31 March 2014, following an actuarial valuation of WYPF's assets and liabilities at 31 March 2010.

Changing our Council (ChOC)

The original aim of ChOC was to deliver a balance of business reform and cost reduction over a three year period. However due to the significant reduction in government funding experienced by the Council in 2011-12, the emphasis in 2011-12 was on cost reduction with the six work streams being set a target to deliver £21.4m of savings. This was in addition to the £22.6m individual saving proposals that Services were expected to achieve.

Given such a challenging transformational agenda which involved complex staffing negotiations, this meant that the savings were realised at various points throughout the year. However whilst the part year savings only achieved £9.7m, it is expected with the exception of the £2.8m saving proposal in respect of the ICT contract, the full year effect (£21.4m) will be achieved in 2012-13.

Material or Unusual Charge or Credit in the Accounts

Termination costs of £9.706m (primarily redundancy and retirement pension costs) were charged to Services in 2011-12. The costs arose as part of the Council's plans to address the impact of significant Government grant reductions in 2011-12 and beyond. The cost was fully funded from money set aside in the Severance Reserve and from planned savings on capital financing costs in 2011-12.

In February 2012 it was confirmed by HMRC that VAT does not need to be charged on Trade Waste Collection and on 8th March 2012, the Council heard that a claim it submitted in March 2009 for Trade Waste Services would be settled. The Council therefore received a refund of £2.2m overpaid VAT for the period 1 April 1976 to 4th December 1996 together with statutory interest totalling £2.2m. As with previous VAT refunds Members agreed to transfer the money into a ring fenced reserve pending a decision on its application.

Material Write-offs during the Year

There were no material write–offs in either 2010-11 or 2011-12.

Significant Provisions or Contingencies at 31 March 2012

The provisions total £29.962m at 31 March 2012 (£27.493m at 31 March 2011) and are included in Note 17 on page 46. They are split on the Balance Sheet between short term, (up to one year from the Balance Sheet date), and long term.

The key provisions remain for the implementation of equal pay, and for insurance risks which are not covered by the Council's external insurers. The insurance risks provisions are called Injury and Damage Compensation Claims, as well as Outstanding Legal Cases. In addition in 2011-12 five new provisions were created for:-

- Payments to Municipal Mutual Insurance (MMI) , the Council's insurer from 1974 to 1993 – £0.606m.
- To repay personal search fees wrongly charged by the Council since January 2005 - £0.881m.
- To cover the cost of back pay payments to staff affected by the implementation of a new equality pay proof structure- £2.295m – called Single Status.
- Future termination costs arising from 2012-13 saving proposals approved as part of the 2012-13 Budget. - £2.982m.
- To meet the Council's Carbon Reduction Commitment - £0.814m.

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. The 2011-12 figure includes net liabilities of £26.052m that relate to former Education Bradford staff who transferred back to the Council at the end of July.

At 31 March 2012 the deficit on the Pensions Reserve calculated by the Actuary was £766m, an increase of £261m when compared to the figure at 31 March 2011 of £505.2m.

Non Current Assets

For the first time in 2012-13 Councils have been required to include Heritage Assets in their Balance Sheet. For Bradford this means recognising works of art and exhibits held in Museums £19.1m and its collection of civic regalia £1.7m. The policy of the Council is to manage and preserve its heritage assets and has no plans to dispose of them. Further details can be found in Note 9 on page 42.

Net Worth

The net worth of the Council is £79.898m, a reduction of £339.822m. The main reason is:

- The increase in the pension fund liability of £260m, as a result of the decline in the value of pension investments following the reduction in stock market values and a change in assumptions regarding pension liabilities.

Council Tax and Non Domestic Rate Collection

At 31 March 2012, the Council had collected 95.2% of the value of Council Tax bills sent out for 2011-12, (93.9% for 2010-11). For non-domestic rates, 95.7% of the value of 2011-12 bills had been collected compared to 96.5% in 2010-11.

The collection rate for Council Tax exceeds the target set for the year and is also one of the highest achieved in recent years. Conversely the drop in business rates collection rates is due to changes in empty property exemptions and the continuing challenging economic climate. 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 a closing surplus position at 31 March 2011 of £2.338m to a closing deficit position at 31 March 2012 of £0.645m. The deficit shown in the Collection Fund Adjustment Account is £0.552m, Bradford's share (86%) of the overall deficit of £0.645m.

Looking Forward to 2012-13 and beyond

The Comprehensive Spending Review 2010 (covering the period from 2011-12 to 2014-15) laid down a clear medium term view of the resources within which local authorities would need to plan and manage their resources. Two years later the economic outlook remains uncertain and early indications are that real term reductions in public sector expenditure will extend well beyond the current CSR into 2015-16 and 2016-17.

In the short term in 2012-13 Bradford's formula grant allocation has been reduced by £21.5m (7.9%). This is in addition to the £34.9m (11.33%) reduction in 2011-12. This means that to ensure that the Council contains expenditure within its resources in 2012-13 it will have to deliver savings totalling £28.5 m. If successful this means that over the past two years the Council has reduced its cost base by £77.2m.

Changing Local Government Finance Landscape

Currently, over 60% of the Council's net expenditure is funded from formula grant, a general Government grant. From 1 April 2013 this will change. Under new funding arrangements the Council will retain 50% of the business rates it collects (its local share) and pay the other 50% over to the Government. In addition because the Council's local share will be less than the government's assessment of the Council's funding needs it will receive a top up grant. Going forward the Council will be able to retain its local share of any increase in Business rates and conversely if Business Rates income declines below a certain level, the Council will qualify for a safety net payment. The third new income stream will be a Revenue Support Grant. The Council will not know with certainty how much funding it will be entitled to in 2013-14 until the Government makes its provisional local government settlement known in December 2012.

The new arrangements allow Councils to submit plans to come together and pool the business rates they collect. If approved by the Government, the Councils that form a pool will be treated as a single top up or tariff authority. The Council is currently working with authorities in the region to establish whether there are any advantages of applying to pool Business Rates.

Another key change to be introduced in April 2013 is the abolition of Council Tax benefit. Instead the Council will be required to design and implement a local Council Tax Support scheme which will enable eligible Council Tax payers to a discount on their Council Tax bill. In return the Council is expected to receive funding which will be at least 10% lower than forecasted Council Tax benefit for 2013-14.

To partially alleviate budget shortfalls and keep the overall level of Council Tax down, the Council potentially has enhanced flexibilities around Council Tax discounts and premiums. At a meeting of the Executive on 22 June 2012, Members instructed officers to commence a consultation on implementing these changes.

Other Changes

Transfer of Public Health to the Council

From 1st April 2013 the Public Health function will transfer from the Primary Care Trust (NHS Airedale, Bradford and Leeds) to the Council. The Department of Health will pay a ring fenced grant to the Council to cover the Public Health function but it is not known yet what the level of ring fenced grant will be. A Shadow Health and Wellbeing Board has been established to take oversight of all health and social care commissioning within the District.

Academy Schools

In 2011-12, only two schools (Feversham College and Ilkley Grammar) converted to Academy status but going forward it is expected that the Council will see a significant increase in the take up of schools, especially secondary schools wishing to convert to Academy status.

Stuart McKinnon-Evans
Director of Finance

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that are real cash) and other non cash reserves. The closing 31 March 2012 General Fund Balance of £55.371m comprises £10.803m (£10.803m in 2010-11) balances generally available to the Council and £44.568m (£42.317m in 2010-11) cash balances held on behalf of schools under the Local Management Scheme.
The deficit on the Provision of Services line of £114.455m (surplus of £151.059 in 2010-11) within the Income and Expenditure account is reversed out of usable reserves into unusable reserves. This is because by statute many of the accounting transactions making up the deficit cannot be charged against the General Fund Account. Unusable reserves have further reduced by £225.36m (increase of £247.474m 2010-11) due to accounting transactions excluded from the deficit on provision of services. The most significant of these is the increase to the estimated pension fund liability of £233.959m.

			General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
			Note 2	Note 2	Note 2	Note 2	Note 2 & Balance Sheet	Note 18 & Balance Sheet	Note 18
			a	b	c	d	e	f	g
							(a+b+c+d)		(e+f)
			£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	a		**47,338**	**78,196**	**5,054**	**54,962**	**185,550**	**-164,363**	**21,187**
Movement in reserves during 2010-11									
Surplus/deficit(-) on provision of services , (page 15)	b		151,059	0	0	0	151,059	0	151,059
Other Comprehensive Income and Expenditure (page 15)	c		0	0	0	0	0	247,474	247,474
Total Comprehensive Income and Expenditure (page 15)	d	b+c	**151,059**	**0**	**0**	**0**	**151,059**	**247,474**	**398,533**
Adjustments between accounting basis & funding basis under regulations (Note 1)	e		-143,350	0	-5,054	-4,844	-153,248	153,248	0
Net Increase/Decrease(-) before transfers to Earmarked Reserves	f	d+e	**7,709**	**0**	**-5,054**	**-4,844**	**-2,189**	**400,722**	**398,533**
Transfers to/from Earmarked Reserves (Note 2)	g		-1,927	1,927	0	0	0	0	0
Increase/Decrease(-) in 2010-11	h	f+g	**5,782**	**1,927**	**-5,054**	**-4,844**	**-2,189**	**400,722**	**398,533**
Balance at 31 March 2011	i	**a+h**	**53,120**	**80,123**	**0**	**50,118**	**183,361**	**236,359**	**419,720**
Movement in reserves during 2011-12									
Surplus/ (deficit) on provision of services (page 15)	j		-114,455	0	0	0	-114,455	0	-114,455
Other Comprehensive Income and Expenditure (page 15)	k		0	0	0	0	0	-225,367	-225,367
Total Comprehensive Income and Expenditure (page 15)	l	**J+k**	**-114,455**	**0**	**0**	**0**	**-114,455**	**-225,367**	**-339,822**
Adjustments between accounting basis & funding basis under regulations (note 1)	m		131,125	0	192	-9,153	122,164	-122,164	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	n	**l+m**	**16,670**	**0**	**192**	**-9,153**	**7,709**	**-347,531**	**-339,822**
Transfers to/from Earmarked Reserves (note 2)	o		-14,419	14,419	0	0	0	0	0
Increase/Decrease(-) in 2011-12	p	n+o	**2,251**	**14,419**	**192**	**-9,153**	**7,709**	**-347,531**	**-339,822**
Balance at 31 March 2012	q	i+p	**55,371**	**94,542**	**192**	**40,965**	**191,070**	**-111,172**	**79,898**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost during 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 Restated	2010-11 Restated	2010-11 Restated		2011-12	2011-12	2011-12
Gross Expenditure	**Income**	**Net Expenditure**		**Gross Expenditure**	**Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
50,917	-44,539	6,378	Central Services to the Public	50,118	-43,253	6,865
59,831	-18,091	41,740	Planning and Development Services	41,770	-16,918	24,852
56,756	-17,996	38,760	Cultural and Related Services	49,177	-17,539	31,638
73,949	-20,969	52,980	Environmental and Regulatory Services	57,729	-15,263	42,466
709,253	-561,700	147,553	Education & Children's Services	756,383	-520,904	235,479
60,763	-10,484	50,279	Highways & Transport Services	55,400	-9,746	45,654
194,928	-163,398	31,530	Housing Services	200,502	-172,910	27,592
169,100	-41,620	127,480	Adult Social Care	168,787	-41,536	127,251
-201,941	0	-201,941	Exceptional Items	0	0	0
10,899	-173	10,726	Corporate & Democratic Core	11,012	-2,453	8,559
4,407	-612	3,795	Non Distributed Costs	7,570	-768	6,802
1,188,862	**-879,582**	**309,280**	**Cost of services before Acquired Operations**	**1,398,448**	**-841,290**	**557,158**
0	0	0	Services transferred in respect of Education Bradford (Note 21)	52,610	-2,195	50,415
1,188,862	**-879,582**	**309,280**	**Cost of services**	**1,451,058**	**-843,485**	**607,573**
		48,765	Other Operating Expenditure (Note 5a)			18,314
		40,684	Financing and Investment income and expenditure (Note 5b)			44,954
		-549,788	Taxation and non-specific grant income (Note 5c)			-556,386
		-151,059	**Surplus (-) /Deficit on Provision of Services**			**114,455**
		-106,692	Surplus (-)/Deficit on revaluation of non current assets			-8,593
		-140,782	Actuarial (gains)/losses on pension assets & liabilities			233,959
		-247,474	**Other Comprehensive Income and Expenditure**			**225,366**
		-398,533	**Total Comprehensive Income and Expenditure**			**339,821**

In 2011-12 there was a deficit for the year on the Provision of Services of £114.455m (surplus of £151.059m in 2010-11). The deficit is largely due to the de-recognition of school assets (shown in Other Operating Expenditure) and revaluation losses (shown in the net cost of services). Other Comprehensive Income and Expenditure shows other costs due to the increase in the pension fund liability. However, after reversing out, through the Movement in Reserves Statement, and including the Movement in Earmarked Reserves, there was an increase of £2.251m in school balances and no change on the General Fund Balance.

In addition, there was an actuarial pension loss of £233.959m, and £8.593m revaluation gains in the CIES which were also reversed out through the Movement in Reserves Statement into Unusable Reserves.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, which represent real cash available to the Council to provide services. The Council 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".

01 April 2010 Restated	31 March 2011 Restated		31 March 2012	*Notes*
£000	£000		£000	
1,120,423	1,261,264	Property, Plant and Equipment	1,285,338	*Note 6*
18,370	20,804	Heritage Assets	20,804	*Note 9*
65,616	74,433	Investment Property	65,399	*Note 10*
10,795	9,010	Intangible assets	7,598	*Note 11*
1	1	Long term investment	1	*Note 13*
3,174	2,808	Long term debtors	2,657	*Note 14*
1,218,379	**1,368,320**	**Long Term Assets**	**1,381,797**	
63,260	64,073	Short Term Investments	57,768	*Note 15*
679	203	Assets Held for sale	0	*Note 16*
1,475	1,886	Inventories	2,250	*Note 15*
125,878	100,542	Short Term Debtors	85,365	*Note 15*
93,553	115,773	Cash and Cash Equivalents	118,011	*Note 15*
284,845	**282,477**	**Current assets**	**263,394**	
-5,749	-4,094	Cash and Cash Equivalents	-7,171	*Note 15*
-11,620	-6,760	Short term borrowing	-6,762	*Note 44*
-107,241	-123,434	Short Term Creditors	-115,188	*Note 15*
-4,735	-13,619	Provisions	-15,281	*Note 17*
-129,345	**-147,907**	**Current Liabilities**	**-144,402**	
-21,555	-13,874	Provisions	-14,681	*Note 17*
-411,161	-411,323	Long term borrowing	-411,485	*Note 44c*
-912,801	-651,896	Other Long Term liabilities	-988,672	*Note 36*
-502	-401	Deferred income	-301	*Note 37*
-6,673	-5,676	Capital Grants Receipts in Advance	-5,752	*Note 42*
-1,352,692	**-1,083,170**	**Long Term Liabilities**	**-1,420,891**	
21,187	**419,720**	**Net Assets**	**79,898**	
-185,550	-183,361	Usable Reserves	-191,070	*Note 2*
164,363	-236,359	Unusable Reserves	111,172	*Note 18*
-21,187	**-419,720**	**Total Reserves**	**-79,898**	

The total assets less liabilities of the Council are financed by movements in reserves. There was a reduction in total reserves of £339.822m, from a surplus of £419.720m (restated) at 31 March 2011 to a surplus of £79.898m at 31 March 2012. The main reason for the reduction in reserves is an increase of £260.334m in the notional pension reserve deficit, from £505.172m at 31 March 2011 to £765.506m at 31 March 2012.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council 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 Council'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 Council.

2010-11		**2011-12**
£000		**£000**
Restated		
-151,059	Net (surplus) or deficit on the provision of services (Comprehensive Income and Expenditure page 15)	114,455
11,137	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 19 d)	-261,176
59,605	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	75,687
31,242	Interest and dividends received and paid	39,508
-49,075	**Net cash flows from Operating Activities (Note 19 a)**	**-31,526**
13,437	Investing Activities (Note 19 b)	32,875
11,764	Financing Activities (Note 19 c)	-511
-23,874	**Net (increase) or decrease in cash and cash equivalents**	**838**
	Balance Sheet Movement	
87,805	Cash and cash equivalents at the beginning of the reporting period (Note 15, page 45) (Balance Sheet page 16: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	111,678
111,679	Cash and cash equivalents at the end of the reporting period (Note 15, page 45) (Balance Sheet page 16: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	110,840
-23,874	**Net (increase) or decrease in cash and cash equivalents**	**838**

Statement of Significant Accounting Policies

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 Council the following disclosure requirements are not relevant for the 2011-12 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 Council has not entered into any such activities.
- Business Improvement District (BID) schemes: No such schemes have been established by the Council.
- 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 Council has no HRA and none of its trading services uses a material level of the overall net assets.

The accounts have been prepared in accordance with:

- the Accounts and Audit Regulations 2011.
- International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board,).
- 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).
- CIPFA's Treasury Management in the Public Service Code of Practice.
- The Service Reporting Code of Practice (SeRCOP) 2011-12.

Fundamental Accounting Principles

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

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 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.

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.

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, but in the balance sheet these are shown gross.

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 & Skills (DfES).

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.
- 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.

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 Pension Reserve, see page 57

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 2011-12 figures are based on actual take-up levels up to 31 March 2011.

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 Council.

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.

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 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.

Where grants can be treated as revenue or capital, they will in the first instance be treated as revenue grants, with the expectation that the grants are credited to the Comprehensive Income and Expenditure account and then transferred to a grant earmarked reserve. There is an expectation that the grants will be credited in full into the Comprehensive Income and Expenditure statement because where grants can be used either for a capital or revenue purpose, it is likely that the Council has met the conditions of the grant. In the unlikely event that the conditions have not been met, the grant will be treated as a receipt in advance and carried forward into the next financial year as a liability on the balance sheet.

Some grants credited to the grant earmarked reserves will be used for a capital purpose. In these instances, they will be transferred directly to the Capital Adjustment Account via the Movement in Reserves Statement as an adjustment between accounting basis and funding basis under regulations. This will have no impact on the net assets of the Council.

Prior to the implementation of the above policy, some grants may have been credited to the capital grants unapplied reserve when they can be used for either a revenue or capital purpose. Where this has happened and grants have previously been credited to the capital grants unapplied reserve but are then identified as resourcing for a revenue purpose within the rules of the grants, they will be transferred directly via the Movement in Reserves from the capital grants unapplied reserve and into the grant earmarked reserve.

xi. Heritage Assets

A new class of assets has been introduced in 2011-12, in accordance with the Code. These are assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are valued at either historical cost or a cost commensurate with the benefits to users and are not depreciated. The 2010-11 accounts have been restated as if the accounting policy for heritage assets had always been in place. These assets are also classified as operational heritage assets where they are in addition to being held in trust for future generations, also used by the Council for other activities and services. In such cases, the assets are classified, valued and depreciated in accordance with their general type, for instance buildings.

xii. 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 Expenditure line 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.

xiii. 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.

The Council has financial relationships with a number of subsidiary and associated companies, in the main to manage the Building Schools for the Future (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).

xiv. 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.

xv. 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.

xvi. 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.

xvii. 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 assets 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 Council does not have the risks and rewards of ownership, the rental income is shown in the Income and Expenditure account.

The Council as Lessor

Finance Leases

Where the Council grants a lease on one of its assets, 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 the 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.

xviii. 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 Service Reporting Code of Practice 2011-12 (SeRCOP). 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 SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xix. 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, and assets under construction – depreciated historical cost.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- community assets – the Council has opted to value community assets at valuation rather than historical cost.
- 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 is to apply component accounting to all assets being 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.

xx. 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.

xxi. 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.

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 uncollectable 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.

xxii. 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 usable reserves and itemised in Note 2 on page 36.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These reserves are classed as unusable resources and explained in Note 18 on page 47.

xxiii 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.

xxiv. 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.

xxv. 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.

xxvi. 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.

xxvii. Acquired and Discontinued Operations

Where the Council, has acquired material operations, or discontinued operations, further details will be provided. The acquired or discontinued operations will also be shown separately in the Comprehensive Income and Expenditure Account.

Disclosure Requirements

The Code requires disclosure of any material restatements relating to previous years. These are detailed below:

1. Heritage Assets

In the 2011-12 financial statements, there is a new requirement under the Code to follow accounting standard FRS 26, which relates to Heritage Assets. The accounting standard requires Councils to disclose any heritage assets that they own. Heritage Assets have historical, artistic, scientific, geophysical and environmental qualities.

The financial statements have to show the position as if the accounting standard had always been followed. As the introduction of the new standard will materially increase the Council's non-current assets, there is also a requirement to restate for the 2010-11 and 2009-10 financial years.

The restatement for Heritage Assets has changed a number of financial statements, including Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the Revaluation Reserve. The only disclosure note that has changed in 2009/10 as a result of the restatement is the Revaluation Reserve. The changes in 2009/10 for the revaluation reserve have been shown in the relevant disclosure notes (see Note 18). The other balance sheet disclosure notes which are unaffected by the restatement have not had the 2009/10 year shown.

