CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2012-13

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 2012-13. 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 (Chartered Institute of Public Finance Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

7. Notes to the Main Financial 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 its 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 2013 and its income and expenditure for the year then ended. I authorise for issue the 2012-13 Statement of Accounts.

Signed:

Stuart McKinnon-Evans
Director of Finance
Date: 20 September 2013

Signed:

Cllr Lynne Smith
Chair of Governance and Audit Committee
Date: 20 September 2013

Financial Summary

How Much Money Did the Council Spend?

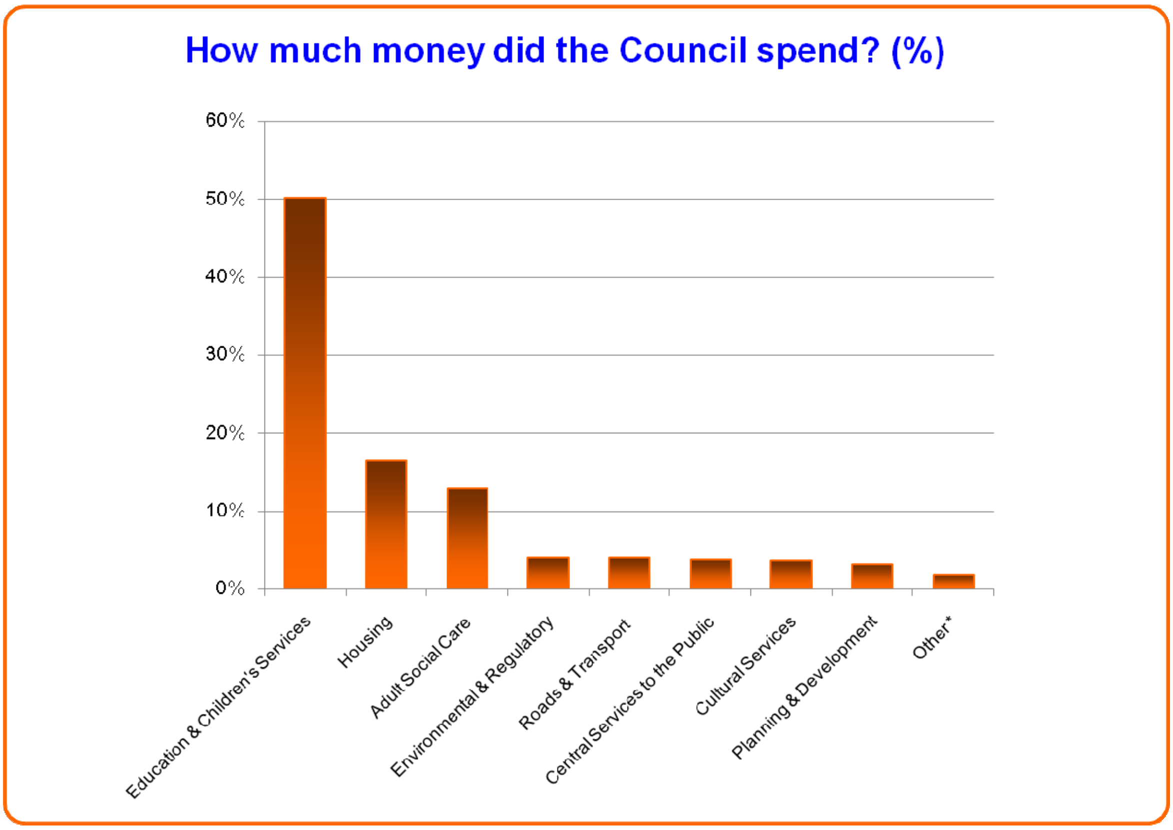
In 2012-13, the gross revenue expenditure on the provision of services was £1.303bn (£1.456bn in 2011-12). Included in this figure is £22.592m (£22.573m in 2011-12) paid to the West Yorkshire Integrated Transport Authority and £887k (£846k in 2011-12) paid in local precepts to Parish Councils. For a further breakdown of the amount spent on individual services, please see the following chart and the Comprehensive Income and Expenditure Statement (page 14).

Where Did the Council Get Its Money?