	Previous Statements 2009-10 £000	Previous Statements 2010-11 £000	Restated 2009-10 £000	Restated 2010-11 £000
(a) Balance Sheet				
Heritage Assets	0	0	18,370	20,804
Revaluation Reserve (Revaluation on assets not charged to the surplus/deficit on the provision of services)	0	0	18,370	20,804
(b) Comprehensive Income & Expenditure				
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets	0	104,256	0	106,692
(c) Movement in Reserve Statement				
Other Comprehensive Income & Expenditure	0	245,040	0	247,474

2. Cultural, Environmental, Regulatory & Planning Services

Within the net cost of services in the Comprehensive Income and Expenditure account, one of the expenditure classifications has been split into its constituent elements.

	Previous Statements 2010-11 Expenditure £000	Previous Statements 2010-11 Income £000	Restated 2010-11 Expenditure £000	Restated 2010-11 Income £000
Prior to Restatement				
Cultural, Environmental, Regulatory & Planning Services	**190,536**	**-57,056**		
Restatement				
Planning & Related Services			59,831	-18,091
Cultural & Related Services			56,756	-17,996
Environmental & Regulatory Services			73,949	-20,969
Total			**190,536**	**-57,056**

3. Revenue Grants

The note on revenue grants was produced on a cashflow basis in the 2010-11 statement of accounts. This has now been restated on an accruals basis.

	2010-11 Original £000	2010-11 Restated £000
Credited to Services		
Dedicated Schools Grant (DSG)	350,283	351,427
Rent Allowance Subsidy	157,252	154,338
Education and schools	118,213	118,863
Council Tax benefit and benefits administration	44,655	44,439
Early years	26,187	25,763
Supporting People	0	0
European Union	1,949	2,857
PFI Revenue Support	9,005	10,529
Arts, Heritage & Leisure	1,338	1,409
Local Area Agreement (LAA)	7,256	6,438
Social services carers	2,441	3,364
Personal social services	2,133	2,042
Drug Intervention Programme	2,756	1,854
Health education	597	1,299
Safer communities	506	593
Contribution to cost of NDR collection	763	745
Asylum accommodation	515	480
Youth training	1,026	1,040
Miscellaneous under £500k	1,808	1,978
REFCUS	13,043	13,043
Total	**741,726**	**742,501**
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	34,485	34,485
Non Domestic Rates Redistribution	237,482	237,482
Area Based Grant	62,393	62,383
Total	**334,360**	**334,350**

4. Property, Plant and Equipment Gross Book Values

The most significant change is on Community Assets. Past impairments have been recategorised as revaluation losses following a judgement that changes in value in previous years were caused by changes in fair values rather than economic consumption.

Amendments have also been made to the other asset categories, especially other land and buildings.

This restatement has no impact on the balance sheet.

	2010-11 £000 Original	2010-11 £000 Restated	2010-11 £000 Variance
Gross Book Value			
Other Land & Buildings	1,117,039	1,113,788	-3,251
Vehicles, Plant, Equipment & Furniture	52,253	52,325	72
Infrastructure	239,573	239,573	0
Community Assets	32,423	19,577	-12,846
Surplus Assets	30,122	28,927	-1,195
Assets Under Construction	21,495	21,495	0
Total Property, Plant & Equipment	**1,492,905**	**1,475,685**	**-17,220**
Accumulated Depreciation & impairment			
Other Land & Buildings	-22,197	-18,946	3,251
Vehicles, Plant, Equipment & Furniture	-35,932	-36,004	-72
Infrastructure	-60,413	-60,413	0
Community Assets	-12,817	29	12,846
Surplus Assets	-1,389	-194	1,195
Assets Under Construction	0	0	0
Total Property, Plant & Equipment	**-132,748**	**-115,528**	**17,220**
Net Book Value	**1,360,157**	**1,360,157**	**0**

This table shows the restatement before the amendment for Trust Schools, shown below in Note 8.

5 Council Tax Base 2010/11

Within the notes to the Collection Fund, the Council Tax base shown in the 2010/11 accounts related to 2011/12. The 2010/11 Council Tax base is restated below.

Council Tax Band	**2010-11 £000 Original**	**2010-11 £000 Restated**	**2010-11 £000 Variance**
A*	72	72	0
A	49,409	48,003	-1,406
B	29,772	29,143	-629
C	30,308	29,943	-365
D	15,295	15,091	-204
E	13,087	12,945	-142
F	7,453	7,387	-66
G	5,359	5,338	-21
H	443	426	-17
Total Band D equivalent	**151,198**	**148,348**	**-2,850**
Adjustment for estimated losses on collection	-2,268	-1,998	270
Council Tax Base	**148,930**	**146,350**	**-2,580**

6. The Dedicated Schools Grant

The Dedicated Schools Grant was restated for the 2010/11 comparatives, so that the carry forward into 2011/12 is shown as £1,194,000, see below:

	2010-11 Original £000 Original	**2010-11 Restated £000 Restated**	**2010-11 £000 Variance**
Carry Forward Over/Underspend	437	1,194	757

7 Transactions Relating to Post-employment Benefits

Within Note 28, some 2010/11 tables showing the assets and liabilities relating to post employment benefits were incorrect. These have been restated and are shown below:

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

2010-11 Local Government Pension Scheme £000 Original	2010-11 Teachers Voluntary Early Retirement £000 Original	Total £000 Original		2010-11 Local Government Pension Scheme £000 Restated	2010-11 Teachers Voluntary Early Retirement £000 Restated	Total £000 Restated
			Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement			
145,777	-4,995	140,782	• Actuarial gains (-) and losses	-145,777	4,995	-140,782
15,503	**-9,190**	**6,313**	**Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**-276,051**	**800**	**-275,251**
			Movement in Reserves Statement			
167,908	9,735	177,643	• 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	130,274	4,195	134,469

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

2010-11 Local Government Pension Scheme £000 Original	2010-11 Teachers Voluntary Early Retirement £000 Original	Total £000 Original		2010-11 Local Government Pension Scheme £000 Restated	2010-11 Teachers Voluntary Early Retirement £000 Restated	Total £000 Restated
1,143,403		**1,143,403**	**Opening balance at 1 April**	**1,143,403**	**0**	**1,143,403**
82,145		82,145	Expected rate of return	82,145	0	82,145
27,217		27,217	Actuarial gain and losses (-)	27,217	0	27,217
34,173	5,540	39,713	Employer contributions	37,634	5,540	43,174
14,848		14,848	Contributions made by scheme participants	14,848	0	14,848
-47,137	-5,540	-52,677	Benefits paid	-50,598	-5,540	-56,138
1,254,649	**0**	**1,254,649**	**Closing balance at 31 March**	**1,254,649**	**0**	**1,254,649**

8 Trust Schools Restatement

The Council has de-recognised Foundation Schools, Voluntary Aided or Voluntary Controlled, and Trust schools from the balance sheet. This is in accordance with the Council's Critical Judgements in applying accounting policies. In applying this policy, the accounts for 2009/10 and 2010/11 have been restated. Two schools converted to Trust status in 2009/10 and one school in 2010/11. The impact of this restatement is shown in the table below:

	Original (After Adjustment for Heritage Assets)	Change	Restated	Original (After Adjustment for Heritage Assets)	Change	Restated
	2009-10 £000	2009-10 £000	2009-10 £000	2010-11 £000	2010-11 £000	2010-11 £000
Balance Sheet	1,172,155	(51,732)	1,120,423	1,360,154	(98,890)	1,261,264
Capital Adjust Account	(551,233)	41,070	(510,163)	(574,682)	73,167	(501,515)
Revaluation Reserve	(181,864)	10,662	(171,202)	(284,585)	25,813	(258,772)
(Surplus)/Deficit				(198,217)	47,158	(151,059)

9 PFI Assets

A narrative has been changed for the value of PFI assets at 31 March 2011 from £97.123 to £29.973m, within Note 33, following the restatement for Trust Schools, see above.

10 Operating lease income

The future minimum lease payments receivable under non-cancellable leases in future years, within Note 32, as at 31 March 2011 have been restated to exclude amounts contingent on future events.

31 March 2011 £000 Original		31 March 2011 £000 Restated
3,535	Not later than one year	2,855
11,319	Later than one year and not later than five years	8,599
158,955	Later than five years	77,345
173,809	**Total**	**88,799**

11. Phase 1 Private Finance Initiative

Within Note 33, the table showing Building Schools for the Future has been restated for 2010-11 to exclude the charge for ICT assets which are not part of the PFI scheme.

2010-11 £000 Original	**BSF Private Financing Initiative**	**2010-11 £000** Restated
	Charges to the Revenue Account	
4,874	Unitary Payments to the Contractor for services provided	4,077
4,874	**Total charges to the revenue account**	**4,077**
	Net Operating Expenditure	
6,090	Interest element of finance lease payments	6,090
	Statement of Movement on the General Fund Balance	
1,917	Capital element of finance lease	1,917
12,881	**Total PFI charges**	**12,084**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
4,562	Education	3,765
13,567	**Total Financing**	**12,770**
686	**Transfer to BSF PFI Reserve**	**686**

12 Debtors

The Short Term Debtors and Payments in Advance in Advance disclosure in Note 15 has been restated to correctly show the business rates bad debt provision of £3.025m as part of the Collection Fund bad debt provision instead of as a reduction to the amounts owed by business ratepayers in other entities and individuals.

Changes to Accounting Policies in 2011-12

Accounting Policy	Summary of Policy	Effect of any changes in 2011-12
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 Council has recognised £21m of heritage assets in 2011-12 and applied the new policy retrospectively in previous years. The Council has included museum collections, comprising historic works of art and other exhibits in this asset class. In addition, the Council has other heritage assets, such as Civic Regalia that have been included. The classification of heritage assets under FRS 30 excludes heritage assets which are used as operational assets.
Carbon Reduction Scheme	The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its introductory phase and will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price the number of allowances required to meet the liability at the reporting date.	The charge to the Council for the Carbon Reduction Commitment is a cost to services in the Comprehensive Income and Expenditure account.

Critical Judgements in applying Accounting Policies

The Council has made judgements about different transactions and the uncertainty of future events. The critical judgements made in the Statement of Accounts are:

The Council has judged whether its leases are operating or finance leases. These judgements are based on a number of tests, which determine, regardless of the legal form, whether the economic reality of the lease arrangement is that the Council has purchased the asset on credit. The most common test to determine whether this is the economic reality is that the lease arrangement lasts for most of the life of the asset. The accounting treatment of operating and finance leases is different and impact on the main accounting statements.

The Council has also judged whether its contractual arrangements contain an implicit finance lease, which is to say the economic reality is that the Council is paying for the use of an asset as well as a service. The contractual arrangements are tested in a similar way to the Council's lease arrangements. Where this is the case, the Council has shown the asset on its balance sheet per the economic reality, which is that the asset has been purchased.

In addition, the Council has made judgements about which assets to classify as heritage assets, by judging whether those assets that are non-operational have artistic, scientific, cultural, and environmental qualities. The accounting standards allow wide discretion over how to value heritage assets. The Council has made the judgement to value heritage assets using insurance values, where possible. As a result, the balance sheet has been restated for 2009/10 and 2010/11, in accordance with the new accounting standards on Heritage Assets.

The Council has judged that when it has committed to a redundancy in writing by the end of the financial year, the costs to the Council of the redundancy are either accrued, if the person has left the Council by 31 March 2012, or included in a provision. A judgement has also been made about whether to include a provision for planned future redundancies, even when the Council is not committed to these. The tests are whether there is a high expectation and likelihood that the redundancies are carried out and that there is a detailed plan for redundancies. Whilst the resources of the Council are reducing and there are a number of plans to identify savings, these are not sufficiently detailed to meet the criteria to create a provision.

The Council has made judgements about what other provisions should be made in the accounts and the amounts to be set aside. The Council has included provisions where the Council has a commitment at the financial year end to incur expenditure. The amount of the provision is based on an estimate of the commitment incurred using the evidence available, which is then discounted. In particular, a provision for bad debts is included based on the expectation of the Council receiving payment.

A judgement is also made on when to disclose a contingent liability. The test is whether at the year end date, there is a potential commitment to incur costs conditional on an event, such as the outcome of a court case.

There is also discretion and debate within current accounting standards about which school types should be included in the balance sheet, given there are different degrees of autonomy with the school types. However, the accounting bodies advise consistency with previous year's treatment. In accordance with previous year policies, the Council's policy is not to include Foundation Schools, Voluntary Aided, Voluntary Controlled, and Trust schools on the balance sheet. The new school types of Academies have also been created in recent years. These provide additional levels of autonomy to schools. As such, schools transferring to Academies will also be de-recognised from the balance sheet and newly built Academies will not be shown as assets on the Council's balance sheet.

The Council has made judgements about how the Building Schools for the Future (BSF) Phase 2 schools have been initially recognised on the Council Balance Sheet. Three mainstream Secondary Schools have been handed over to the Council along with three co-located Special Education Secondary Schools on the sites. The PFI contract does not separate out the construction costs for the for the Secondary Schools and the Special Schools and a judgement was made to recognise the schools initially on a 50:50 split based on the construction costs included in the PFI contract. This approach was taken as the PFI assets were to be revalued once they had been handed over to the Council and the value in the accounts as at 31 March 2012 is the revalued amount.

The 2011/12 accounts restate 2010/2011 and 2009/10 in relation to the new accounting standard for Heritage Assets (see Note 9 on Heritage Assets). In addition, the Council has restated previous years for the Trust schools amendments (see page 31). In doing so, the where the accounts have been restated in previous years, disclosure notes for the 2009/10 year will not be included where this is not material or there is no change. The only disclosure notes that have presented the 2009/10 financial year as a result of these restatements is the Revaluation Reserve (see Note 18). Other balance sheet disclosure notes which are unaffected by the restatement have not had the 2009/10 year shown. However, some other notes have been restated in the 2010/11 comparative year 2010/11 for the Heritage Asset and Trust School restatement. These include Note 6 and the Capital Adjustment Account in Note 18.

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 a provision of £12.445m 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 £9.627m at 31 March 2012 (£9.882m at 31 March 2011) 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 £167m.
Arrears	At 31 March 2012, the Council had a balance of debtors and prepayments of £99m, a reduction of £14m compared to the 31 March 2011 figure of £85m. A review of significant balances suggested that a minimum impairment of 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 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.	The detailed criteria used to classify leases between operating and finance are explained in Note 32 on page 66. 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.
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.	

Notes to the Main Financial Statements

Note 1. Adjustments between accounting basis and funding basis under Regulations 2011-12

This note shows the removal of expenditure and income included in the accounts in accordance with accounting policies but not chargeable against Council Tax by statute. For example, depreciation is charged in accordance with accounting policy but is not chargeable against Council Tax by statute. The note also shows the charging of other items against Council Tax according to statute but which are excluded by accounting policies, for instance the minimum revenue provision.

2010/11					2011/12			
Usable Reserves					Usable Reserves			
General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000	**Adjustment between Accounting Basis and Funding Basis Under Regulation**	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
				Adjustments primarily involving the Capital Adjustment Account :				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement :				
24,144	0	0	-24,144	Charges for depreciation and impairment of non current assets	50,210	0	0	-50,210
46,741	0	0	-46,741	Revaluation losses on property, plant and equipment	79,526	0	0	-79,526
-10,470	0	0	10,470	Movements in the market value of Investment Properties	4,548	0	0	-4,548
1,785	0	0	-1,785	Amortisation of intangible assets	1,785	0	0	-1,785
-36,443	0	0	36,443	Capital grants and contributions applied	-51,509	0	0	51,509
7,170	0	-4,553	-2,617	Revenue expenditure funded from capital under statute (REFCUS)	54,701	0	-8,277	-46,424
55,019	0	0	-55,019	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	24,124	0	0	-24,124
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
-24,105	0	0	24,105	Statutory provision for the financing of capital investment	-29,841	0	0	29,841
-3,055	0	0	3,055	Capital expenditure charged against the General Fund	-7,009	0	0	7,009
				Adjustments primarily involving the Capital Grants Unapplied Account :				
-15,530	0	15,530	0	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-17,766	0	17,766	0
0	0	-15,821	15,821	Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-18,642	18,642
				Adjustments primarily involving the Capital Receipts Reserve				
-7,720	7,720	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-6,412	6,412	0	0
0	-12,731	0	12,731	Use of the Capital Receipts Reserve to finance new capital expenditure	0	-6,199	0	6,199
43	-43	0	0	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	21	-21	0	0
0	0	0	0	**Adjustments primarily involving the Deferred Capital Receipts Reserve**	0	0	0	0
102	0	0	-102	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	73	0	0	-73
				Adjustments primarily involving the Financial Instruments Adjustment Account				
-752	0	0	752	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	-719	0	0	719
				Adjustments primarily involving the Pensions Reserve				
-134,469	0	0	134,469	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	75,534	0	0	-75,534
-43,174	0	0	43,174	Employer's pensions contributions and direct payments to pensioners payable in the year	-49,159	0	0	49,159
				Adjustments primarily involving the Collection Fund Adjustment Account				
-2,472	0	0	2,472	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.	2,555	0	0	-2,555
				Adjustment primarily involving the Accumulated Absences Account				
-164	0	0	164	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.	463	0	0	-463
-143,350	**-5,054**	**-4,844**	**153,248**	**Total Adjustments between accounting basis & funding basis under regulations**	**131,125**	**192**	**-9,153**	**-122,164**

Note 2. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011-12. Earmarked Reserves are amounts set aside for future requirements and represent real cash. Other Usable Reserves are included in this note, for instance the General Fund Balance also represents real cash, the majority of which is held by schools. The remaining Usable Reserves are Capital Grants and Receipts, which also represent real cash and can only be used to fund capital expenditure.

	Balance at 31 March 2010 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2011 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2012 £000
General Fund Reserve	15,060	-4,257	0	10,803	0	0	10,803
Schools Delegated Balances	32,278	0	10,039	42,317	0	2,251	44,568
A. Total General Fund Balance	**47,338**	**-4,257**	**10,039**	**53,120**	**0**	**2,251**	**55,371**
Reserves available to support future budget decisions	**9,721**	**-5,310**	**25,273**	**29,684**	**-5,144**	**5,313**	**29,853**
Corporate Earmarked Reserves							
Reserves used in the past to support previous years' budgets	10,738	-10,738	0	0	0	0	0
Managed Severance	81	0	1,327	1,408	-5,307	7,992	4,093
Exempt VAT	2,000	0	0	2,000	0	0	2,000
Former grant allocations – ABG, WNF, LPSA & LABGI	11,726	-9,795	6,620	8,551	-5,266	0	3,285
PFI - Contracts	3,575	0	1,052	4,627	0	0	4,627
Capital Feasibility	0	0	551	551	-278	0	273
Carbon Intervention	0	0	2,000	2,000	-158	0	1,842
Major Project Support	0	0	1,193	1,193	-471	549	1,271
Changing our Council	0	0	2,612	2,612	-1,069	0	1,543
Employment Opportunities Fund	0	0	0	0	0	4,521	4,521
VAT Trade Waste	0	0	0	0	0	4,433	4,433
School Improvement Support Fund	0	0	0	0	0	750	750
2011-12 Better Use of Budgets	0	0	0	0	0	2,876	2,876
Single Status	0	0	0	0	0	705	705
Pre 1 April 2011Better Use of Budgets	6,649	-4,773	0	1,876	0	0	1,876
Miscellaneous	891	-891	0	0	0	0	0
	35,660	**-26,197**	**15,355**	**24,818**	**-12,549**	**21,826**	**34,095**
Reserves for capital investment							
Markets	518	0	349	867	0	53	920
Renewal and Replacement	15,515	0	0	15,515	-81	0	15,434
	16,033	**0**	**349**	**16,382**	**-81**	**53**	**16,354**
Service Earmarked Reserves							
PFI - BSF Phase 1 and 2 Unitary Charge	1,123	0	1,972	3,095	0	2,554	5,649
National Asylum Support Service	1,074	0	0	1,074	0	0	1,074
Supporting People	2,393	-1,225	0	1,168	0	516	1,684
Odsal Feasibility Study	1,126	0	0	1,126	-1,126	0	0
Other	3,643	-1,460	0	2,183	0	1,137	3,320
	9,359	**-2,685**	**1,972**	**8,646**	**-1,126**	**4,207**	**11,727**
Revenue Grant Reserves	7,424	-7,424	593	593	-518	2,438	2,513
B Total Earmarked Reserves	**78,197**	**-41,616**	**43,542**	**80,123**	**-19,418**	**33,837**	**94,542**
C Capital Grants Unapplied	54,963	-20,375	15,530	50,118	-26,919	17,766	40,965
D Capital Receipts Reserve	5,054	-14,457	9,403	0	-6,220	6,412	192
E Total Other Usable Reserves	**60,017**	**-34,832**	**24,933**	**50,118**	**-33,139**	**24,178**	**41,157**
Total Usable Reserves (Per Usable Reserves in balance sheet page 16)	**185,552**	**-80,705**	**78,514**	**183,361**	**-52,557**	**60,266**	**191,070**

a) General Fund Balance (£55.371m)

A net £55.371m balance has been carried forward to 2012-13 (£53.120m at 31 March 2011). This includes £44.568m 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, which represent 2.5% of net expenditure outside schools.

b) Earmarked Reserves (£94.542m)

In 2011-12 the level of earmarked reserves increased by a net £14.419m from £80.123m at 31 March 2011 to £94.542m at 31 March 2012. The significant in year transfers into reserves are listed below:

- £5.313m net underspend in 2011-12 transferred into a reserve earmarked for support of future annual revenue budgets. For further explanation see Director of Finance Report on page 4.
- £4.433m one off VAT "Fleming" Refund in respect of Trade Waste Collection charges transferred into a ring fenced reserve pending a decision on its application.
- £2.876m of requests from Services to carry forward 2011-12 budgeted underspends into 2012-13. In the main these requests related to either contractual commitments, expenditure which has had to be deferred or non recurrent activity that will lead to improved performance/outcomes.
- £2.554m added to the BSF Phase 1 and 2 Service earmarked to ensure that when unitary payments exceed the PFI grant, the Council has sufficient resources to meet the costs.
- £2.438m of unspent specific grant allocations which will be spent in 2012-13 in accordance with the original purpose of the grant.

An increase in earmarked reserves was factored into the 2012-13 Budget process and Members agreed that £6.338m of earmarked reserves would be used in 2012-13 to manage down the recurrent cost base and finance priority non recurrent activity. At the same Council meeting in February, it was agreed that the Council should allocate £4.521m of reserves to create an Employment Opportunities Fund.

c) Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve represents usable capital grants available to fund capital expenditure. Capital Grants are included in this reserve, rather than shown as Capital Grants Receipted in Advance when all the grant conditions have been met.

d) 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 Council was required to pay £20,963 to the pool in 2011-12 (£43,053 in 2010-11).

The Council 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.

2010-11	Capital Receipts Reserve	2011-12
£000		£000
5,054	**Balance at 1 April**	**0**
	Usable receipts in the year	
7,720	Disposal of assets	6,412
1,726	Other capital receipts	
-43	Appropriation to (–) from Revenue Account re pooled housing receipts	-21
-14,457	Used to finance capital spending	-6,199
0	Used for debt repayment	0
0	**Balance at 31 March**	**192**

Whilst most capital receipts arise from the disposal of assets, other capital receipts may arise, mainly where the Council has given a loan or other assistance for capital purposes.

Note 3. Material Items of Income and Expense

In 2011-12, there were no exceptional items of expenditure or income separately disclosed within the Comprehensive Income and Expenditure statement.

The deficit on provision of services includes £39.542m Revenue Expenditure Funded from Capital under Statute (REFCUS), relating to Hanson School. This relates to capital expenditure on the school under a Private Finance Initiative. However, as Hanson School is a Foundation School, with additional freedom to manage its own affairs, Hanson School assets are not regarded as providing the Council with assets that should be included on the balance sheet. This is in accordance with the Council's Critical Judgements on Accounting Policies. Because the expenditure does not create an asset for the Council, it has been written off to the Comprehensive Income and Expenditure Statement in year as REFCUS.

Note 4. Post Balance Sheet Events

There were no adjusting events after 31 March 2012 which have affected the fair presentation of the financial statements.

After the balance sheet date, an agreement was reached to amend the Local Government Pension Scheme from 1 April 2014. It is anticipated that this will reduce the Council's liability relating to the Local Government Pension Scheme.

Note 5. 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

2010-11 £000	Other Operating expenditure	2011-12 £000
830	Parish Council Precepts	846
43	Payments to the Government Housing Capital Receipts Pool	21
0	Revaluation Loss on Assets Held for Sale	916
47,892	Losses on the disposal of non-current assets	16,531
48,765	**Total**	**18,314**

b) Financing and Investment Income and Expenditure

2010-11 £000	Financing and Investment Income and Expenditure	2011-12 £000
34,576	Interest payable and similar charges	44,295
17,738	Pensions interest cost and expected return on pension assets	269
-1,783	Interest receivable and other income	-3,851
-12,102	Income and expenditure in relation to investment properties and changes in their fair value	3,730
-595	Other investment income	-624
2,850	Net Deficit on Trading Accounts	1,135
40,684	**Total**	**44,954**

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

2010-11 £000	Interest Payable and Similar Charges	2011-12 £000
	External interest charges	
26,041	Public Works Loans Board	25,810
6,464	Interest on finance lease rentals (PFI)	16,439
1,760	Lender Option Borrower Option (LOBO's)	1,771
311	Transferred debt	275
34,576	**Total**	**44,295**

c) Taxation and Non- Specific Grant Income

2010-11 £000	Taxation and Non- Specific Grant Income	2011-12 £000
-163,456	Council Tax income	-163,269
-237,482	Non domestic rates	-209,204
-96,878	Non-ringfenced government grants (see below)	-114,638
-51,972	Capital grants and contributions	-69,275
-549,788	**Total**	**-556,386**

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 2011-12 the Council received the following:

2010-11 £000	Government grants (not attributable to specific services)	2011-12 £000
-34,485	Revenue Support Grant	-64,665
-62,393	Area Based Grant (ABG)	0
0	Early Intervention Grant	-29,680
0	Learning Disability and Health Reform Grant	-11,998
0	Local Services Support Grant	-1,460
0	New Homes Bonus Grant	-2,761
0	Council Tax Freeze Grant	-4,074
-96,878	**Total**	**-114,638**

Note 6. Property, Plant and Equipment: Movements on Balances in 2011-12

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2011	**0**	**1,013,735**	**52,326**	**239,573**	**19,577**	**28,927**	**21,493**	**1,375,631**	**117,034**
Additions	0	89,833	3,212	11,320	441	59	59,431	164,296	50,734
Donations									
Revaluation in the Rev. Reserve	0	9,372	0	0	38	-324	0	9,086	2,847
Rev. in Surplus/Deficit on the Provision of Services	-2,318	-76,562	0	0	0	0	0	-78,880	-53,155
Derecognition - disposals	0	-21,951	0	0	-532	-580	0	-23,063	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/ from Held for Sale	0	-2,355	0	0	0	43	0	-2,312	0
Reclassifications	4,901	5,456	10,144	-13	17,864	4,181	-40,246	2,287	0
Other movements in cost or valuation	0	-272	0	0	0	0	0	-272	0
At 31 March 2012	**2,583**	**1,017,256**	**65,682**	**250,880**	**37,388**	**32,306**	**40,678**	**1,446,773**	**117,460**
Accumulated Depreciation & Impairment									
At 1 April 2011	**0**	**-17,783**	**-36,005**	**-60,413**	**29**	**-195**	**0**	**-114,367**	**-1,626**
Dep charge	0	-26,868	-6,910	-7,540	-107	-112	0	-41,537	**-2,865**
Dep w/o Revaluation Reserve	0	552	0	0	0	0	0	552	0
Dep w/o to the Surplus/Deficit on the Provision of Services	0	271	0	0	0	0	0	271	0
Impairment losses/ (reversals) in the Revaluation Reserve	0	-1,046	0	0	0	0	0	-1,046	0
Impairment in Surplus/Deficit on the Provision of Services	0	-8,674	0	0		0	0	-8,674	0
Derecognition - disposals	0	3,142	0	0	5	2	0	3,149	**1,554**
Derecognition -	0	0	0	0	0	0	0	0	
Other movements in depreciation & impairment	0	63	0	3	160	-9	0	217	
At 31 March 2012	**0**	**-50,343**	**-42,915**	**-67,950**	**87**	**-314**	**0**	**-161,435**	**-2,937**
At 31 March 2011 – Net Book Value	**0**	**995,952**	**16,321**	**179,160**	**19,606**	**28,732**	**21,493**	**1,261,264**	**115,408**
At 31 March 2012– Net Book Value	**2,583**	**966,913**	**22,767**	**182,930**	**37,475**	**31,992**	**40,678**	**1,285,338**	**114,523**

Comparative Movements 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
	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	**847,263**	**49,112**	**225,573**	**21,775**	**33,889**	**48,977**	**1,226,589**	**65,616**
Additions	125,117	3,214	13,990	1,710	132	16,120	160,283	**85,435**
Donations	0	0	0	0	0	0	0	**0**
Revaluation in the Rev. Reserve	92,094	0	13	1,002	727	0	93,836	**0**
Rev. in Surplus/Deficit on the Provision of Services	-47,865	0	-3	-4,309	-2,168	0	-54,345	**0**
Derecognition - disposals	-48,891	0	0	-601	-3,528	0	-53,020	**-34,017**
Derecognition - other	0	0	0	0	0	0	0	
Assets reclassified (to)/ from Held for Sale	-85	0	0	0	-127	0	-212	**0**
Reclassifications	43,758	0	0	0	0	-43,604	154	**0**
Other movements in cost or valuation	2,344	0	0	0	0	0	2,344	**0**
At 31 March 2011	**1,013,735**	**52,326**	**239,573**	**19,577**	**28,925**	**21,493**	**1,375,629**	**117,034**
Accumulated Depreciation & Impairment								
At 1 April 2010	**-23,158**	**-28,800**	**-53,339**	**48**	**-916**	**0**	**-106,165**	**0**
Dep charge	-10,299	-7,205	-7,074	-68	501	0	-24,145	**-2,313**
Dep w/o Revaluation Reserve	10,334	0	0	18	68	0	10,420	**0**
Dep w/o to the Surplus/Deficit on the Provision of Services	7,115	0	0	34	455	0	7,604	**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	727	0	0	-3	-315	0	409	**687**
Derecognition -	0	0	0	0	0	0	0	**0**
Other movements in depreciation & impairment	-2,502	0	0	0	14	0	-2,488	**0**
At 31 March 2011	**-17,783**	**-36,005**	**-60,413**	**29**	**-193**	**0**	**-114,365**	**-1,626**
At 31 March 2010– Net Book Value	**824,105**	**20,312**	**172,234**	**21,823**	**32,973**	**48,977**	**1,120,424**	**65,616**
At 31 March 2011 – Net Book Value	**995,952**	**16,321**	**179,160**	**19,606**	**28,732**	**21,493**	**1,261,264**	**115,408**

The Council did not have any Council Dwellings during the 2010-11 financial year.

Note 7. 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.

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

	Council Dwellings	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	£000
Carried at Historical Cost	0	1,370	22,767	0	182,930	20,118	40,678	267,863
Valued at Fair Value in:								
2006/07	0	1,830	0		0	0	0	1,830
2007/08	0	68,417	0	6,285	0	1,443	0	76,145
2008/09	0	186,449	0	1,049	0	29	0	187,527
2009/10	0	115,118	0	2,796	0	393	0	118,307
2010/11	0	419,118	0	21,326	0	15,311	0	455,755
2011/12	2,583	174,611	0	536	0	181	0	177,911
Total Cost or Valuation	**2,583**	**966,913**	**22,767**	**31,992**	**182,930**	**37,475**	**40,678**	**1,285,338**

Note 8. Capital Commitments and Obligations Under long Term Contracts

a) Capital Commitments

The Council has an approved capital investment plan for the period 2012-15. At 31 March 2012 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012-13 and future years budgeted to cost £52.786m. Similar commitments at 31 March 2011 were £119.672m. The major commitments (over £1m) are:

Capital Commitments	31 March 2011	31 March 2012
	£000	£000
Primary Capital Programme	3,522	2,631
Primary Schools Expansion Programme	0	2,924
City Park	5,255	0
New Affordable Housing – Longfield Drive	2,377	0
New Affordable Housing – Beechgrove	6,123	2,541
BSF Phase 2 ICT Costs	12,119	0
BSF Phase 2	90,276	0
Academies Programme	0	35,619
Special Education Needs Re-organisation	0	9,071
Total	**119,672**	**52,786**

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 £190.476m 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 10 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 & Skills (DfES), 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 expired on 29 July 2011 and the services transferred back to the Council.

Note 9. Heritage Assets

(a) Tangible Heritage Assets

	Museum collection £000	Civic regalia £000	Total Assets £000
Cost or valuation			
1 April 2010	**17,552**	**818**	**18,370**
Revaluations	1,520	914	2,434
31 March 2011	**19,072**	**1,732**	**20,804**
Cost or valuation			
1 April 2011	19,072	1,732	20,804
31 March 2012	**19,072**	**1,732**	**20,804**

The Council held £20.8m heritage assets on its Balance Sheet as at 31 March 2012.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The Council acquires heritage assets in accordance with established Council Policies, i.e. the Acquisitions & Disposals Policy, Bradford Museums & Galleries. The policy of the Council is to manage and preserve its heritage assets and has no plans to dispose of them. Heritage assets are largely held in museums, managed by the Council, where there is public access. Other heritage assets are held for annual usage, such as the Lord Mayor's chain or items on display at City Hall.

The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation in the financial statements in relation to these heritage assets.

Museum Collection
The collection includes a wide range of material that collectively contributes to national / district knowledge and culture through their archaeological, historic, artistic, scientific, technological, geophysical and environmental qualities. These items are held at seven main museums and two external stores within the District. More information on the collections can be found on the Council's website at http://www.bradfordmuseums.org

The Council's museum collections are reported in the Balance Sheet at insurance values which is based on market values estimated by museum staff. The insurance values are considered annually. Those items that are recognised as having a potential market value of more than £50,000 are accounted for on an individual basis, the remainder of the holdings are covered by a collective evaluation which is set as an upper limit upon which any compensation for the partial, or total, loss of the items specified can be negotiated. At the 31 March 2012 these assets had an estimated value of £6.5m on the Balance Sheet. These items are not reviewed individually on a regular basis due to the disproportionate cost of doing this in comparison to the benefits the Council would obtain.

Those items that are on temporary loan to the museum service have not been included in the Council's Balance Sheet as they are not the Council's assets.

The Council has had a number of items kindly donated over the years, but it has insufficient information as to what the value would have been when they were donated. The Council has therefore not recognised any of these assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010, although their current value might be included as Long Term Assets on the Balance Sheet.

Civic Regalia
The Council's external valuer for its Civic Regalia (Sydneys Ltd) carried out a full valuation of the collection as at June 2010. The valuations are based on commercial markets. The valuations are updated approximately every ten years with the previous one completed in April 2001.

Heritage assets are valued in the accounts through the revaluation reserve at their market value. Their value has been determined from their insurance valuation, which is used as a proxy for their market value.

Other Heritage Assets

There are also potential heritage assets not included on the balance sheet and these include:

- Scheduled ancient monuments and regionally important geological sites – carved rocks and caves
- Library archives - maps, photographs, newspapers & electoral rolls
- Fossil Tree stumps
- Statues and memorials across the District

For the majority of the statues, neither cost nor valuation information can be provided and therefore reported in the Balance Sheet. This relates to over 60 statues and memorials that are located across the District.

The Council also has a number of scheduled ancient monuments located on assets that it owns. In addition there are records within the Library archives that are being held for historical reference. These assets cannot be valued because of the diverse nature of the assets and therefore cost or valuation information is not available as conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

Also, some heritage assets have been classified as operational heritage assets when they are in use, for instance a building which is used for office accommodation or to house a museum collection. In these cases, the asset is classified according to its type, in this case as land and buildings within the Property Plant and Equipment balance.

No significant heritage assets were disposed of in 2011-12.

Additions of Heritage Assets

There have been no significant purchases or donations to heritage assets in 2011-12 but there have been some additions to the museum collections in the last two years. Individually these have not been thought significant so there is no separate insurance valuation included in the Balance Sheet.

Note 10. Investment Property

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. For example, the net gain of £2.079 (see below Analysis of Rental Income and Management Costs of Investments), less the loss of £4.548 on fair value (see below reconciliation of Movements on Investments), less the loss on disposal of £1.26m comprise the £3.73m charge for investment properties in Financing and Investment Income and Expenditure, see page 38.

2010-11	**Analysis of Rental Income and Management Costs of Investments**	**2011-12**
£000		**£000**
-3,184	Rental income from investment property	-2,813
-540	Other income (service and other charges)	-34
	Direct operating expenses:	
376	Repairs & maintenance	269
2,188	Management expenses	499
-1,160	**Net (gain)**	**-2,079**

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

2010-11 £000	Reconciliation of Movements on Investments	2011-12 £000
65,616	**Balance at start of the year**	**74,433**
78	Expenditure	359
-1,731	Disposals	-2,907
10,470	Net gains/losses(-) from fair value adjustments	-4,548
	Transfers	
0	To/from Property, Plant and Equipment	-1,938
74,433	**Balance at end of the year**	**65,399**

Investment Property has 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. Revaluations are planned through a five year rolling programme.

Note 11. 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 within 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 2011-12 (£1.785m in 2010-11) 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:

	2010-11 £000	2011-12 £000
Balance at 1 April each year		
• Gross carrying amounts	16,647	16,647
• Accumulated amortisation	-5,852	-7,637
Net carrying amount at start of year	10,795	9,010
Additions :		
• Purchases	0	373
Amortisation for the period	-1,785	-1,785
Net carrying amount at end of year	**9,010**	**7,598**
Comprising :		
• Gross carrying amounts	16,647	17,020
• Accumulated amortisation	-7,637	-9,422

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 12. Construction Contracts

This note shows construction contracts that the Council has entered into to deliver projects on behalf of external bodies. The Council did not enter into any construction contracts in 2011-12 or 2010-11.

Note 13. Long Term Investment

The Council's long term investment at 31 March 2012 is made up of £1,000 in Integrated Bradford LEP Ltd (31 March 2011 £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 14. Long Term Debtors

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

The £301,000 due from Wakefield MDC at 31 March 2012 (£401,000 at 31 March 2011) 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 page 69, Note 37).

The amount owed by other local authorities at 31 March 2012 of £379,000 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 £303,000 represents the principal element of the leases.

31 March 2011 £000	Analysis of Long Term Debtors	31 March 2012 £000
197	Former Council house tenants	136
401	Waste Management SSA	301
403	Other local authorities re joint services	379
1,133	Car loans	1,204
303	Building Schools for the Future Ltd	293
7	Housing Advances	7
330	Balance owing on sale of assets on finance lease(s)	303
34	Other	34
2,808	**Total**	**2,657**

Note 15. Current Assets and Current Liabilities

31 March 2011 £000	Inventories	31 March 2012 £000
78	Trading services	70
1,808	Other	2,180
1,886	**Total**	**2,250**

Short term Debtors and Payments In Advance
General payments in advance have been shown separately since they are of significant value.

31 March 2011 Restated £000	Analysis of Debtors and Payments in Advance	31 March 2012 £000
	Amounts falling due within one year	
34,659	Central Government bodies	13,672
2,059	Other local authorities	2,141
12,862	NHS bodies	5,545
0	Public corporations and trading funds	624
53,835	Other entities and individuals	72,237
15,466	General payments in advance	7,928
118,881	**Total**	**102,147**
	Less provision for bad and doubtful debts	
12,518	Collection Fund	10,376
5,821	Other	6,406
100,542	**Net Total**	**85,365**

The net debtors have changed from a total of £100.542m at 31 March 2011 to £85.365m at 31 March 2012, a decrease of £15.177m.

Short Term Investments

The Council has short term investments of £57.768m, see Balance Sheet (£64.073m 2010-11). This is invested with the government, banks and building societies.

Cash and Cash Equivalents

At any point in time the cash flow of the Council can result in temporary cash balances which are put into short- term investments. At the 31 March 2012, £118.011m was invested in short term deposits, banks and building societies (£115.773m at 31 March 2011).

31 March 2011 £000		31 March 2012 £000
1,281	Cash held by the Council	1,132
82,697	Bank accounts	63,496
31,794	Short term deposits with building societies and banks	53,383
115,773	**Total Cash and Cash Equivalents** (see Balance Sheet page 16)	**118,011**
-4,094	Cash and Cash Equivalents Overdrawn (see Balance sheet page 16)	-7,171
111,679	**Total net Cash and Cash Equivalents** (see Cashflow statement page 17)	**110,840**

Creditors and Receipts in Advance

31 March 2011 £000	Analysis of Creditors and Receipts in Advance	31 March 2012 £000
	Amounts falling due within one year	
11,136	Central Government bodies	22,443
498	Other local authorities	597
4,196	NHS bodies	1,611
0	Public corporations and trading funds	138
83,783	Other entities and individuals	73,711
99,613	**Total**	**98,500**
	Receipts in advance	
16,940	Sundry	10,647
6,881	Developer's contributions	6,041
23,821	**Total**	**16,688**
123,434	**Total Creditors and Receipts in Advance**	**115,188**

Note 16. Assets held for sale

	Current	
	2010-11	2011-12
	£000	£000
Balance outstanding at start of year	**679**	**203**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	203	2,106
Revaluation losses	0	-916
Assets declassified:		
- Property, Plant and Equipment	0	-91
Assets sold	-679	-1,302
Balance outstanding at year end	**203**	**0**

Note 17. Provisions

The provisions totals of £29.962m at 31 March 2012 and £27.493m at 31 March 2011 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, £15.281m at 1 April 2012 (£13.619m at 31 March 2011). Long term provisions are those expecting to be used more than 12 months after the Balance Sheet date, £14.681m at 1 April 2012 (13.874m at 31 March 2011).