The Council's General Fund revenue spending is funded through general government grants £60.303m (£114.638m in 2011-12), Council Tax £164.206m (£163.269m in 2011-12) and redistributed non-domestic rate income £251.493m (£209.204m in 2011-12). The government through specific grants provided a further £716.280m (£715.959m in 2011-12) of funding, of which £407.043m (£415.538m in 2011-12) 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.

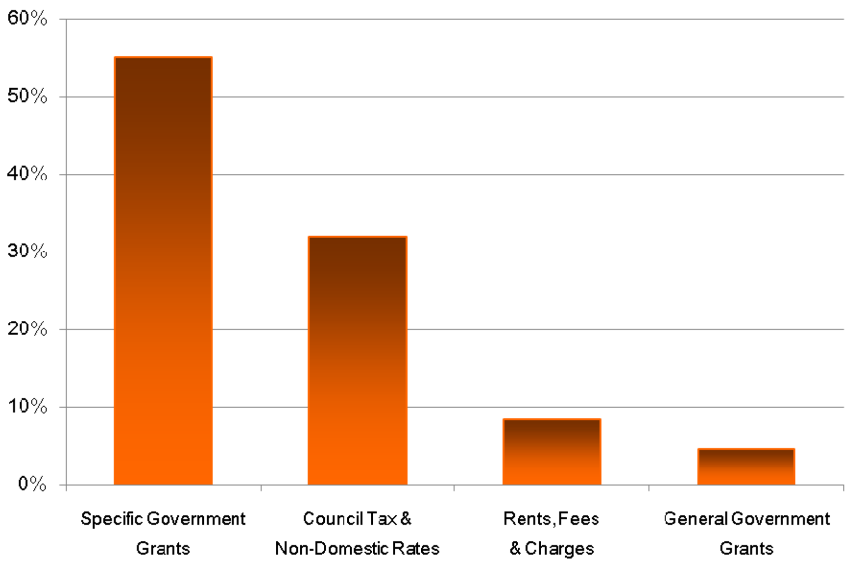
What Is the Money Spent On?

Total staff costs amounted to £552.768m (£597.785m in 2011-12). This includes staff in schools (£326.091m). In 2012-13, spending on other operating costs and capital financing costs was £532.406m (£647.746m in 2011-12) and Council Tax and rent benefits together totalled £216.029m (£206.173m in 2011-12).

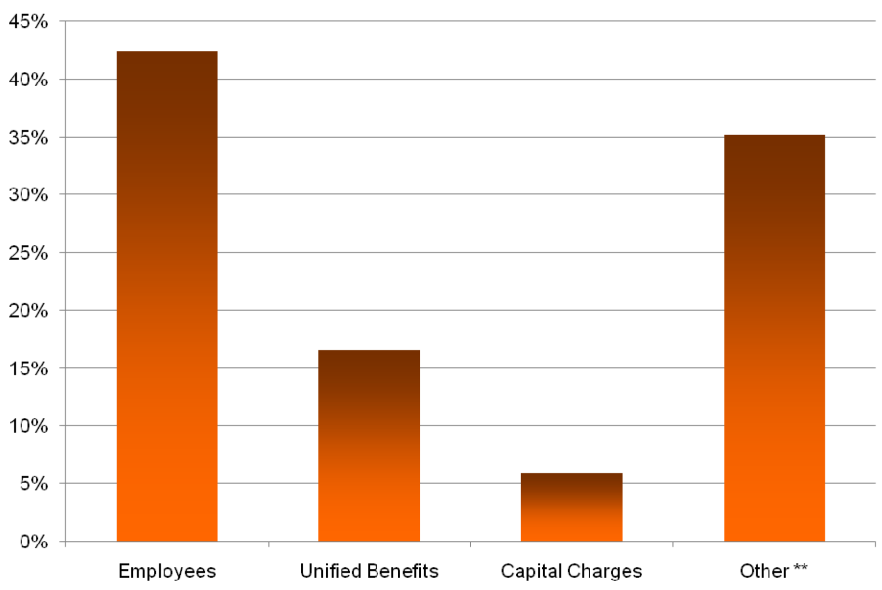


* "Other" includes corporate and democratic core, non distributed costs & court services.

Where did the Council get its money? (%)



What is the money spent on? (%)



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

Background

In the Comprehensive Spending Review 2010 (CSR) the Government set out its plans to reduce financial support for local authorities by 20% over four years, a real terms decrease of 28% when inflation is accounted for. The Council's financial result and overall performance in 2012-13 should therefore be considered in the context of continued reductions in Government spending.