	Termination	Single Status	Personal Search fees	MMI Scheme of Arrangement	Carbon Reduction Commitment	Outstanding legal cases	Injury and Damage Compensation Claims	Equal Pay Provisions	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 1 April 2010	**0**	**0**	**0**	**0**	**0**	**4,047**	**5,967**	**16,276**	**0**	**26,290**
Additional provisions made in 2010-11	0	0	0	0	0	1,260	5,422	674	719	**8,075**
Amounts used in 2010-11	0	0	0	0	0	-1,398	-2,699	-58	0	**-4,155**
Unused amounts reversed in 2010-11	0	0	0	0	0	-147	-2,570	0	0	**-2,717**
Balance at 31 March 2011	**0**	**0**	**0**	**0**	**0**	**3,762**	**6,120**	**16,892**	**719**	**27,493**
Additional provisions made in 2011-12	2,982	2,295	881	606	814	3,085	4,493	0	125	15,281
Amounts used in 2011-12	0	0	0	0	0	-2,423	-2,222	-4,447	-532	-9,624
Unused amounts reversed in 2011-12	0	0	0	0	0	-78	-3,110	0	0	-3,188
Balance at 31 March 2012	**2,982**	**2,295**	**881**	**606**	**814**	**4,346**	**5,281**	**12,445**	**312**	**29,962**

Equal Pay Provision - 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. In 2011-12, claims and legal costs totalling £4.447m (£0.058m in 2010-11) were paid out leaving £12.445m in the provision at 31 March 2012 (£16.892m at 31 March 2011).

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 2011 £000	Analysis of Insurance Provision (Outstanding Legal Cases & Injury and Damage Compensation Claims)	31 March 2012 £000
7	Property	33
9,312	Liability	8,931
560	Motor	660
3	Other	3
9,882	**Total**	**9,627**

Other provision – A provision of £312,000 has been set aside to cover the cost of dilapidations and reinstating alterations made in properties following the termination of a property lease.

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 2011-12 is 63,682 tonnes (2010-11 106,197). As the market price of 2011-12 allowances at 31 March 2012 has been deemed to be nil, the provision at 31 March 2011 is zero.

In 2011-12 five new provisions were created for the following purposes:-

Termination (£2.982m) **–** for planned future termination costs arsing from the detailed saving proposals approved as part of the 2012-13 Budget by Council in February 2012.

Single Status (£2.295m) **–** On 16th March 2012 the Executive approved the implementation of a proposed new pay structure as a first phase in complying with the requirements of the 1997 Single Status Agreement. The £2.295m is to cover the cost of making back payments from 27th September 2010 (the date when bonus payments were removed) to those staff due an increase in pay.

Property Search fees (£0.881m) - to repay personal property search fees wrongly charged by the Council since January 2005. Whilst Personal Search companies have started litigation against the Council, given that the Council's and other authorities charging policies were based on Government advice, the Council will seek to reclaim any repayment from the government in due course.

Municipal Mutual Insurance (MMI) Ltd (£0.606m) – MMI were the Council's insurer from 1974 to 1993. In conjunction with other local authorities and organisations, the Council supported a scheme of arrangement, whereby MMI could invoke a claw back of the claims paid on behalf of the Council since 1993, should it have insufficient assets to discharge its liabilities. Currently it is estimated that a claw back of 20% will be activated, although this is yet to be confirmed. This estimate follows MMI Ltd losing a recent court case relating to Employee Liability claims for Mesothelioma, an asbestos related disease (see also Note 41).

Carbon Reduction Commitment (£0.814m) **–** The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Note 18. Unusable Reserves

2009/10 Restated £000	2010/11 Restated £000		2011-12 £000
171,202	258,772	(a) Revaluation Reserve	254,381
510,163	501,605	(b) Capital Adjustment Account	421,171
-8,805	-8,053	(c) Financial Instruments Adjustment Account	-7,334
-823,597	-505,172	(d) Pensions reserve	-765,506
663	561	(e) Deferred capital receipts reserve	488
-467	2,003	(f) Collection Fund Adjustment Account	-552
-13,522	-13,357	(g) Accumulated Absences Account	-13,820
-164,363	**236,359**	**Total Unusable Reserves**	**-111,172**

a) Revaluation Reserve

The Revaluation Reserve is a store of changes to the measurable value of assets compared to the cost of acquiring them. In 2011-12, the Reserve has reduced from £258.772m to £254.381m, a reduction of £4.391m

2010/11 Restated £000		2011-12 £000
171,200	**Balance at 1 April**	**258,772**
107,077	Upward revaluation of assets	14,334
-385	Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-4,695
0	Impairments not charged to the Surplus or deficit on the Provision of Services	-1,046
106,692	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**8,593**
-3,578	Difference between fair value depreciation and historical cost depreciation	-8,048
-15,542	Accumulated gains on assets sold or scrapped	-4,936
-19,120	**Amount written off to the Capital Adjustment Account**	**-12,984**
258,772	**Balance at 31 March**	**254,381**

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.

2010-11 £000 Restated		2011-12 £000
510,163	**Balance at 1 April**	**501,605**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
-24,144	- Charges for depreciation and impairment of non-current assets	-50,210
-46,741	- Revaluation losses on Property, Plant and Equipment	-79,526
-1,785	- Amortisation of Intangible Assets	-1,785
-2,617	- Revenue expenditure funded from capital under statute (REFCUS)	-46,424
-55,018	- 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 (Note 31)	-24,124
19,120	Adjusting amounts written out of the Revaluation Reserve	12,984
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year :	
14,457	- Use of the Capital Receipts Reserve to finance new capital expenditure	6,199
36,443	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	51,509
15,822	- Application of grants to capital financing from the Capital Grants Unapplied Account	18,641
24,105	- Statutory provision for the financing of capital investment charged against the General Fund	29,841
3,055	- Capital expenditure charged against the General Fund balance	7,009
10,471	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-4,548
-1,726	Repayment of Capital Loans	0
501,605	**Balance at 31 March**	**421,171**

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.

2010-11		2011-12
£000		**£000**
-8,805	**Balance at 1 April**	**-8,053**
913	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	882
-161	Removal of Effective Interest Rate on stepped interest loans	-163
752	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	719
-8,053	**Balance at 31 March**	**-7,334**

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. See Note 28 for full explanation.

2010-11		2011-12
£000		**£000**
-823,597	**Balance at 1 April**	**-505,172**
140,782	Actuarial gains or losses on pensions assets or liabilities	-233,959
134,469	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	-75,534
43,174	Employer's pensions contributions and direct payments to pensioners payable in the year	49,159
-505,172	**Balance at 31 March**	**-765,506**

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 usable 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.

2010-11		2011-12
£000		**£000**
663	**Balance at 1 April**	**561**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
-102	Transfer to the Capital Receipts Reserve upon receipt of cash	-73
561	**Balance at 31 March**	**488**

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.

2010-11		2011-12
£000		**£000**
-467	**Balance at 1 April**	**2,003**
2,470	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	-2,555
2,003	**Balance at 31 March**	**-552**

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.

2010-11		2011-12
£000		**£000**
-13,522	**Balance at 1 April**	**-13,357**
13,522	Settlement or cancellation of the accrual made at the end of the preceding year	13,357
-13,357	Amounts accrued at the end of the current year	-13,821
165	**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**.	**-464**
-13,357	**Balance at 31 March**	**-13,821**

Note 19. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2010-11 £000		2011-12 £000
-151,059	Net (surplus) or deficit on the provision of services	114,455
11,137	Adjustments to surplus or deficit for non-cash movements (Note 20d)	-261,176
59,605	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	75,687
-2,449	Interest Received	-4,033
34,424	Interest paid	44,136
-733	Dividends Received	-595
-49,075	**Net cash flows from operating activities**	**-31,526**

b) Investing Activities

The cash flows for investing activities include the following items:

2010-11 £000		2011-12 £000
74,104	Purchase of property, plant and equipment, investment property and intangible assets	114,547
216,448	Purchase of short term and long term investments	196,457
0	Other payments for investing activities	1,726
-7,719	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-6,412
-54,073	Capital grants	-70,861
-215,323	Proceeds from short term and long term investments	-202,582
13,437	**Net cash flows from investing activities**	**32,875**

c) Financing Activities

2010-11 £000		2011-12 £000
0	Cash receipts of short and long term borrowing	-6,200
0	Other receipts from financing activities	-10,776
9,474	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	9,895
5,000	Repayments of short and long term borrowing	6,200
-2,710	Other payments for financing activities	370
11,764	**Net cash flows from financing activities**	**-511**

d) Reconciliation of the Surplus of Surplus of the Provision of Services (See Comprehensive Income and Expenditure Account) to Operating Activities Net Cash Flow

2010-11 £000	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow	2011-12 £000
-151,059	**Net deficit / surplus (-) for year on the Comprehensive Income and Expenditure Account (I & E)**	**114,455**
	Add back non cash I & E items:	
-61,986	Depreciation & impairment, revaluation gains and losses, market value movements, and amortisation (see Note 1)	-136,069
177,643	IAS19 Pension adjustments	-26,375
0	Hanson Private Finance Initiative treated as REFCUS	-39,542
	Items on accruals basis:	
411	Decrease (-) / Increase in stocks	364
-4,920	Decrease (-) / increase in amounts due to Council	-6,215
-12,708	Decrease / increase (-) in amounts due from Council	12,297
-55,022	Carrying amount of disposals	-24,124
-1,203	Movement provisions	-2,468
164	Net movement on Employee Benefit accrual	464
42,379	**Removal of non-cash items included in Deficit/Surplus on Provision of services**	**-221,668**
	Removal of interest received and paid already included in Surplus/Deficit so that this can be shown separately:	
-34,424	Interest paid	-44,136
2,449	Interest received	4,033
733	Dividends received	595
-31,242	**Interest received and paid**	**-39,508**
11,137	**Adjustments to surplus or deficit for non-cash movements (Per Cash Flow Statement)**	**-261,176**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
51,973	Capital Grants credited to surplus or deficit on the provision of services	69,275
7,632	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,412
59,605	**Sub-total items for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	**75,687**
31,242	**Interest and dividends received & paid shown separately (see above)**	39,508
-49,075	**Operating activities - net cash flow**	**-31,526**

Hanson School Private Finance Initiative treated as REFCUS

The deficit on provision of services includes £57.949m Revenue Expenditure Funded from Capital (REFCUS). Included within this figure is £39.542m relating to a Private Finance Initiative for Hanson school. The accounting transactions for the £39.542m asset, the corresponding liability and the write off as REFCUS are not cash flows. As a result, the £39.542m has been removed from the deficit on provision of services within the cash flow statement as shown above.

Note 20. 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 *Service Reporting 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 .

Service Analysis

The income and expenditure of the Council's services reported in the Council's Financial Review Outturn Statement for 31 March 2012 is as follows:

Service Income and Expenditure 2011-12	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	-33,261	-36,118	-43,889	-58,329	-18,259	-189,856
Government grants	-516,109	-1,396	-4,331	-10,854	-213,470	-746,160
Total Income	**-549,370**	**-37,514**	**-48,220**	**-69,183**	**-231,729**	**-936,016**
Employee Expenses	402,658	40,338	41,861	54,144	44,273	583,274
Other service expenses	252,716	46,146	147,119	59,078	234,178	739,237
Capital Charges	100,737	4,786	565	21,550	2,623	130,261
Support services recharges	0	0	0	0	0	0
Total Expenditure	**756,111**	**91,270**	**189,545**	**134,772**	**281,074**	**1,452,772**
Net Expenditure	**206,741**	**53,756**	**141,325**	**65,589**	**49,345**	**516,756**

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**

Reconciliation of Service Income and Expenditure to Costs of Services in the Comprehensive Income and Expenditure Statement for 2011-12

The Net Cost of Services total of £516.756m is different to the Net Cost of Services of £607.573m included in the Comprehensive Income and Expenditure Statement in the Statement of Accounts. The differences, totalling £90.817m, are explained in the reconciliation statement below.

	2010-11 Restated	**2011-12**
	£000	**£000**
Net expenditure included in Service Analysis	**216,570**	**516,756**
Adjustments to Reconcile to pre IFRS Income and Expenditure Account :		
Add West Yorkshire Integrated Transport Authority (WYITA) levy	21,217	22,573
Pension deficit on acquisition of Education Bradford	0	26,052
NHS support for Social Care	0	-6,235
Changing Our Council	390	1,116
Capital Charge Adjustment	688	0
Amounts in the Comprehensive income and Expenditure Statement not reported to management in the analysis	**22,295**	**43,506**
Exclude grants included in services for budget reporting, but excluded from the Statement of Accounts as included under Taxation and Non-Specific Grant Income	59,296	42,865
Trading Services deficit	-2,850	-1,135
Interest Received	2,339	4,437
Exclude income and expenditure in relation to changes in fair value of investment properties	11,630	2,079
Revaluation & impairment loss on Assets Held for Sale	0	-916
Cost of disposals	0	-19
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**70,415**	**47,311**
Cost of Services in the Comprehensive income and Expenditure Statement	**309,280**	**607,573**

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 (excluding support services)	Services & support not included in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-164,741	-20,678	0	19,137	0	-166,282	0	-166,282
Interest and investment income	-4,437	0	0	4,437	0	0	-4,475	-4,475
Council Tax income	0	0	0	0	0	0	-163,269	-163,269
Government grants & contributions	-745,057	-1,103	-6,235	43,151	0	-709,244	-393,117	-1,102,361
Total Income	**-914,235**	**-21,781**	**-6,235**	**66,725**	**0**	**-875,526**	**-560,861**	**-1,436,387**
Employee expense	549,604	33,670	27,125	-10,966	0	599,433	0	599,433
Other service expenses	704,488	34,749	43	-7,473	0	731,807	0	731,807
Support Service recharges	0	-52,224	0	0	52,224	0	0	0
Depreciation, amortisation and impairment	124,675	5,586	0	-59	0	130,202	0	130,202
Interest payments	0	0	0	0	0	0	44,295	44,295
Net Pension Interest Cost	0	0	0	0	0	0	269	269
Precepts & levies	0	0	22,573	0	0	22,573	846	23,419
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	21	21
Gain or loss on trading accounts	0	0	0	0	0	0	1,135	1,135
Gain or loss on investment properties	0	0	0	0	0	0	3,730	3,730
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	16,531	16,531
Impairment loss on assets held for sale	0	0	0	-916	0	-916	916	0
Total Expenditure	**1,378,767**	**21,781**	**49,741**	**-19,414**	**52,224**	**1,483,099**	**67,743**	**1,550,842**
Surplus or deficit on the provision of services	**464,532**	**0**	**43,506**	**47,311**	**52,224**	**607,573**	**-493,118**	**114,455**

Restated 2010-11 Comparative Figures

	Service Analysis (excluding support services)	Services & support not included in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-222,553	-18,891	0	20,059	0	-221,385	0	-221,385
Interest and investment income	-2,339	0	0	2,339	0	0	-2,378	-2,378
Council Tax income	0	0	0	0	0	0	-163,456	-163,456
Government grants & contributions	-752,900	-2,268	0	60,088	0	-695,080	-386,331	-1,081,411
Total Income	**-977,792**	**-21,159**	**0**	**82,486**	**0**	**-916,465**	**-552,165**	**-1,468,630**
Employee expense	358,806	33,347	52	-12,561	0	379,644	0	379,644
Other service expenses	720,132	37,452	338	-9,928	0	747,994	0	747,994
Support Service recharges	0	-52,113	0	0	52,113	0	0	0
Depreciation, amortisation and impairment	63,311	2,473	688	10,418	0	76,890	0	76,890
Interest payments	0	0	0	0	0	0	34,576	34,576
Net Pension Interest Cost	0	0	0	0	0	0	17,738	17,738
Precepts & levies	0	0	21,217	0	0	21,217	830	22,047
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	43	43
Gain or loss on trading accounts	0	0	0	0	0	0	2,850	2,850
Gain or loss on investment properties	0	0	0	0	0	0	-12,103	-12,103
Gain or loss on disposal of Fixed Assets	0	0	0	0	0	0	47,892	47,892
Total Expenditure	**1,142,249**	**21,159**	**22,295**	**-12,071**	**52,113**	**1,225,745**	**91,826**	**1,317,571**
Surplus or deficit on the provision of services	**164,457**	**0**	**22,295**	**70,415**	**52,113**	**309,280**	**-460,339**	**-151,059**

Note 21. Acquired and Discontinued Operations

There were no acquired or discontinued operations in 2010-11. However, in 2011-12 expenditure and income relating to Education Bradford, which returned to the Council on 30 July 2011, has been shown as an acquired operation on the face of the Comprehensive Income and Expenditure Statement.

Of the £52.610m of gross expenditure, £26.558m relates to various school support services, and £26.052m relates to net pension costs for former Education Bradford staff who transferred back to the Council. The table below shows these amounts analysed over the same categories used in the Comprehensive Income and Expenditure Account

	Exp £000	Income £000	Net £000
Children's & Education Services	26,525	(2,194)	24,331
Cultural & Related Services	33	(1)	32
Non–Distributed Costs	26,052	0	26,052
Total	52,610	(2,195)	50,415

Note 22. 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 2011-12.

Trading Services Surplus (-) / Deficit

2010-11 Surplus (-) /Deficit £000		**2011-12 Turnover £000**	**2011-12 Surplus (-) /Deficit £000**
-1,209	School & welfare catering	14,622	-1,919
922	Non-Bradford school catering	0	819
1,163	Other catering	636	270
1,974	Building cleaning	1,318	1,965
2,850	**Total**	**16,576**	**1,135**

Trading Services Included in Net Cost of Services

2010-11 Surplus (-) /Deficit £000		**2011-12 Turnover £000**	**2011-12 Surplus (-) /Deficit £000**
1,486	Markets	2,836	-212
1,515	Car parks	3,982	-930
-74	Trade refuse	3,037	252
2,927	**Total**	**9,855**	**-890**

The services have been shown in the Comprehensive Income and Expenditure Statement in accordance with SeRCOP. Those in the first table have been including in Financing & Investment Income and Expenditure (see note 5b for further details). The services in the second table have been included in the cost of services.
The table shows that a surplus has been generated for trading operations relating to school and welfare catering, as well as the Market service. However, there is a deficit for the year for Non-Bradford School Catering, Other Catering, Cleaning and Trade Refuse.

Note 23. Agency Services

The Council did not undertake any such work in 2011-12 or 2010-11.

Note 24. Road Charging Schemes

The Council did not undertake or operate any road charging schemes in 2011-12 or 2010-11.

Note 25. 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.

	2010-11 £000	**2011-12 £000**
Funding provided		
Council	1,147	1,147
PCT	1,147	1,147
	2,294	**2,294**
Expenditure	2,862	2,379
Net overspend	**568**	**85**
Council share of the net overspend arising on the pooled budget	2	85

In 2011-12 there was an agreement between the Council and the PCT that any overspend on the pooled budget would be met by the Council.

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 adult learning disability social care services provided by BDCT under the S75 agreement transferred to either alternative providers or back to the Council by March 2012.

The total operating expenses of the BDCT in 2011-12 were £170.101m (£112.480m in 2010-11). The cost of services delivered on behalf of the Council was £24.380m, and a further £6.2m of recharges were paid for services delivered during the transition period of the services returning to the Council (£19.274m in 2010-11 plus a further £11.179m in relation to the Valuing People Transfer for Learning Disability Services). Valuing People expenditure was previously funded via the PCT but was transferred directly to the Council from central government in 2011-12 in additional Formula Grant.

Note 26. Termination Benefits

In 2011-12 the Council incurred voluntary and compulsory redundancy costs of £6.865m (£2.742m in 2010-11) together with £2.841m (£2.509m in 2010-11) for early retirement pension costs. The costs relate to a large number of voluntary early retirements approved during 2011-12 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.

Note 27. 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 2011-12, the Council paid £23.766m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £23.467m and 14.1%. There were no contributions remaining payable at the year-end.

The Council 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 28.

Note 28. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered through a number of separate regional funds. The Council 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 2011-12 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.

Statutory increases to pensions are linked to the Consumer Price Index (CPI).

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 (i.e. the statutory amount charged against the General Fund balance) is based on the cash payable in the year (i.e. the total contribution paid by the Council under the pension regulations), 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:

2010-11 Local Government Pension Scheme £000 Restated	2010-11 Teachers Voluntary Early Retirement £000 Restated	2010-11 Total £000 Restated		2011-12 Local Government Pension Scheme £000	2011-12 Teachers Voluntary Early Retirement £000	2011-12 Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services:			
49,734	0	49,734	• Current service cost	43,977	0	43,977
-193,505	-8,436	-201,941	• Past service cost / gain (-)	5,236	0	5,236
0	0	0	• Settlements and curtailments	0	0	0
0	0	0	• Entity combinations	26,052	0	26,052
			Financing and Investment Income and Expenditure			
95,642	4,241	99,883	• Interest cost	94,054	4,333	98,387
-82,145	0	-82,145	• Expected return on scheme assets	-98,118	0	-98,118
-130,274	**-4,195**	**-134,469**	Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**71,201**	**4,333**	**75,534**
			Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement			
-145,777	4,995	-140,782	• Actuarial gains (-) and losses	227,237	6,722	233,959
-276,051	**800**	**-275,251**	**Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement**	**298,438**	**11,055**	**309,493**
			Movement in Reserves Statement			
130,274	4,195	134,469	• 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	-71,201	-4,333	-75,534
			Actual amount charged against the General Fund balance for pensions in the year:			
37,634	**0**	**37,634**	• Employers' contributions payable to the scheme	**43,512**	**0**	**43,512**
0	**5,540**	**5,540**	• Retirement benefits payable to pensioners	**0**	**5,647**	**5,647**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £521.414m.

Assets and Liabilities in Relation to Post-Employment Benefits

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

2010-11 Local Government Pension Scheme £000	2010-11 Teachers Voluntary Early Retirement £000	2010-11 Total £000		2011-12 Local Government Pension Scheme £000	2011-12 Teachers Voluntary Early Retirement £000	2011-12 Total £000
1,880,686	**86,313**	**1,966,999**	**Opening balance at 1 April**	**1,678,247**	**81,573**	**1,759,820**
49,734	0	49,734	Current service cost	43,977	0	43,977
95,642	4,241	99,883	Interest cost	94,054	4,333	98,387
14,848	0	14,848	Contributions by scheme participants	14,992	0	14,992
-118,560	4,995	-113,565	Actuarial gains (-) and losses	152,342	6,722	159,064
-50,598	-5,540	-56,138	Benefits paid	-68,927	-5,647	-74,574
-193,505	-8,436	-201,941	Past service costs	5,236	0	5,236
0	0	0	Entity Combinations	97,878	0	97,878
1,678,247	**81,573**	**1,759,820**	**Closing balance at 31 March**	**2,017,799**	**86,981**	**2,104,780**

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

2010-11 Local Government Pension Scheme £000	2010-11 Teachers Voluntary Early Retirement £000	2010-11 Total £000		2011-12 Local Government Pension Scheme £000	2011-12 Teachers Voluntary Early Retirement £000	2011-12 Total £000
Restated	**Restated**	**Restated**				
1,143,403	**0**	**1,143,403**	**Opening balance at 1 April**	**1,254,649**	**0**	**1,254,649**
82,145	0	82,145	Expected rate of return	98,118	0	98,118
27,217	0	27,217	Actuarial gain and losses (-)	-74,895	0	-74,895
37,634	5,540	43,174	Employer contributions	43,512	5,647	49,159
14,848	0	14,848	Contributions made by scheme participants	14,992	0	14,992
-50,598	-5,540	-56,138	Benefits paid	-68,927	-5,647	-74,574
0	0	0	Entity Combinations	71,826	0	71,826
1,254,649	**0**	**1,254,649**	**Closing balance at 31 March**	**1,339,275**	**0**	**1,339,275**

Net Asset and Liabilities, per tables above

2010-11 Local Government Pension Scheme Restated £000	2010-11 Teachers Voluntary Early Retirement Restated £000	2010-11 Total Restated £000		2011-12 Local Government Pension Scheme Restated £000	2011-12 Teachers Voluntary Early Retirement Restated £000	2011-12 Total Restated £000
						Per Balance sheet
423,598	81,573	505,171	**Closing balance at 31 March**	678,524	86,981	765,505

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 £23.223m (2010-11: £109.362m). The increase in the fair value of scheme assets from £1.255bn at 31 March 2011 to £1.339bn at 31 March 2012 is a 6.7% increase.

Basis for Estimating Assets and Liabilities in the Local Government Pension Scheme

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, 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 2011	Local Government Pension Scheme Funded	31 March 2012
	Long-term expected rate of return on assets	
8.4%	Equity investments	8.1%
4.4%	Government bonds	3.1%
5.1%	Other bonds	3.7%
7.9%	Property	7.6%
1.5%	Cash	1.8%
8.4%	Other	8.1%
	Mortality Assumptions	
	Longevity at 65 for current pensioners:	
21.9 years	Men	22.0 years
24.0 years	Women	24.1 years
	Longevity at 65 for future pensioners (aged 45 at accounting date) :	
23.7 years	Men	23.8 years
26.0 years	Women	26.1 years
	Financial assumptions	
3.7%	Rate of RPI inflation	3.5%
2.8%	Rate of CPI Inflation	2.5%
5.2%	Rate of increase in salaries	5.0%
2.8%	Rate of increase in pensions	2.5%
5.4%	Discount rate	4.7%
See Below	Take-up of option to convert annual pension into retirement lump sum	See Below

At 31 March 2011, each member was assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum. Each member was assumed to exchange 75% of the maximum amount permitted of their future service pension rights, for additional lump sum. At 31 March 2012, each member is assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.

31 March 2011	Local Government Pension Scheme Unfunded & Teachers Voluntary Early Retirement Unfunded	31 March 2012
	Mortality Assumptions	
	Longevity at 65 for current pensioners:	
21.9 years	Men	22.0 years
24.0 years	Women	24.1 years
	Longevity at 65 for future pensioners (aged 45 at accounting date) :	
23.7 years	Men	23.8 years
26.0 years	Women	26.1 years
	Financial assumptions	
3.6%	Rate of RPI inflation	3.4%
2.7%	Rate of CPI Inflation	2.4%
2.7%	Rate of increase in pensions	2.4%
5.5%	Discount rate	4.6%

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 2011			31 March 2012	
£m	**%**		**£m**	**%**
917	73.1	Equity investments	952	71.1
143	11.4	Government bonds	169	12.6
49	3.9	Other bonds	72	5.4
45	3.6	Property	48	3.6
29	2.3	Cash	38	2.8
72	5.7	Other assets	60	4.5
1,255	**100.0**	**Total**	**1,339**	**100.00**

Scheme History

	2007-08 Restated £m	2008-09 £m	2009-10 £m	2010-11 £m	2011-12 £m
Present value of liabilities :					
Local Government Pension Scheme	-1,369	-1,165	-1,881	-1,678	-2,018
Teachers Voluntary Early Retirement	-82	-72	-86	-82	-87
Fair value of assets in the Local Government Pension Scheme	1,053	860	1,143	1,255	1,339
Surplus/(deficit) in the scheme :					
Total	**-398**	**-377**	**-824**	**-505**	**-766**
Local Government Pension Scheme	-316	-305	-738	-423	-679
Teachers Voluntary Early Retirement	-82	-72	-86	-82	-87
Total	**-398**	**-377**	**-824**	**-505**	**-766**

A summary of the underlying assets and liabilities for both the Local Government Pension Scheme and Teachers' Voluntary Early Retirement benefits is 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. The deficits represent the extent to which the scheme is unfunded. The estimated total net liability was £766m at 31 March 2012 (£505m at 31 March 2011).

The Council 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 Council. 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 £766m at 31 March 2012 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 2013 are £36.458m. Expected contributions for the Discretionary Benefits schemes in the year to 31 March 2013 are £9.680m.

History of Experience Gains and Losses

The net increase in the total liability of £260.334m includes £233.959m of actuarial losses that are included in the Other Comprehensive Income and Expenditure line of the Comprehensive income and Expenditure Statement. The actuarial losses identified as movements on the Pensions Reserve in 2011-12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007-08 £000	%	2008-09 £000	%	2009-10 £000	%	2010-11 £000	%	2011-12 £000	%
Local Government Pension Scheme										
Difference between the expected and actual return on assets	-51,228	-4.9	-264,607	-30.8	229,019	20.0	27,217	2.2	-74,895	-5.6
Experience gains and losses (-) on liabilities	15,769	1.2	0	0	15,054	0.8	13,132	0.8	-13,468	-0.7
Gains and losses (-) on liabilities due to changes in assumptions	-60,498	-4.4	293,522	25.2	-656,880	-34.9	105,428	6.3	-138,874	-6.9
Total	**-95,957**		**28,915**		**-412,807**		**145,777**		**-227,237**	
Teacher's Voluntary Early Retirement Benefits										
Experience gains and losses (-) on liabilities	-1,674	-2.0	0	0	2,264	2.6	-9,148	-11.2	-1,954	-2.2
Gains and losses (-) on liabilities due to changes in assumptions	-8,579	-10.4	11,193	15.6	-17,694	-20.4	4,153	5.1	-4,768	-5.5
Total	**-10,253**		**11,193**		**-15,430**		**-4,995**		**-6,722**	
Total Gain / Loss (-)	**-106,210**		**40,108**		**-428,237**		**140,782**		**-233,959**	

Note 29. Members' Allowances

The total amount paid in respect of Members' allowances in 2011-12 was £2,081,568 and £24,444 expenses (£2,110,355 and £32,340 expenses in 2010-11).

Note 30. Employees' Remuneration

Authorities are required to disclose information on employees' remuneration 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 2010-11	Employees Emoluments	Number of Employees 2011-12
164	£50,000 - £54,999	141
145	£55,000 - £59,999	143
73	£60,000 - £64,999	70
35	£65,000 - £69,999	37
29	£70,000 - £74,999	27
21	£75,000 - £79,999	18
16	£80,000 - £84,999	21
13	£85,000 - £89,999	9
8	£90,000 - £94,999	11
7	£95,000 - £99,999	5
2	£100,000 - £104,999	2
2	£105,000 - £109,999	1
1	£110,000 - £114,999	2
3	£115,000 - £119,999	2
3	£120,000 - £124,999	4
0	£125,000 - £129,999	1
1	£130,000 - £134,999	1
1	£135,000 - £139,999	1
0	£140,000 - £144,999	2
1	£145,000 - £149,999	0
1	£175,000 – £179,999	0
1	£195,000 - £199,999	1
527	Total	499

The above figures include 420 teachers (431 2010/11)

The above table includes the employees shown in the Senior Officers Remuneration note below.

Senior Officers Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or 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.

2011-12 Senior Officers with a salary less than £150k per annum

Post Title	Note	Salary including fees & Allowances 2011-12 £	Expense Allowances 2011-12 £	Comp'n for loss of Office 2011-12 £	Benefits in kind 2011-12 £	Total Remuneration excluding pension contributions 2011-12 £	Pension contributions 2011-12 £	Total remuneration including pension contributions 2011-12 £
Strategic Director – Business Support		116,484	1,239	0	0	117,723	17,008	134,731
Strategic Director – Children's services		137,221		0	0	137,221	20,283	157,504
Strategic Director - Adult and Community Services	F	120,583	1,239	0	0	121,822	17,637	139,459
Interim Strategic Director Adult & Community Services	G	14,419	0	0	0	14,419	2,050	16,469
Strategic Director - Regeneration and Culture		124,545	1,239	0	0	125,784	18,268	144,052
Strategic Director - Environment & Sport		116,384	1,239	0	0	117,623	17,008	134,631
Strategic Director Council Change Programme		139,126	1,239	0	0	140,365	20,419	160,784
City Solicitor	D	104,651	1,239	0	0	105,890	15,421	121,311
Director of Finance	E	55,942	613	0	0	56,555	8,161	64,716
Director - West Yorkshire Pension Fund		91,238	1,239	0	0	92,477	13,386	105,863

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 – Business Support	A	114,383	1,239	0	0	115,622	16,692	132,314
Strategic Director – Children's services		135,961	1,239	0	0	137,200	20,094	157,294
Strategic Director - Adult and Community Services		118,486	1,239	0	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	0	132,080	19,155	151,235
Strategic Director - Environment & Sport		114,283	1,239	0	0	115,522	16,692	132,214
Strategic Director Council Change Programme	A,F	147,137	1,239	0	0	148,376	21,621	169,997
City Solicitor	B,D	109,662	1,300	0	0	110,962	16,142	127,104
Director - West Yorkshire Pension Fund		91,238	1,239	0	0	92,477	13,386	105,863

Senior Officers' Remuneration

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

2011-12 Senior Officers with salary more than £150k per annum

Post Title and Holder	Note	Salary including Fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		2011-12	**2011-12**	**2011-12**	**2011-12**	**2011-12**	**2011-12**	**2011-12**
		£	£	£	£	£	£	£
Chief Executive - Tony Reeves	D	197,104	1,239	0	0	198,343	29,116	227,459

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

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

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 services (mainly Regeneration & Environment) plus by the creation of a Strategic Director 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. 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 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/Council Change Programme – £144,137
City Solicitor – £94,488
Director West Yorkshire Pension Fund – £89,238

<u>Annualised Salary for 2011-12</u>

Chief Executive – Tony Reeves - £178,476
Director of Finance – £110,000
Strategic Director Business Support – £113,384
Strategic Director Children's Services - £135,221
Strategic Director Adult and Community Services - £117,583
Interim Strategic Director Adult and Community Services - £82,938
Strategic Director Regeneration and Culture – £117,583
Strategic Director Environment and Sport – £113,384
Strategic Director Council Change Programme – 1st April 2011 to 30 November 145,397; 1st December 2011 to 31 March 2012 £117,583
City Solicitor – £94,488
Director West Yorkshire Pension Fund – £89,238

D. The following amounts were paid in 2011-12 for election duties and is included in salaries.
Chief Executive – Tony Reeves- £15,628 (£15,432 2010-2011)
City Solicitor - £8,322 (£8,536 2010-2011)

E. The Director of Finance started on 3 October 2011. This is a new role. It includes the role of Section 151 officer previously performed by the Strategic Director Council Change Programme. The role also includes the duties of a previous Head of Finance post removed in October 2012 but which was not shown in the senior remuneration note.

F. The Strategic Director of Adult & Community Services left on 31 March 2012.

G. The interim Strategic Director Adult & Community Services started on February 13 2012

Exit Packages

The total cost to the Council of exit packages includes compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

The exit packages are classified into compulsory redundancies and other departures.

Compulsory Redundancies				
Number of Exit Packages 2010-11	**Cost to Council 2010-11**	**Cost Bandings**	**Number of Exit Packages 2011-12**	**Cost to Council 2011-12**
	£			**£**
0	0	£0 - £19,999	27	279,278
0	0	£20,000 - £39,999	5	137,299
2	100,670	£40,000 - £59,999	4	209,319
0	0	£60,000 - £79,999	4	284,718
0	0	£80,000 - £99,999	0	0
0	0	£100,000 - £149,999	1	131,869
1	162,360	£150,000 - £199,000	0	0
3	**263,030**	**Total**	**41**	**1,042,483**

Other Departures				
Number of Exit Packages 2010-11	**Cost to Council 2010-11**	**Cost Bandings**	**Number of Exit Packages 2011-12**	**Cost to Council 2011-12**
	£			**£**
188	1,655,853	£0 - £19,999	375	2,152,344
51	1,384,734	£20,000 - £39,999	54	1,518,184
32	1,524,835	£40,000 - £59,999	13	623,380
13	881,083	£60,000 - £79,999	8	533,711
0	0	£80,000 - £99,999	7	629,253
0	0	£100,000 - £149,999	1	106,755
0	0	£150,000 - £199,000	0	0
284	**5,446,505**	**Total**	**458**	**5,563,627**

Note 31. 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 Council is required to make a statutory minimum revenue provision for the repayment of debt. The Council has based the 2011-12 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 2011-12 is £29.841m.

These changes are reflected in a transfer to or from the Capital Adjustment Account and are included in the Movement in Reserves Statement.

Capital Expenditure Charged to General Fund Balance

Authorities are allowed to finance capital expenditure through their revenue accounts. The expenditure of £7.009m in 2011-12 (£3.055m in 2010-11) 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.

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 loss on disposal of £17.792m in 2011-12 is made up of £24.144m from the de-recognition of assets, £0.019m costs of disposal and £6.352m in capital receipts. There is a large loss on disposal because the de-recognition of assets includes the disposal of schools at nil value as their status has changed to Trust and Foundation schools (The loss of £47.390m in 2010-11 largely relates to disposal of Trust and Foundation schools at nil value).

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 32. Leases

Council 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 2011 £000	Finance Leases as Lessee	31 March 2012 £000
82	Other land and Buildings	73
1,576	Vehicles, Plant, Furniture and Equipment	1,204
1,658	**Total**	**1,277**

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 2011 £000	Finance Lease liabilities (net present value of minimum lease payments)	31 March 2012 £000
744	Current	486
843	Non-current	672
360	Finance costs payable in future years	310
1,947	**Total Minimum Lease Payments**	**1,468**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Not later than one year	849	577	744	486
Later than one year and not later than five years	854	711	667	533
Later than five years	244	180	176	139
	1,947	**1,468**	**1,587**	**1,158**

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 Council has sub-let some of the Industrial Units held under the finance lease. As at the 31 March the forecast rental income for 2012-13 is £12,000.

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 2011-12 was £2.7m (£2.8m 2010-11).

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

31 March 2011 £000		31 March 2012 £000
1,713	Not later than one year	2,326
2,912	Later than one year and not later than five years	5,080
3,078	Later than five years	5,876
7,703	**Total**	**13,282**

Council as Lessor

Finance Leases

The Council has leased out two properties respectively for 999 and 125 years. The Ilkley Academy school building that is on a 125 year lease is also treated as a finance lease.

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 2011	Finance lease debtor (net present value of minimum lease payments)	31 March 2012
£000		£000
13	Current	14
317	Non-current	303
2,808	Unearned finance income	2,770
0	Unguaranteed residual value of property	0
3,138	**Gross Investment in the Lease**	**3,087**

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 2011	31 March 2012	31 March 2011	31 March 2012
	£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	2,884	2,833	2,884	2,833
	3,138	**3,087**	**3,138**	**3,087**

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.
- 3 academy schools that are on short-term 6 year leases

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

31 March 2011 £000 Restated		31 March 2012 £000
2,855	Not later than one year	2,625
8,599	Later than one year and not later than five years	6,864
77,345	Later than five years	78,355
88,799	**Total**	**87,844**

The minimum leases payments receivable do not include rents that are contingent on events after the lease was entered into, such as income based on a percentage of income receipts. In 2011-12 £0.667m contingent rents were receivable by the Council (2010-11 £0.680m).

Note 33. Private Finance Initiative (PFI)

BSF Phase 1 – Provision of three schools

The Council 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 Council 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 needed 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 Council for nil consideration. The Council would have to pay the contractor substantial compensation if it terminated the contract early without due cause.

2010-11 £000 Restated	BSF Private Financing Initiative	2011-12 £000
	Charges to the Revenue Account	
4,077	Unitary Payments to the Contractor for services provided	3,395
4,077	**Total charges to the revenue account**	**3,395**
	Net Operating Expenditure	
6,090	Interest element of finance lease payments	6,082
	Statement of Movement on the General Fund Balance	
1,917	Capital element of finance lease	2,036
12,084	**Total PFI charges**	**11,513**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
3,765	Education	3,549
12,770	**Total Financing**	**12,554**
686	**Transfer to BSF PFI Reserve**	**1,041**

The assets used to provide services at the schools are recognised on the Council'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 6.

The Council 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 2012 are as follows:

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	£000	£000	£000
Within				
1 yr	11,423	2,127	5,868	3,428
2-5	46,833	9,710	22,061	15,062
6-10	61,335	13,617	23,047	24,671
11-15	64,819	18,047	16,389	30,383
16-20	68,760	26,047	9,129	33,584
21-25	19,793	9,515	964	9,314
Total	**272,963**	**79,063**	**77,458**	**116,442**

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:

2010-11 £000	Analysis of Outstanding Liability for BSF Phase 1	2011-12 £000
83,016	**Balance outstanding at 31 March**	**81,099**
-1,917	Payments during the year	-2,036
0	Capital Expenditure incurred in the year	0
81,099	**Balance outstanding at year end**	**79,063**

The closing value of assets held under the scheme at 31 March 2012 was £30.371m (£29.973m at 31 March 2011) in respect of the BSF Phase 1 scheme. The reason for this decrease in the restated value of the assets at 31 March 2011 is that PFI schools have converted to Trust status, Tong and Buttershaw Schools. Because these schools are free of Local Authority control, the assets have been de-recognised from the balance sheet. This policy is further detailed in the Critical Judgements in Accounting Policies.

The liabilities (i.e the total principal repayments due over the life of the scheme) due on these assets at 31 March 2012 were £79.063m (£81.099m at 31 March 2011). The decrease of £2.036m is due to the principal repayment made in 2011-12.

BSF Phase 2

The Council 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 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.