For Bradford the second year of the settlement meant that it received in 2012-13 a 7.9%, £21.5m reduction in its general formula grant. This is in addition to the decrease of £34.9m (11.3%) in formula grant and the loss of £19m of specific grants in 2011-12.
The spending statements on services in these accounts follow the format 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 match the current management structure and financial monitoring framework of the Council. We also provide a brief commentary on the financial and service performance of the Council's departments in keeping with internal accountability.

The Sections that follow report on the Council's stewardship of its revenue and capital resources and provide an insight into the impact on Services' performance.

2012-13 Revenue Budget

In 2012-13 the Council approved a net expenditure budget of £425.9m, funded £256.4m from formula grant and £163.2m from Council Tax. The remaining £6.3m of non recurrent and transitional activity was financed from corporate and earmarked reserves.

For the second year running the Council decided to freeze Band D council tax at £1,094.33. As a consequence it received a one off Council Tax Freeze grant of £4.1m. This was in addition to the previous year's Council tax freeze grant which was rolled into the Council's formula grant allocation of £256.4m.

The Council also continued to receive an allocation of £6.0m from the Primary Care Trust (PCT) for continuing adult social care and in return for building houses and bringing empty homes back into use a New Homes Bonus payment of £3.9m.

The overall net impact of the loss of resources, combined with service pressures and price inflation required the Council to make £28.5m savings; £24.3m service specific savings and £4.2m cross cuttings savings. Given the risk attached to delivering £28.5m of savings, the Council set aside a budget of £4.5m to deal with any delays in implementing the proposals

The budget and plan were set to:

- invest in priorities and long term assets
- protect customer-facing services
- maintain the Council's underpinning financial resilience
- reduce the recurrent cost base by £28m, reflecting a continued decline in funding
- achieve a stretching set of performance improvements

2012-13 Revenue Result

The headline results were

- Net revenue spending in 2012-13 was £423.1m, which is £2.8m (0.7%) lower than budgeted, with this surplus balance available to support future budget decisions.

- In arriving at the surplus of £2.8m (£5.3m surplus in 2011-12), £5.5m (£2.9m in 2011-12) was transferred into a Better Use of Budget Reserve, allowing service departments to carry funds forward.

- The 2012-13 Budget required the delivery of £24.3m Service savings and £4.2m cross cutting savings. A shortfall of £2.2m (0.9%) in Service savings against delivery of the £24.3m Service savings plan, was fully mitigated by compensating action taken by Strategic Directors.

- A shortfall of £2.2m on cross-cutting Terms and Conditions savings was charged against the £4.5m budget set to mitigate the risk of savings not being achieved.

- When the 2012-13 £2.8m surplus and £5.5m Better Use of Budgets are included, the Council's Reserves total £163.8m at 31 March 2013. They are categorised into £120.7m Council Reserves (£26.3m unallocated and £94.4m earmarked) and £43.1m Schools Reserves.

- After using £9.1m unallocated reserves to finance priority expenditure in 2013-14, this will leave the Council with £17.2m unallocated reserves to support future budget decisions.

- Capital investment in the District in 2012-13 was £96.9m, with £3.0m of capital funds not used in the year being carried forward to complete investment plans rescheduled for 2013-14.

Key Performance Messages

The performance of the Council's services is also measured using a set of non-financial indicators. For 2012-13 50 indicators were tracked across a broad range of activities, related to the Council's priorities which were:

- Improving Educational Attainment
- Supporting the District's economy, jobs and skills and city centre regeneration
- Supporting the most vulnerable adults, children and families
- Reducing health inequalities
- Securing an adequate supply of decent and affordable homes
- Safe, clean and welcoming neighbourhoods

Despite resource reductions, performance continued to improve in key areas of Council activity – in some instances at a faster rate than for other districts. For example, attainment levels at GCSE (including English and Maths), the NEET rate (young people not in education, employment or training) and the District employment rate for working age people.

65% of the Council's corporate indicators used to assess the Council's performance in relation to our priorities and the effectiveness of our internal operations achieved their set performance target in 2012-13.