2010-11 £000	BSF Private Financing Initiative	2011-12 £000
	Charges to the Revenue Account	
201	Unitary Payments to the Contractor for services provided	7,995
201	**Total charges to the revenue account**	**7,995**
	Net Operating Expenditure	
227	Interest element of finance lease payments	10,231
	Statement of Movement on the General Fund Balance	
95	Capital element of finance lease	5,337
523	**Total PFI charges**	**23,563**
	Financed By	
1,525	Government PFI Revenue Grant	17,540
278	Education	6,919
	Council contribution	0
0	Transfer to long term debtors re assets	0
1,803	**Total Financing**	**24,459**
1,280	**Transfer to BSF PFI Reserve**	**896**

The assets that were handed over to the Council before 31 March 2012 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	23,980	6,573	10,294	7,113
2-5	98,160	25,605	40,419	32,136
6-10	128,182	28,218	47,329	52,635
11-15	135,012	28,723	44,226	62,063
16-20	142,742	30,721	38,780	73,241
21-25	119,075	26,875	26,191	66,009
Total	**647,151**	**146,715**	**207,239**	**293,197**

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

2010-11 £000	Analysis of Outstanding Liability for BSF Phase 2	2011-12 £000
0	**Balance outstanding at 31 March**	**63,500**
-21,935	Payments during the year	-7,061
85,435	Capital Expenditure incurred in the year	90,276
63,500	**Balance outstanding at year end**	**146,715**

The closing value of assets held under the scheme at 31 March 2012 was £84.152m (£85.435m £2010/11) 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 2012 were £146.715m (£63.500m 2010/11). The payments during the year relate to the principal repayment made in 2011-12 and the prepayments made during 2011-12.

£39.542m REFCUS expenditure under PFI contract relating to Hanson school has been written off to the Comprehensive Income and Expenditure account through the surplus/deficit on provision of services. As REFCUS, this amount is excluded from the closing value of PFI assets.

Note 34. Capital Expenditure and Financing

The Capital Financing Requirement is shown below:

2010-11 £000		2011-12 £000
£000		**£000**
	Capital Expenditure and Capital Financing Requirement	
536,894	**Opening Capital Financing Requirement**	**605,976**
	Capital investment	
160,282	Property, Plant and Equipment	164,296
78	Investment properties	359
0	Intangible Assets	373
20,213	Revenue Expenditure funded from Capital under statute	57,949
	Sources of Finance	
-14,456	Capital Receipts Applied	-6,199
-69,862	Government grants and other contributions	-81,677
-3,055	Sums set aside from revenue	-7,008
-3,194	Repayment of Principal on PFI and Other Finance Leases	-8,372
-20,903	MRP/loans fund principal	-21,460
-21	Miscellaneous other	-9
0	Payments of Principal on Long-Term Debtors	-37
605,976	**Closing Capital Financing Requirement**	**704,191**
	Explanation of movements in year	
13,044	Increase in underlying need to borrow (supported by government financial assistance)	0
-29,585	Increase/decrease in underlying need to borrow (unsupported by government financial assistance)	7,578
188	Assets acquired under finance leases	361
85,435	Assets acquired under PFI/PPP contracts	50,734
0	Hanson REFCUS expenditure under PFI contract	39,542
69,082	**Increase/ (decrease) in Capital Financing Requirement**	**98,215**

Note 35. 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 £57.949m (£20.213m in 2010-11). Grants of £3.248m received in year and £8.277m transferred from the Capital Grants Unapplied reserve were used to fund the REFCUS charges (£13.043m in 2010-11).

However, the deficit on provision of services includes REFCUS relating to a Private Finance Initiative for Hanson school.

Note 36. Other Long Term Liabilities

The total deferred liabilities at 31 March 2012 are £988.672m compared to a restated total of £651.896m at 31 March 2011. The main liability is in respect of the actuarially calculated pension liability which is £260,334m higher at 31 March 2012 when compared to 31 March 2011.

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 2012 was £225.8m (£144.6m at 31 March 2011), of which £217.1m is a deferred liabilities and £8.7m a creditor in respect of the 2011-12 principal repayment.

b) former West Yorkshire Waste Management Joint Committee debt. This is managed on the Council's behalf by Wakefield MDC. The deferred liability outstanding at 31 March 2012 was £4.809m (£5.010m at 31 March 2011).

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.

2010-11 £000	Other Long Term Liabilities	2011-12 £000
505,172	Pension Liability	765,506
	BSF	
79,063	Phase 1	76,936
61,217	Phase 2	140,143
5,010	Waste Management Joint Committee Debt	4,809
1,434	Other	1,278
651,896		**988,672**

Note 37. 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 2012 was £300,996 (£401,448 at 31 March 2010).

Note 38. 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 17).

Members and Chief Officers

The register of Members' interests and any declarations have been examined and reveals no matters for disclosure, except that the Leader of the Council, Ian Greenwood is also a board member of Incommunities, a Housing Association. The Council spent £4.2m on works delivered by Incommunities and received £1.7m of income from Incommunities. 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 Council or between the Council 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 2011-12 it charged the Fund £573k in respect of support services provided (£510k in 2011-12). The charge includes accommodation, financial, legal and information technology services. The Director of Finance currently represents the West Yorkshire Districts on the West Yorkshire Investment Advisory Panel.

Other Public Bodies

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

2010-11 £000	Other Public Bodies	2011-12 £000
	Payment of precepts & distribution of collection fund surplus:	
7,670	West Yorkshire Fire and Rescue Authority	7,901
19,099	West Yorkshire Police Authority	19,675
830	Parish Councils	845
25,519	Payments to joint committees, joint services and other bodies	26,459
26	Parish Councils (running expenses and allotment grants)	25

In addition, the Council received a £7.5m capital grant payment from the West Yorkshire Integrated Transport Authority.

Subsidiary and Associated Companies

The Council had financial relationships in 2011-12 with the following companies. Their assets and liabilities are not included in the Council's accounts. Transactions with the companies in 2011-12 were:

2010-11 £000	Subsidiary and Associated Companies	2011-12 £000
	.	
213	Building Schools for the Future Ltd Phase 2	204
90	Building Schools for the Future Ltd Phase 1	89
1	Integrated Bradford LEP Ltd	1

Details of the Council's long term investment in Integrated Bradford LEP Ltd, is shown in the note on Long Term Investment

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 Council 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 2010-11) JANES the most significant of which is West Yorkshire Joint Services Committee. In 2011-12 the Council included its contribution of £1.6m to the arrangement (£1.8m in 2010-11) in the Comprehensive Income & Expenditure Statement but has not included its share of the assets and liabilities on the grounds of materiality.

Note 39. External Audit Costs

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

2010-11 £000	External Audit Costs	2011-12 £000
455	General audit services	377
75	Certification of grant claims and returns	75
66	West Yorkshire Pension Fund	61
596	**Total**	**513**

Note 40. Dedicated Schools Grant (DSG)

The Council is allocated the Dedicated Schools Grant (DSG) from the Department for Education in support of expenditure relating to the schools' budget. The DSG must be allocated between Individual Schools budget (ISB) and the Central School Budget expenditure, and over or underspends on the two elements need to be shown separately. The DSG has been made under sections 14 of the Education Act 2002 and has been spent in accordance with 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 £415.428m DSG for the financial year 2011-12. In 2011-12 a number of grants were mainstreamed into the DSG hence the main reason in the increase in the 2011-12 DSG value. The allocation of this grant between the Individual Schools Budget and the Central Schools Budgets is shown in the table below:-

Dedicated Schools Grant	**2010-11**	**2010-11**	**2010-11**	**2011-12**	**2011-12**	**2011-12**
	Total	Central Expenditure	Individual Schools Budget (ISB)	Total	Central Expenditure	Individual Schools Budget (ISB)
	£000	£000	£000	£000	£000	£000
	Amended	Amended	Amended			
Final DSG	350,283	34,370	315,913	415,428	39,212	376,216
Plus DSG b/f from previous year	1,194	1,194	0	2,898	3,800	(902)
Agreed Budget Distribution	**351,477**	**35,564**	**315,913**	**418,326**	**43,012**	**375,314**
Actual ISB deployed to schools	316,815	0	316,815	374,539	0	374,539
Actual Central Expenditure	31,764	31,764	0	41,120	41,120	0
Total Carry Forward	**2,898**	**3,800**	**-902**	**2,667**	**1,892**	**775**

Note 41. 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 Council 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 £2.930m.

Pension Fund Guarantee

The Council acts as guarantor for Bradford Trident of the West Yorkshire Pension Fund should they cease to exist or the contract with the Council ends. In addition the Council agreed subject to limitations to guarantee the pension fund deficit of the Bradford District Care Trust at 31 March 2012 should it cease to exist. The pension deficit of BDCT was £1.893m at 31 March 2012 compared to £520k at 31 March 2011.

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 Council's legal and technical advisers for the scheme.

Contract

There are ongoing discussions regarding disputed contract costs. For reasons of commercial sensitivity, no further details are disclosed here.

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 is 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 42. Grant Income

The revenue government grants shown in the tables below represent the accrued amount received by the Council.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011-12:

	2010-11 Restated £000	2011-12 £000
Credited to Net cost of Services		
Dedicated Schools Grant (DSG)	351,427	415,538
Rent Allowance Subsidy	154,338	166,761
Education and schools	118,863	31,571
Council Tax benefit and benefits administration	44,439	44,593
Early years	25,763	0
Pupil Premium	0	8,550
European Union	2,857	2,238
PFI Revenue Support	10,529	26,545
Winter Maintenance	0	1,118
Employment	0	2,059
Arts, Heritage & Leisure	1,409	1,064
Local Area Agreement (LAA)	6,438	0
Social services carers	3,364	358
Personal social services	2,042	0
Drug Intervention Programme	1,854	1,813
Health education	1,299	736
Safer communities	593	124
Contribution to cost of NDR collection	745	771
Asylum accommodation	480	332
Youth training	1,040	1,426
NHS Adult Social Care Contribution	0	6,235
REFCUS	13,043	3,248
Miscellaneous under £500k	1,978	879
Total	**742,501**	**715,959**
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	34,485	64,665
Non Domestic Rates Redistribution	237,482	209,204
Area Based Grant	62,393	0
Early Intervention Grant	0	29,680
Learning Disability & Health Reform	0	11,997
Local Services Support Grant	0	1,460
Council Tax Freeze Grant	0	4,074
New Homes Bonus Grant	0	2,761
Total	**334,360**	**323,841**

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:

	2010-11 £000	2011-12 £000
Capital Grants Receipts in Advance		
Southgate	1,726	0
Developer's contributions	3,948	5,752
Total (See Balance Sheet p16)	**5,674**	**5,752**

Note 43. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals. 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 , page 39 and Intangible Assets

The Council has recognised an impairment loss of £8.674m on Property, Plant and Equipment in the Surplus or Deficit on the Provision of Services, and an impairment loss of £1.046m in the Other Comprehensive Income and Expenditure.

Note 44 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 Council.

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 Council's financial position and performance will be explained.

Types of Financial Instruments

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

	Long-term		Current	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Investments				
Loans and receivables	0	0	166,348	150,954
Equity Investments	1	1	0	0
Available for sale financial assets	0	0	13,497	24,825
Financial assets at fair value through profit and loss	0	0	0	0
Total Investments	**1**	**1**	**179,845**	**175,779**
Debtors				
Loans and receivables	2,808	2,657	24	38
Financial assets carried at contract amounts	0	0	45,811	46,392
Total Debtors	**2,808**	**2,657**	**45,835**	**46,430**
Borrowings				
Financial liabilities at amortised cost	416,924	416,900	11,072	14,132
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	**416,924**	**416,900**	11,072	14,132
Other long term liabilities				
PFI and finance lease liabilities	141,124	217,751	5,062	9,186
Total other long term liabilities	**141,124**	**217,751**	**5,062**	**9,186**
Creditors				
Financial liabilities carried at amortised cost	0	0	53,368	34,405
Financial liabilities carried at contract amount	0	0	0	0
Total creditors	0	0	**53,368**	**34,405**

Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. In 2010-11 the Council 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 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 values calculated are as follows:

2010 - 11 Carrying amount	2010-11 Fair value	Fair value of liabilities carried at amortised cost at 31 March	2011-12 Carrying amount	2011-12 Fair value
£000	**£000**		**£000**	**£000**
368,449	415,625	PWLB Loans	368,447	454,194
42,874	45,806	LOBO's	43,038	40,665
6,760	6,760	Short term borrowing	6,762	6,762
4,095	4,095	Cash overdrawn	7,170	7,170
5,437	5,837	Other local authorities re joint services	5,221	6,104
53,368	53,368	Trade Payables	34,405	34,405
381	381	Other	394	394
146,186	146,186	PFI and finance lease liabilities	226,937	226,937
627,550	**678,058**	**Total Liabilities**	**692,374**	**776,631**

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.

2010 - 11 Carrying amount	2010-11 Fair value	Fair value of assets carried at amortised cost at 31 March	2011 - 12 Carrying amount	2011-12 Fair value
£000	**£000**		**£000**	**£000**
115,772	115,772	Cash in hand	118,011	118,011
50,576	50,646	Investments	32,943	33,045
45,811	45,811	Trade receivables	46,392	46,392
330	330	Finance leases	317	317
1,133	1,133	Car loans	1,204	1,204
427	516	Other local authorities re joint services	403	532
303	303	Building Schools for the Future Ltd	293	293
1	1	Integrated Bradford LEP Ltd	1	1
639	639	Other	478	478
214,992	**215,151**	**Total Financial Assets**	**200,042**	**200,273**

The differences are attributable to fixed interest instruments receivable being held by the Council whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value of loans and receivables.

Gains and losses on financial instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows.

2010-11 £000	Recognised gains and losses	2011-12 £000
	Recognised in the Comprehensive Income and Expenditure Statement	
	Financial assets	
-2,378	Interest income	-4,475
	Total income in surplus or deficit on the provision of services	
	Financial Liabilities	
28,112	Interest payable	27,856
6,464	Interest Payable on PFI and Finance leases	16,439
0	Recognised in Other Comprehensive Income and Expenditure	
34,576	**Total expense in surplus or deficit on the provision of services**	44,295

Nature and extent of risks arising from financial instruments

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. Re-financing Risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
d. Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movement.

Overall procedures for managing risks

The Council'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. The annual Treasury Management Strategy which incorporates prudential indicators was approved by Council on 29th March 2011 and is available on the website.

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 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. A bad debt provision has been included in the accounts, to take account of the risk of non-payment (see note 15).

The credit criteria in respect of financial assets held by the Council are as detailed below.

Investment limits

The financial investment limits with the Government, Banks or Building Societies are linked to Moody's, Fitch and Standard and Poors (S&P) 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 or Fitch AAA: Maximum Investment with any one counter party – £20 million.
4. HSBC and Barclays with a Moody's short term rating of P-1, 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. The two part government owned banks Lloyds and the Royal Bank of Scotland credit ratings of sovereign taken: Maximum investment is £40 million.
6. Any other Bank or Building Society with a credit criteria of Moody's rating A1 or better, Fitch short term rating of at least F1 with a support rating of 2 or above and a S&P rating of A1 or better: Maximum Investment with any one counter party – £20million.
7. 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.

8. Lower limit with any bank or building society with a moody rating of A2 or better, Fitch rating of at least F1, S&P rating of A-1 or better and support rating of 3 or better : Maximum Investment with any one counter party – £7million.

The full Investment Strategy for 2011/12 was approved by Full Council on 29 March 2011 and is available on the Council's website.

A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2012 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.

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

Deposits with banks and other financial institutions		
31 March 2011 £000		**31 March 2012 £000**
179,846	Amounts at 31 March	175,779
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

b. Liquidity Risk

The Council manages it liquidity position through the risk management procedures above and through a comprehensive cash flow management system. This seeks to ensure cash is available when needed.

If unexpected movements occur, the Council has ready access to a facility to borrow from the Public Works Loans Board to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

c. Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

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 2011 £000	**Total Borrowing**	**31 March 2012 £000**
	Source of loan and interest rate range :	
368,449	Public Works Loan Board (3.7% to 10.25%)	368,447
42,874	Commercial Bank (3.2% to 4.5%)	43,038
411,323		**411,485**
	Analysis of loans:	
	Short Term Borrowing	
0	Maturing in less than 1year	**0**
	Long Term Borrowing	
79,514	Maturing in 2 - 5 years	105,449
64,366	Maturing in 5 - 10 years	43,942
43,715	Maturing in 10 - 15 years	54,688
223,728	Maturing in more than 15 years	207,406
411,323	**Total Long Term Borrowing**	**411,485**
411,323	**Total Borrowing**	**411,485**

d. Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

The current interest rate risk for the Council 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. 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 Council'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 2012 with all other variables held constant, the financial effect would be:

31 March 2011 £000	Effect of 1% increase in interest rates	31 March 2012 £000
0	Increase in interest payable on variable rate borrowings	0
-1,287	Increase in interest receivable on variable rate investments	-1,092
0	Increase in government grant receivable for financing costs	0
-1,287	**Impact on Surplus or Deficit on the Provision of Services**	**-1,092**

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 45: 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 2011	**Analysis of Trust Funds and Custodial Money Balances**	**Expenditure 2011-12**	**Income 2011-12**	**Balance 31 March 2012**
£		**£**	**£**	**£**
	Education charities:			
535,841	Charles Semon Educational Foundation	3,126	13,628	546,343
340,572	Bradford area	50	15,704	356,226
341,592	Keighley area	5,524	19,779	355,847
20,920	Housing charities	393	4,014	24,541
243,252	Charities for the Blind	0	6,481	249,733
1,482,177		**9,093**	**59,606**	**1,532,690**

For those Trust Funds where the Council acts as sole trustee and which at 31 March 2012 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 2011-12**	**Balance at 31 March 2012**
		£	**£**
Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	10,502	546,343
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	14,669	347,658
Royd House Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	5,367	132,186
Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	2,268	66,496
Littlemoor Queensbury (519426)	Maintenance of Public Park & Recreation Ground for the benefit and use of Queensbury and the general public	1,701	52,990

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.

2010-11 £000	**Collection Fund Statement**	**2011-12 £000**	
	Income		
153,288	Due from Council Tax payers (excluding benefits)	152,399	*Note 1*
38,650	Due in respect of Council Tax benefits	38,973	
120,744	Due from business ratepayers	130,297	*Note 2*
312,682	**Total income**	**321,669**	
	Expenditure		
	Precepts		
160,155	Bradford Council	162,979	
7,670	West Yorkshire Fire and Rescue Authority	7,805	
19,099	West Yorkshire Police Authority	19,436	
	Business rate		
120,005	Payment to national pool	129,558	
739	Costs of collection	739	
1,185	Council Tax write-offs	4,452	
944	Contribution to/from (-) provision for losses on collection	-2,653	*Note 3*
	Distribution of Collection Fund Surplus		
0	Bradford Council	2,000	
0	West Yorkshire Fire and Rescue Authority	96	
0	West Yorkshire Police Authority	239	
309,797	**Total Expenditure**	**324,651**	
-2,885	**Net movement (surplus (-)/deficit) in the fund balance**	**2,982**	*Note 4*
0	Balance at beginning of year	0	
2,472	Transfer to/from (-) Collection Fund Adjustment Account	-2,555	*Note 4*
413	Preceptors' share of surplus/deficit (-) at 31 March	-427	*Note 4*
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 2011-12 (£1,277.24 in 2010-11) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

2010-11 Band D Equivalent Restated	**Band**	**2011-12 Number of chargeable dwellings**	**Multiplier**	**2011-12 Band D Equivalent**
72	A*	131	5/9	72
48,003	A	74,114	6/9	49,409
29,143	B	38,278	7/9	29,772
29,943	C	34,097	8/9	30,308
15,091	D	15,295	9/9	15,295
12,945	E	10,708	11/9	13,087
7,387	F	5,159	13/9	7,453
5,338	G	3,215	15/9	5,359
426	H	221	18/9	443
148,348	Total Band D equivalent			151,198
-1,998	Adjustment for estimated losses on collection			-2,268
146,350	**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 42.6p (40.7p in 2010-11) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 43.3p (41.4p in 2010-11) 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 2011-2012 was £209.2m (£237.5m in 2010-11).

The business rates income, after reliefs and provisions, was based on a total rateable value for the Council's area of £384,792,891 for 2011-12 (£386,041,325 for 2010-11).

Note 3 Provision for Council Tax Bad Debts

In 2011-12 the total provision for Council Tax bad debts was reduced by £2.653m, from £11.062m to £8.409m. Of the final balance, 86% is to cover Council Tax owed to the Council. The remaining 14% is to cover amounts owed to major preceptors.

Note 4 Fund Balance

An accumulated surplus on the Collection Fund is attributable to amounts that are deemed to be collectable, but which have 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 Council and the preceptors in the required proportions. However, in order to reflect the fact that the Council is not allowed by statutory legislation to either fund deficits or use surpluses in year, the distribution is offset by an entry to the Collection Fund Adjustment Account in the Council'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 deficit of £2.982m arose in 2011-12 (£2.885m surplus in 2010-11), of which the Council's share was £2.555m (£2.472m surplus in 2010-11) and the preceptors share was £427k (£413k surplus in 2010-11). The Council's share was used to reduce the surplus on the Collection Fund Adjustment Account from £2.003m at 31 March 2011 to a deficit of £552k at 31 March 2012.

2010-11	Fund account	2011-12	Note
£000		£000	
	Contributions and benefits		
359,403	Contributions receivable	367,746	*4*
37,970	Transfers in	21,374	*5*
6	Other income	0	
18,553	Non-statutory pensions and pensions increases recharged	24,097	*6*
415,932	**Income total**	**413,217**	
360,863	Benefits payable	406,858	*8*
18,553	Non-statutory pensions and pensions increases	24,097	*6*
38,641	Payments to and on account of leavers	14,366	*10*
5,288	Administrative and other expenses borne by the scheme	4,840	*11*
423,345	**Expenditure total**	**450,161**	
-7,413	**Net additions from dealings with members**	**-36,944**	
	Returns on investments		
205,676	Investment income	236,214	*12*
-2,709	Taxes on income	-2,954	
515,445	Profit and losses on disposal of and changes in value of investments	-62,006	*14*
1,486	Stock lending	1,577	*13*
3	Underwriting commission	0	
-1,733	Investment management expenses	-1,738	
718,168	**Net return on investments**	**171,093**	
710,755	**Net increase in the net assets available for benefits during the year**	**134,149**	
7,939,509	**Opening net assets of the scheme**	**8,650,264**	
8,650,264	**Closing net assets of the scheme**	**8,784,413**	

31 March 2011 £000	Net assets statement	31 March 2012 £000	*Note*
	Investment assets		*14*
755,761	Fixed interest securities	918,993	
5,675,486	Equities	5,667,062	
552,466	Index-linked securities	636,598	
1,396,320	Pooled investment vehicles	1,225,230	
195,864	Cash deposits	239,332	
32,742	Other investment balances	34,408	
	Investments liabilities		
-432	Other investment balances	-2,986	
8,608,207	**Investments at 31 March**	**8,718,637**	
	Current assets		
52,606	Debtors	57,890	*18*
4,074	Cash balances (not forming part of the investment assets) *	18,339	
	Current liabilities		
-14,623	Creditors	-10,453	*19*
42,057	**Net current assets and liabilities**	**65,776**	
8,650,264	**Net assets of the scheme at 31 March**	**8,784,413**	

* This figure takes account of cheques drawn but not presented, the balance on the bank account at 31 March 2012 was £18,686,596.

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2012.

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 266 participating employers at 31 March 2012 whose employees were entitled to be contributors to the Fund.

Membership

2010-11	Profile of membership	2011-12
92,707	Active members	90,484
66,546	Pensioner members	70,529
68,535	Members with preserved pensions	71,906
227,788	**Total members**	**232,919**

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. 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.

2. 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 p.a. 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.

3. 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 contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.

5. 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 Admission Bodies	7.15% p.a. 6.25% p.a.
Discount rate for periods after leaving service Scheduled Bodies Admission Bodies	7.15% p.a. 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.

6. 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.

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

8. 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

23 April 2012

Note 3. Accounting policies

Basis of preparation

The statement of accounts summarises the fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 9 to the accounts.

Contributions

Contributions are accounted for on an accruals basis.

Employers have met the indirect costs of early retirement. These costs are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as financial assets.

Transfers in and out of the fund

Transfer Values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund. These are calculated in accordance with the Local Government Pension Scheme Regulations.

Transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. These costs are met from within the employer contribution rate.

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.

Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Investment management expenses

Investment management expenses are accounted for on an accruals basis and disclosed within the Fund account. These costs are met from within the employer contribution rate.

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 17 to the accounts.

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 'Investment report' and in the 'Notes to the accounts' (Note 7).

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. Transactions throughout the year are translated at the exchange rate prevailing at the time.

Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

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.

a) Fair value of financial instruments

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 cash flow analysis and valuation models. These require management judgement and contain significant estimation uncertainty.

b) 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 9) and doesn't comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which is disclosed in note 6.

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 4. Contributions receivable

2010-11 £000	Analysis of contributions received	2011-12 £000
249,392	Employers	263,216
110,011	Members	104,530
359,403	**Total contributions received**	**367,746**

Contributions are further analysed by type of member body.

2010-11 £000	Contributions received by type of member body	2011-12 £000
48,847	Administering authority	56,996
270,027	Scheduled bodies	273,998
40,513	Admitted bodies	35,856
16	Bodies with no further interest	896
359,403	**Total contributions received**	**367,746**

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

The employers' contributions for 2011/12 reflect the Rates set for the three financial years 2011/2012 to 2013/14 arising from the 2010 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 2011/12 the rates start at 5.5% payable by employees with salaries up to £12,900 a year, and the highest rate is 7.5% to be paid on salaries over £81,100 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 7.

Note 5. Transfers in

2010-11 £000	Transfers in from other pension funds	2011-12 £000
37,970	Individual transfers in from other schemes	19,188
0	Bulk transfers in from other schemes	2,186
37,970	**Total transfers in**	**21,374**

Note 6. Non-statutory pensions and pensions increase recharged

2010-11 £000	Non-statutory pensions and pensions increase recharged	2011-12 £000
18,553	**Pensions**	**24,097**

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 7. 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, whereby 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:

2010-11 £000	Additional voluntary contributions	2011-12 £000
18,138	Value of funds at 1 April	18,047
2,491	Contributions received	2,702
27	Transfers and withdrawals	58
30	Internal transfers	-5
1,024	Interest and bonuses / change in market value of assets	539
-3,663	Sale of investments to settle benefits due to members	-3,867
18,047	**Value of fund at 31 March**	**17,474**

Note 8. Benefits payable

2010-11 £000	Analysis of benefits payable	2011-12 £000
	Funded pensions	
237,646	Retired employees	264,494
21,589	Dependants	22,732
	Funded lump sums	
92,649	On retirement	109,209
8,979	On death	10,423
360,863	**Total Benefits Payable**	**406,858**

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

2010-11 £000	Analysis of benefits payable by member body	2011-12 £000
50,720	Administering authority	66,363
261,448	Scheduled bodies	288,582
44,930	Admitted bodies	48,851
3,765	Other interested bodies with no pensionable employees	3,062
360,863	**Total benefits payable**	**406,858**

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

Note 9. 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 £m	Value as at 31 March 2007 £m
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 10. Payments to and on account of leavers

2010-11	Payments to and on account of leavers	2011-12
£000		£000
56	Refund of contributions	54
28,166	Individual transfers out to other schemes	14,508
10,419	Bulk transfers out to other schemes	-196
38,641	**Total transfers out**	**14,366**

The bulk transfer credit figure includes adjustments made in this year to transfers relating to prior periods.

All transfer values paid during the year were calculated either in accordance with the provisions of the Local Government Pension Scheme Regulations, or where applicable, in the manner required by Chapter IV of the Pension Schemes Act 1993. Where both methods of calculation could be applied, the higher amount was paid in all cases.

Note 11. Administrative and other expenses borne by the Fund

2010-11	Administrative expenses	2011-12
£000		£000
4,791	Administration and processing	4,644
428	Actuarial fees	127
66	Audit fee	61
3	Legal and other professional fees	8
5,288	**Total administrative expenses**	**4,840**

Note 12. Investment income

2010-11	Investment income	2011-12
£000		£000
37,498	Income from fixed interest securities	38,809
145,118	Dividends from equities	173,518
9,172	Income from index-linked securities	8,967
12,258	Income from pooled investment vehicles	13,023
1,630	Interest on cash deposits	1,897
205,676		**236,214**

Note 13. Stock Lending

2010-11	Analysis of stock lending		2011-12
£000			£000
126	Income	- Fixed interest	570
549		- UK equities	108
1,017		- International equities	1,097
-206	Expenditure		-198
1,486	**Total**		**1,577**

As at 31 March 2012, £511.5m of stock was on loan to market makers, and this was covered by collateral totalling £559.7m (which includes an appropriate margin), comprising UK and international bonds (£230.3m), International equities (£118.5m), and UK stocks and shares (£210.9m).

Note 14. Non-current assets

Investments	Opening value at 1 April 2011	Purchases at cost	Sale proceeds	Change in market value	Closing value at 31 March 2012
	£000	£000	£000	£000	£000
Fixed interest securities	755,761	397,576	-284,578	50,234	918,993
Equities	5,675,486	371,932	-249,868	-130,488	5,667,062
Index-linked securities	552,466	198,802	-188,906	74,236	636,598
Pooled investment vehicles	1,396,320	9,528	-124,630	-55,988	1,225,230
Cash deposits	195,864	43,468	0	0	239,332
Other investment assets	32,742	0	1,666	0	34,408
Other investment liabilities	-432	-2,554	0	0	-2,986
Total investments	**8,608,207**	**1,018,752**	**-846,316**	**-62,006**	**8,718,637**

Comparative movements for 2011:

Investments	Opening Value at 1 April 2010	Purchases at Cost	Sale Proceeds	Change in Market Value	Closing Value at 31 March 2011
	£000	£000	£000	£000	£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.

2010-11 £000	Analysis of investments closing market values	2011-12 £000
	Fixed interest securities:	
362,352	UK public sector quoted	402,179
213,108	UK other quoted	308,220
111,534	Overseas public sector quoted	101,652
68,767	Overseas other quoted	106,942
755,761		**918,993**
	Equities:	
3,065,650	UK quoted	3,024,848
105,346	UK unquoted	127,747
2,231,621	Overseas quoted	2,199,031
272,869	Overseas unquoted	315,436
5,675,486		**5,667,062**
	Index linked securities:	
407,758	UK public sector quoted	473,482
48,557	UK other quoted	48,436
96,151	Overseas public sector quoted	114,680
552,466		**636,598**
	Pooled investment vehicles:	
156,385	Currency funds	86,904
340,215	Hedge funds	307,952
306,685	Property	310,361
593,035	Other	520,013
1,396,320		**1,225,230**
	Cash deposits:	
195,864	Sterling	**239,332**

Concentration of Investments

The SORP and Code require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of class of security. No single investments make 5% of the value of the scheme. Those which make 5% of a class of security are listed below:

2010-11 £000	Single investments with a value of greater than 5% of the asset class	2011-12 £000
	Fixed interest securities:	
32,371	Treasury 4.25%	46,465
	Index linked securities:	
53,346	Treasury 2016	n/a
34,205	Treasury 2017	n/a
56,259	Treasury 2020	63,642
29,356	Treasury 2022	34,096
94,592	Treasury 2024	75,047
28,315	Treasury 2027	38,206
49,632	Treasury 2030	57,164
n/a	Treasury 2035	51,700
n/a	Treasury 2040	59,213
15,338	USA Treasury 2022	43,232
	Pooled investment vehicles:	
72,943	Arden Alternative Advisors SPC	72,634
65,631	Aurum ISIS Sterling Fund Ltd	66,036
71,814	QIP Ltd	72,142

AVC Investments

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, whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions. The aggregate amounts of AVC investments are:-

2010-11	AVC investments	2011-12
£000		£000
3,899	Equitable Life	3,523
1,472	Prudential	2,632
12,677	Scottish Widows	11,319
18,048	**Total**	**17,474**

Note 15. 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 2012			
	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	918,993	0	0	918,993
Equities	5,667,062	0	0	5,667,062
Index-linked securities	636,598	0	0	636,598
Managed and unitised funds	1,225,230	0	0	1,225,230
Cash deposits	0	239,332	0	239,332
Other investment balances	34,408	0	0	34,408
Debtors	0	57,890	0	57,890
Total	**8,482,291**	**297,222**	**0**	**8,779,513**
Financial liabilities				
Other investment balances	2,986	0	0	2,986
Creditors	0	0	10,453	0
Total	**2,986**	**0**	**10,453**	**2,986**

	31 March 2011			
	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	755,761	0	0	755,761
Equities	5,675,486	0	0	5,675,486
Index-linked securities	552,466	0	0	552,466
Managed and unitised funds	1,396,320	0	0	1,396,320
Cash deposits	0	195,864	0	195,864
Other investment balances	32,742	0	0	32,742
Debtors	0	52,606	0	52,606
Total	**8,412,775**	**248,470**	**0**	**8,661,245**
Financial liabilities				
Other investment balances	432	0	0	432
Creditors	0	0	14,623	0
Total	**432**	**0**	**14,623**	**432**

All net gains or losses on financial instruments are on those instruments classified as financial assets at fair value through profit or loss.

Note 16. 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 2012	Carrying value 2011	Fair value 2012	Fair value 2011
Financial assets	**£000**	**£000**	**£000**	**£000**
Trading and other financial assets at fair value through profit or loss	8,482,291	8,412,775	8,482,291	8,412,775
Loans and receivables	297,222	248,470	295,923	247,442
Total financial assets	**8,779,513**	**8,661,245**	**8,778,214**	**8,660,217**
Financial liabilities				
Trading and other financial liabilities at fair value through profit or loss	2,986	432	2,986	432
Total financial liabilities	**2,986**	**432**	**2,986**	**432**

Note 17. 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), or the international equivalent.

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 below provides an analysis of the financial assets and liabilities of the Fund that are carried at fair value in the Fund's Net Asset Statement, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Valuation hierarchy

	31 March 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	**£m**	**£m**	**£m**	**£m**
Financial assets at fair value through profit or loss	7,335	398	751	8,483
Loans and receivables	297	0	0	297
Total financial assets	**7,632**	**398**	**751**	**8,780**
Financial liabilities				
Financial liabilities at fair value through profit or loss	3	0	0	3
Total financial liabilities	**3**	**0**	**0**	**3**

	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	0	0	248
Total financial assets	**7,479**	**464**	**718**	**8,661**
Financial liabilities				
Financial liabilities at fair value through profit or loss	0	0	0	0
Total financial liabilities	**0**	**0**	**0**	**0**

Note 18. Current assets

2010-11 £000	Current assets	2011-12 £000
	Debtors	
27,718	Contributions due from employees and employers	29,282
24,888	Other debtors	28,608
52,606	**Total current assets**	**57,890**

2010-11 £000	Current assets by type of body	2011-12 £000
8,427	Central government bodies	5,934
36,902	Other local authorities	44,218
0	NHS bodies	44
1,458	Public corporations and trading funds	1,591
5,819	Bodies external to general government	6,103
52,606	**Total current assets**	**57,890**

Note 19. Current liabilities

2010-11 £000	Current liabilities	2011-12 £000
	Creditors	
6,910	Unpaid benefits	6,361
7,713	Other current liabilities	4,092
14,623	**Total current liabilities**	**10,453**

2010-11 £000	Current liabilities by type of body	2011-12 £000
4,053	Central government bodies	4,077
2,355	Other local authorities	14
0	NHS bodies	0
1,297	Public corporations and trading funds	0
6,918	Bodies external to general government	6,362
14,623	**Total current liabilities**	**10,453**

Note 20. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (ie promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension Fund risk management programme.

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 Fund routinely monitors all risks in accordance with the Fund's risk management strategy.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed 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.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund investment strategy.

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. "Riskier" assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on funds' asset allocations. The Fund has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period:

Asset type	Potential market movement +/- (%pa)
UK equities	15.2
Overseas equities	14.8
UK gilts	5.5
UK corps	5.3
UK index-linked	6.4
Overseas bonds	9.5
Alternatives (universe)	9.5
Property	5.8
Cash	0

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

This can then be applied to the period end asset mix as follows:

Asset type	Value as at 31 March 2012	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	3,152,595	15.2	3,631,789	2,673,401
Overseas Equities	2,514,467	14.8	2,886,608	2,142,326
UK Gilts	402,179	5.5	424,299	380,059
UK Corps	308,220	5.3	324,556	291,884
UK Index-Linked	521,918	6.4	555,321	488,515
Overseas Bonds	323,274	9.5	353,985	292,563
Alternatives (Universe)	914,869	9.5	1,001,782	827,956
Property	310,361	5.8	328,362	292,360
Cash	239,332	0.0	239,332	239,332
Other investment assets	34,408	0.0	34,408	34,408
Other investment liabilities	(2,986)	0.0	(2,986)	(2,986)
Total Investment Assets	**8,718,637**		**9,777,456**	**7,659,818**

Asset type	Value as at 31 March 2011	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	3,170,996	15.2	3,652,987	2,689,005
Overseas Equities	2,504,490	14.8	2,875,155	2,133,825
UK Gilts	362,352	5.5	382,281	342,423
UK Corps	213,108	5.3	224,403	201,813
UK Index-Linked	456,315	6.4	485,519	427,111
Overseas Bonds	276,452	9.5	302,715	250,189
Alternatives (Universe)	1,089,635	9.5	1,193,150	986,120
Property	306,685	5.8	324,473	288,897
Cash	195,864	0.0	195,864	195,864
Other investment assets	32,742	0.0	32,742	32,742
Other investment liabilities	(432)	0.0	(432)	(432)
Total Investment Assets	**8,608,207**		**9,668,857**	**7,547,557**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	**31 March 2012**	**31 March 2011**
	£000	**£000**
Cash deposits	239,332	195,864
Cash balances	18,339	4,074
Total	**257,671**	**199,938**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than £GBP.

The following table summarises the fund's currency exposure as at 31 March 2012 and 31 March 2011:

Currency exposure - asset type	**Value as at 31 March 2012**	**Value as at 31 March 2011**
	£000	**£000**
Overseas quoted fixed interest securities	208,594	180,301
Overseas quoted equities	2,199,031	2,231,621
Overseas unquoted equities	315,436	272,869
Overseas quoted index linked securities	114,680	96,151
Overseas unit trusts	427,223	500,118
Property funds	21,477	22,754
Total overseas assets	**3,286,441**	**3,303,814**

Currency risk – sensitivity analysis

Following analysis of historical data in consultant with the fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be 7.1%.

A 7.1% strengthening / weakening of the pound against the various currencies in which the fund holds investments would increase / decrease the net assets available to pay benefits as follows:

Asset type	**Value as at 31 March 2012**	**Value on increase**	**Value on decrease**
	£000	**£000**	**£000**
Overseas quoted fixed interest securities	208,594	223,404	193,784
Overseas quoted equities	2,199,031	2,355,162	2,042,900
Overseas unquoted equities	315,436	337,832	293,040
Overseas quoted index linked securities	114,680	122,822	106,538
Overseas unit trusts	427,223	457,556	396,890
Property funds	21,477	23,002	19,952
Total overseas assets	**3,286,441**	**3,519,778**	**3,053,104**

Asset type	Value as at 31 March 2011	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	180,301	193,102	167,500
Overseas quoted equities	2,231,621	2,390,066	2,073,176
Overseas unquoted equities	272,869	292,243	253,495
Overseas quoted index linked securities	96,151	102,978	89,324
Overseas unit trusts	500,118	535,626	464,610
Property funds	22,754	24,370	21,138
Total overseas assets	**3,303,814**	**3,538,385**	**3,069,243**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The credit risk connected with stock lending is managed by taking out collateral with a greater value than the amount of stock lent out at any one time. Stock lending and the associated collateral at the year end are detailed in note 14.

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure there are adequate cash resources available to meet its commitments. This will particularly be the case for cash, from the cash flow matching mandates from the main investment strategy to meet pensioner payroll costs; and also cash to meet investment commitments.

Note 21. 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 2012 payroll are included within the debtors figure in note 18.

In 2011-12, City of Bradford Metropolitan District Council charged the West Yorkshire Pension Fund £573,742 in respect of support services provided (£510,717 in 2010/11). 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.

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director of the Pension Fund and the Chief Executive of Bradford Council. The combined compensation cost of these officers, attributable to West Yorkshire Pension Fund, is £112,863 (2011 £112,863).

The Fund has an investment in Montanaro European Smaller Companies Fund Plc, which at 31 March 2012 was valued at £14.7m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2011/12. 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 22. Contingent liabilities and contractual commitments
At 31 March 2012 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31 March 2012 £m	Un-drawn commitments £m
Private equity	443.2	327.0
Property funds	310.4	4.4
Corporate bonds UK	92.8	22.8
Corporate bonds foreign	427.2	7.6
Total un-drawn commitments	**1,273.6**	**361.8**

Note 23. Accounting Developments

The following pronouncements may have a significant effect on the Fund's financial statements but are not applicable for the year ending 31 December 2011 and have not been applied in preparing these financial statements. Save as disclosed, the full impact of these accounting changes is being assessed by the Fund.

Amendments to:

IFRS 7 *Financial Instruments: Disclosures – 'Disclosures-Offsetting Financial Assets and Financial Liabilities'* Requires an entity to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's balance sheet. Effective from annual and interim periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measuremen*t – The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosure about fair value measurements. Effective from annual periods beginning on or after 1 January 2013.

Amendments to IAS 32 *Financial Instruments: Presentation – 'Offsetting Financial Assets and Financial Liabilities* 'Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement. Effective from annual periods beginning on or after 1 January 2014.

IFRS 9 *Financial Instruments*1 – Replaces those parts of IAS 39 *Financial Instruments: Recognition and Measurement* relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. The available-for-sale financial asset and held-to-maturity investment categories in IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39. Effective from annual periods beginning on or after 1 January 2015.

Note 24. 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 25. 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

Abbey Grange CE Academy
Ackworth Parish Council
Affinity Trust
Aire Valley Homes Leeds
Airedale Academy
Appleton Academy
Aspire Trust
Batley Girls Academy
Batley Grammar Free School
Beech Hill School
Bingley Grammar School
Bolton Brow Primary Academy
Boston Spa School
Bradford Academy
Bradford College
Brighouse Academy
Brooksbank School Sports College
Bruntcliffe Trust School
Burley Parish Council
Burnley Road Academy
CAFCASS
Calderdale College
Castle Hall Academy
Castleford Academy
Clayton Parish Council
Cockburn High School Trust
Crawshaw School Trust
Crescent Further Education Ltd
Crofton High Academy
Crossley Heath School
David Young Community Academy
Denby Dale Parish Council
Dixons Allerton Academy
Dixons City Academy
Feversham College Academy
Foxhill Primary School
Garforth Academy
Garforth Green Lane Primary Academy
Gawthorpe Community Academy
Greenhead Sixth Form College
Greetland Academy
Hanson School
Hebden Royd Town Council
Heckmondwike Grammar School Academy
Hemsworth Town Council
Hepworth Gallery Trust
Hill Top First School
Hipperholme and Lightcliffe H & S
Hollingwood Primary School
Holme Valley Parish Council
Holy Trinity Senior School
Home Farm Trust
Horsforth School Academy
Horsforth Town Council
Huddersfield New College
Hugh Gaitskell Primary School Trust
Ilkley Grammar School Academy
Ilkley Parish Council
Jerry Clay Lane Academy
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 East Academy
Leeds East North East Homes
Leeds Metropolitan University
Leeds West Academy
Leeds West North West Homes
Lindley Junior School Academy
Luddendenfoot Grammar
Meltham Town Council
Micklefield Parish Council
Middleton Primary School Trust
Minsthorpe Academy Trust
Mirfield Free Grammar Academy
Moor End Academy Trust
Morley Town Council
Myrtle Park Primary School
New College Pontefract
Normanton Town Council
North Halifax Grammar Academy
Northern Schools of Contemporary Dance
Notre Dame Sixth Form College
Oakbank Primary School
Oakworth Primary School
Old Earth Academy
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
Prince Henrys Grammar
Pudsey Grangefield Trust
Rainbow Primary Free School
Rastrick High School
Rastrick High School Academy Trust
Rooks Nest Academy
Russell Hall First School
Ryburn Valley High School
Ryhill Parish Council
Salendine Nook Academy Trust
Salterlee Academy Trust
Scout Road Academy
Shelley College
Shipley College
Schools Partnership Trust
South Elmsall Town Council
South Hiendley Parish Council
South Leeds Academy
South Ossett Infants Academy
St Catherine's Catholic High School
St Chad's C.E Primary School
St John's C.E Primary Academy Trust
St John's C.E Primary School
St Michael's All Angels School
The Cathedral C.E Academy Trust
The Farnsley Academy
The Freeston Academy
The Morley Academy
Thornton Grammar School

Todmorden Parish Council
Trinity Academy Halifax
University Academy Keighley
University of Huddersfield
Wakefield City Academy
Wakefield College
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 Trust
West Yorkshire Valuation Tribunal
Westborough High School
Westwood Primary School Trust
Wetherby Town Council
Whitehill Community Academy
Wilsden Parish Council
Woodkirk Academy
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 Council but has not been received an accrual is made for the debtor. When the Council 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 Council 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 Council is able to exercise significant influence (see also Group Accounts).

Service Reporting Code of Practice (SeRCOP)

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 Council of existing fixed assets. Fixed assets provide economic benefits to the Council for a period in excess of one year.

Capital Financing Requirement

A measure defined by the Prudential Code of the Council's level of borrowing for capital purposes. It is based on the Balance Sheet of the Council. 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 Council 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 Council 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 Council 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 Council.

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 Council to deal with unforeseen events that might arise. The Council must maintain a prudent level of such balances.

Government Grants Deferred Account

The Council 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 Council'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 Council's own accounts to present a complete picture of the Council's activities.

Heritage Assets

These are assets, previously classified as community assets, which are intended to be preserved in trust for future generations because of their cultural, environmental of historical associations.

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 Council 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 Council'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 Council's capital financing requirement at the start of the year.

Non Current Assets

Assets that yield economic benefits to the Council 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 Council'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 Council 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 Council 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.

In discharging its overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, 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 framework has continued in place at the Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts. Whilst supporting the Council's arrangements for risk management, 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 governance framework.

The systems and processes that comprise the Council's governance comprise 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" –

  - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of members and officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public accountability.

- **The Constitution of the Council**

  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 examination of a number of Overview and Scrutiny Committees. The Executive is collectively responsible for the decisions it makes and its decision making arrangements are designed to be open, transparent and accountable to local people.

- **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.**

  The Council has agreed and committed to a set of priorities and targets embodied within the district's Community Strategy. The purpose of the Community Strategy is to deliver the strategic vision for the district in the medium term. It informs corporate planning and ownership amongst key partners as well as establishing the critical issues and priorities for the district.

- **Review of the Council's vision and implications for its governance arrangements.**

  Annual State of the District reviews and updates of the Community Strategy and Medium Term Financial Strategy ensure emphasis on the transformational priorities of the Council. The Corporate Governance and Audit Committee considers the adequacy of the governance arrangements as a whole, supported by the Corporate Management Team which manages the arrangements for the conduct of day to day business.

- **Business continuity management.**

  The Council is committed to providing for business continuity, as detailed in the Civil Contingencies Act 2004, to ensure it can provide all its key functions in the event of an emergency or disruption, so far as is practicable. Assistant Directors lead on business continuity planning within their service areas. The Emergency Management Team has put in place the policy and framework which sets out the Council's approach to business continuity management.

- **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.**

  - The Council uses corporate and departmental-level performance metrics to report and manage service delivery. The Chief Executive's corporate integrated monitoring report to the Executive presents the current position on performance, risk management and finance in relation to the Council's activities. The quarterly report sets out the key areas of progress, the key issues and areas for continued attention in relation to the Council's corporate priorities.
  - A new streamlined set of indicators has been developed for 2012/13 focusing on key district and business priorities. The Corporate Performance Framework will be managed and monitored by the Council's Strategic Support hub within the Department of Business Support.
  - Corporate policies for data quality are in place.
  - Customer satisfaction surveys are conducted regularly and action plans developed from the concerns raised by respondents.
  - Citizen's panels and customer forums are held when appropriate.
  - Departments carry out their own mini performance clinics.
  - The Council uses a range of tools to secure value for money, which are continuously

developed. They include, for example, procurement processes, benchmarking, unit and activity costing, competitive tendering, user surveys, external review, business case appraisals, investment models, contract mechanisms, and pricing regimes.
- Additionally the Council's system of internal control is designed to support effective and efficient 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.**

  - A clear statement of the respective roles and responsibilities of the Executive, the members and senior officers including delegation arrangements and protocols for effective communication of committee decisions, can be found in the Council's constitution.
  - In addition, the Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government 2010"
  - Job descriptions and personnel specifications for all senior officers detail their key responsibilities.

- **Embedding and communicating codes of conduct defining the standards of behaviour for members and staff across the organisation.**

  Whilst the role of Standards Committee and the provision of a Member's code of conduct are under review in response to the provisions of the Localism Act, the Council's Constitution establishes:-
  - A protocol on member-officer relations providing rules and guidance for members, co-opted members and officers in their working relations.
  - Protocols for members on gifts and hospitality and members use of Council resources including the use of email and the internet.
  - A code of conduct for employees of the Council.

- **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.**

  - Council standing orders for contracts and financial regulations are contained in the Constitution of the Council. They are subject to annual review by officers before approval at the Corporate Governance and Audit Committee and adoption by full Council at the annual meeting.
  - Key control booklets are maintained by Internal Audit, updated as required and placed on the Council's intranet.
  - A scheme of delegation is provided in the Council's constitution.
  - Additionally the Council has 6 Overview and Scrutiny Committees which are required to contribute to the better decision making of the Council, and secure continuous improvement in service delivery
  - Area Committees enable local communities to participate in Council activities

  - The Council has adopted a Risk Management Strategy and maintains both corporate and service risk registers which identify 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.
  - Risk management training is standard within project management and at particular key stages of project implementation.

- **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.**

  - The Council's Monitoring Officer is required to maintain an up to date version of the Constitution and to make amendments and/or improvements as necessary to take account of changes in legislation, guidance, Council policy, decisions of the Council and the Executive.
  - The Monitoring Officer, following consultation with the Chief Executive and the Section 151 Officer, is required to report to the Executive if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. To assist the Monitoring Officer in this role, Legal Services monitor new legislation and disseminate this information to service departments.
  - The Section 151 Officer is similarly required to report to the Executive and the Council's External Auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficit.
  - Each Strategic Director and the Chief Executive are required to confirm in an annual letter to the Section 151 officer that they have taken reasonable steps to ensure compliance with established policies, procedures, laws and regulations, including how risk management is embedded in the Departments. This is underpinned by performing the key control and fraud risk self assessments and levels of non compliance are duly considered.
  - The Council has a Corporate Anti-Fraud Strategy
  - The reports of Internal and External auditors consider and inform compliance with regulations, policies and procedures.
  - The Council has established internal control procedures designed to support compliance with established policies, practices, laws and regulations and to safeguard the Council's assets and interests from loss
  - All reports to Executive must be cleared by the Council's Management Team, the Monitoring Officer and the Director of Finance.

- **Arrangements supporting whistle blowing and for receiving and investigating complaints from the public.**

  - The Council has a whistle blowing policy embodied in the Confidential Reporting Code for Employees. This can be accessed on the Council's web site.

- Under the Articles of the Constitution, the Corporate Governance and Audit Committee has a function to consider the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements.
- The Section 151 Officer has dedicated resources to undertake independent investigations and report on allegations of impropriety.
- The Council has a formal 'Comments, Complaints and Compliments' procedure on the "Contact us" section of the Council's website. All members of the public have the right to complain to the Council in writing, by telephone or by speaking to a member of staff.

- **Developing the needs of members and senior officers in relation to their strategic roles, supported by appropriate training.**

  - The Council is committed to supporting members in undertaking their varied and evolving roles and responsibilities. A Member Learning and Development Strategy is in place supported by a New Member Development Programme.
  - The Strategy introduces the key Learning and Development aims and objectives. It also identifies actions that will be taken to ensure all Councillors have access to learning and development opportunities appropriate to their needs. The aim of this is to help Councillors carry out their roles efficiently and effectively.
  - The Council recognises that alongside members, employees are an important resource - the development of the two goes hand in hand. The key outcomes identified in the People Strategy focus on effective workforce planning and development, embracing leadership and skills training for all staff.

- **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**

  - The Council has five Area committees to encourage community engagement and participation.
  - A principal form of securing dialogue with communities is by establishing and operating neighbourhood forums.
  - Overview and scrutiny arrangements provide for meetings to be open to the public, except where confidential information or exempt information is likely to be disclosed.
  - The Council's website provides a communication and wide ranging information link.
  - An extensive programme of consultation on the 2012-13 budget generated considerable engagement and input into establishment of the Council's budget priorities.
  - Equality Impact Assessments were developed as part of the Council's budget setting process. These will be reviewed and updated as changes and recommendations arise.
  - The Annual Statement of Accounts provides a report on the Council's financial activities for the year.
  - Publications, Community Pride and other publicity arrangements including specific area community newsletters such as Streets Ahead provide communication channels with the district's citizens.
  - Financial information, including details of efficiency savings, is issued with Council Tax bills.

- **Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements.**

  - The role of the Corporate Governance and Audit Committee includes maintaining an overview of the Council's partnership arrangements and overseeing any action plans for improvement arising, for example, from inspection reports.
  - The Council has an agreed approach to collective bargaining with the recognised Trade Unions. This is undertaken through consultation and negotiation and is enshrined within the Council's Industrial Relations Framework. The Council takes a partnership approach to Industrial Relations, using the Industrial Relations Framework. This includes regular informal discussions between trade unions and management & formal OJC meetings at all levels across the Council - L1 (Corporate), L2 (Departmental) & L3 (Service). Bradford has benefitted from constructive industrial relations, particularly with regard to the agreement of the new equality proof pay structure and a joint approach to updating collective agreements with Council and Teachers Trade Unions.
  - Recognising that the governance framework and business approach needs to evolve to continue to support partnership working across Bradford, new governance arrangements have been established for the Bradford District Partnership, focussing on developing relationships, creating opportunities for effective dialogue, agreeing actions in an informed framework and fostering the individual leadership role of partners.
  - The Schools Forum is effective as the place where resource allocation decisions are made between the Council and the District's schools
  - The Local Strategic Partnership supports the Community Strategy
  - A partnership delivery team has been established to support the Local Strategic Partnership also supported by the Accountable Body Guidance Manual. Training on the application of this guidance has been provided to partners.

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. 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 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 review is informed also 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 to Corporate Governance and Audit Committee as prescribed in the Code of Practice. A number of operational control issues have been identified from this and action is being taken to put improvements in place.

Action plans for improvement are devised and implemented in response to recommendations from External Audit and other statutory agencies and inspectors.

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.

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.

Governance challenges previously recognised and concluded during the year:-

1) Progress was made during the year in management of the Council's ICT service. Disaster recovery arrangements were significantly strengthened, core systems and infrastructure continued to be refreshed, and stronger controls were placed over IT procurement through the introduction of more centralised management of specification and purchasing. The Council's future information technology (IT) requirements will be provided for in the strategy being developed as a key priority by the newly appointed Assistant Director, Information and Communications Technology. We also used external consultancy support to assess and exploit options for getting better value from our existing contract arrangements, as well as engaged with our commercial partners to see how we secure optimum value for money from the remaining life of the contract.

2) At the end of the contract with Education Bradford for the provision of education services in the district, 1,305 staff along with property, vehicles and other assets, supply and service contracts were successfully transferred back to the Council on 29th July 2011.

3) During the year the Council and Bradford District Care Trust concluded new commissioning arrangements for people with learning difficulties. All agreed services are now with new providers, avoiding the need to transfer services back to the Council.

4) A number of governance related measures arising from the Localism Act have been addressed -
   - The Mayoral referendum was held on 3rd May 2012. The vote rejected the option of an elected Mayor
   - A Pay Policy was approved at Full Council on the 27th March 2012
   - Members have been briefed on the changes to rules governing Predetermination

5) In November 2011 the Council's Executive endorsed a District Framework for Action on Climate Change. This sets out climate change impacts in a Bradford context. The Framework identifies actions that the Council can take to mitigate climate change impacts arising from its own operations and puts the case for wider adaptation to climate change.

The most significant new and continuing governance challenges currently facing the Council are:-

1) Through a process of continuous review of information governance we have identified opportunities for improved control, and are working closely with the Information Commissioner's Office, other public sector organisations, our partners and advisors to implement best practice into the Council's arrangements for managing data and information. We have recently created a dedicated Assistant Director post to focus on these issues. During the year we set up the Information Assurance Group, a sub-committee of the Corporate Management Team, which continues to develop a risk based programme of work on internal processes, policies, procedures, training, technology and information governance culture, form implementation in the coming year.

2) The Council's "Changing Our Council" programme combines the need to implement a new Operating Model, supported by the required changes in culture and behaviours, together with the need to deliver significant financial benefits over three years. While good progress has been made to deliver cash savings, the non financial elements of the Programme relating to the review of business processes, customer strategy and change and transformation have not progressed as quickly. The accountability for the ongoing delivery of the changes and associated savings is now aligned to the "business as usual" accountabilities of Directors. Key challenges ahead are to:
   - provide ongoing support for the creation of the Strategic, Transactional and Commissioning services
   - use a preferred method of designing and improving business processes, ensuring sufficient staff are trained in the method
   - ensure the activity identified in the Customer Workstream is carried out
   - develop an approach that ensures key activity continues following the closure of the Programme Team

3) Economic and legislative environment.

   Legislation is the main vehicle by which many Government reforms are introduced, some of which impact on the planning, resourcing and delivery of services, while others may impact on the role and function of the Council both as an organisation and on its district leadership role. A number of Government reforms have been progressed or introduced since the last Annual Governance Statement with the following of particular relevance to the Council's governance arrangements –

The Local Government Finance Bill published in December 2011 paves the way for the introduction of a new funding framework for local authorities. The key elements of the bill are:

- The introduction of a Business Rate Retention scheme.
- The localisation of support for Council Tax.
- Technical changes to the setting of Council Tax discounts and charging premiums.

In response to the provisions of **The Localism Act** work has commenced on developing criteria, procedures and decision making processes associated with measures contained in the Act. The most significant of which are;

- The adoption of a Code of Conduct for Members
- Examination of the options to allow non-domestic rate relief for businesses locating in the City Centre Growth Zone
- Approval by Executive on 22nd July to work towards the adoption of a Community Infrastructure Levy for the Bradford district
- The development of processes for management of the Community Right to Challenge, ensuring alignment with other strategic decision making arrangements, and supporting Council's aspirations for effective and efficient service provision
- The creation of a Register of Community Assets.
- The receipt of neighbourhood development proposals and support arrangements for areas of the district not served by a Parish or Town Council.
- Leeds City Region's "City Deal" has been discussed and agreed by Leaders Board and Local Enterprise Partnership. The deal provides for devolution of responsibilities, initially around transport and skills. Part of the City Deal is a commitment from the city region to investigate the potential of a combined authority model. Initial proposals for consideration are being prepared.

The Health and Social Care Act 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.

Plans for the Public Health function within the Primary Care Trust to transfer to the Local Authority by April 2013 are progressing in conjunction with NHS Bradford and Airedale to ensure a smooth transition. Joint working between Public Health and the Local Authority is already well established and continuous discussions between both have underpinned the approach. Project documentation including plans, risks, issues and benefits are being created and developed and work has been taking place to get an improved understanding of the business needs required to ensure a successful transfer of Public Health.

Governance arrangements have been established to support this preparatory phase of the transfer.

In the **Welfare Reform Act** the Government is implementing a radical and far reaching reform to the welfare benefits and tax credit system. Almost all tax credits and benefits for people of working age will be affected in some way and this will have a direct impact on a significant proportion of local residents.

The challenge to the Council is to ensure that day-to-day delivery of operations and services is not disrupted by demographic pressures and organisational transformation arising from legislative reforms and the associated internal change programmes.

4) A Council priority is to ensure that the Bradford economy grows. The governance challenge is to ensure that the portfolio of investment and activity to stimulate growth, howsoever planned and implemented with public and private partners, is and is seen to be effective and sustainable.

5) Member approval of the new equality proof pay & grading structure for all NJC staff up to & including Scale 6 was obtained from Executive on the 16th March 2012. The structure will be implemented from late June 2012. Work on the implementation of job evaluation results in schools where the Council is the employer is now commencing with a view to completion during the autumn term. This will complete phase 1 (up to Scale 6).

   Work has commenced on phase 2 which will involve the evaluation of all posts from SO1 and above, and all former Education Bradford NJC posts. The 3rd & final memorandum of understanding (in settlement of equal pay claims) is being negotiated with the trade union legal representatives. It is anticipated that agreement will be reached in June 2012, & compensation payments completed in early 2013.

6) The procurement of a joint waste disposal solution for Bradford and Calderdale Councils is now in the final stages and the preferred bidder has been appointed following decisions by the full Councils at Bradford and Calderdale. The preferred bidder submitted the planning application for the project on 8th May 2012. It is intended that detailed financial and commercial terms will be agreed before April 2013 when the on site works are due to commence.

   Collection of recyclables at the kerbside plus further extraction at household waste recycling centres continues to improve against a backdrop of reducing Household Waste. The Council is currently submitting a bid to DCLG under the Weekly Collection Support Fund to increase the frequency and range of materials associated with the kerbside collection of recyclables.

7) The Council intends to extend delegated authority to local areas and has identified a number of areas of service delivery for which responsibility for budgets and/or decision making could be relatively easily devolved. The financial risks posed are limited by the nature of expenditure that is delegated. Nevertheless, a financial governance regime will need to be devised to ensure sound stewardship.

8) The Authority needs to plan effectively the education and learning infrastructure for the District, recognising demographic trends, the financial climate, and the changing compositions of the status of schools.

WEST YORKSHIRE PENSION FUND

The Council is 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).

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 Director of Finance for Calderdale MBC.

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.

The Council is also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements is also required. The following internal arrangements are in place to provide the Council with the necessary assurance.

- The West Yorkshire Pension Fund has adopted the Council approved approach to risk management
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management
- Risks are monitored and MAPs reassessed regularly
- A risk management report is submitted annually to the WYPF Joint Advisory Group.

There are not expected to be any issues arising from the annual report and review to be submitted to the Joint Advisory Group meeting in July 2012.

Over the coming year we propose to take steps to address the challenges identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of the City of Bradford MDC for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the City of Bradford MDC in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford MDC as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of City of Bradford MDC in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Authority’s Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012,and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, City of Bradford MDC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

John Prentice
District Auditor

Audit Commission
3 Leeds City Office Park
Holbeck,
Leeds
LS11 5BD

27 September 2012