A lower proportion (50%) of the indicators that monitor progress in respect of the Council's internal organisation have achieved target or shown improvement compared to 82% of the indicators that relate to corporate priorities.

Detailed analysis of financial and service performance

The Director of Finance presented his "Annual Finance and Performance Outturn Report for 2012-13 " to a meeting of the Council's Executive on 18 June 2013. The report details the financial outturn results for 2012-13 as well as the key performance achievements of each Service. It also includes a Section on the annual outturn for the Council's agreed Corporate Indicator Set. The report is a public document and can be viewed via the Council's Internet site www.bradford.gov.uk. A brief summary of this information is shown below.

Explanation of major variances in spending against budget

	Gross Variance	Better Use of Budgets	Final Variance
	£m	£m	£m
Composition of underspend in 2012-13			
Adult & Community Services	0.0	0.0	0.0
Children's Services	-2.0	1.0	-1.0
Environment & Leisure	0	0.2	0.2
Regeneration & Culture	-2.5	2.7	0.2
Finance, IT, Revenues and Benefits	-1.7	1.2	-0.5
Legal and Democratic Services	0.2	0.0	0.2
Chief Executive's Office	-0.5	**0.0**	**-0.5**
Business Services	-1.2	**0.4**	**-0.8**
Asset/property works	0.2	**0.0**	**0.2**
Sub-total	**-7.5**	**5.5**	**-2.0**
Variations in other costs			
Non Service Budgets	-1.5	0.0	-1.5
Central budgets	0.7	**0.0**	**0.7**
Sub-total	**-0.8**	**0.0**	**-0.8**
Total variations in spending			**-2.8**
Transfer to Corporate Reserve			**2.8**
Impact on General Fund Balance			**0.0**

Explanation of major variances in spending by Services

Overall the results show that financial performance achieved the plan to within a small tolerance, and that the overriding priority of cost reduction was achieved. Service plans were set against a turbulent background, reflected in the fact that during the year services adjusted their plans, including to secure overall financial performance.

There are signs that some activities, especially investment and change, took longer to implement than the financial plan assumed, with the consequence that some results lagged. However, it is right that spending is incurred only when appropriate, and the proposals to carry forward funds (Better use of Budgets) allow services to complete their plans, albeit in 2013-14.

- **Adult and Community Services** - whilst the Service achieved a breakeven position, the purchase of external care for nursing home and residential home placements overspent by £2.2m against a total budget of £56.4m. This in the main is attributable to an increase in demand. The overspend was offset by savings in Access, Assessment and Support Services (£0.8m), in house residential care (£0.2m), and Support and Commissioned Services (£1.2m).

- **Children's Services** – as a result of a £0.3m saving on the final incentive payment to Serco PLC on the Education Contract and a combination of rating revaluations, additional income from schools and savings due to staff turnover, Education and School Improvement spent £1m less than budget. Whilst spend exceeded budget in specialist and learning services by £0.8m, this was fully offset by savings in the Director's and Deputy Director's offices and the access and inclusion service.

- **Environment and Neighbourhoods** – significant savings in Waste Collection and Disposal (£0.5m) were delivered as the emerging trend of lower tonnage requiring disposal continued and savings were made on the Waste Procurement budget. Lower fleet operating costs (£0.2m) and a reassessment of the amount the Council has to set aside for land charge refunds (£0.2m) contributed to Environmental and Regulatory Services making £0.6m savings against plan.
  The savings within Waste Collection and Environmental and Regulatory Services were fully offset by receipts being lower than budget in Neighbourhood services, higher than planned winter maintenance costs and a reduction in Sports and Leisure Facilities usage.

- **Regeneration and Culture** – the rescheduling of £1.3m expenditure on the Routes to Work training scheme for delivery in 2013-14 contributed significantly to the gross variance against budget. A further £0.25m spend was not incurred with the closure of the Central Library and an additional £0.25m saving on short term staffing, ancillary expenditure and projects led to an overall saving of £0.5m on Culture and Tourism. Income, particularly in Catering, Planning and Control fees and Estate managements, was lower than planned.

- **Finance, IT, Revenues and Benefits** – gross spending was £1.7m less than budget. This was primarily due to staffing vacancies and volatility within benefit payments (£0.7m) and £0.7m of spend on three ICT projects being deferred until 2013-14. Planned staff savings and additional income from schools delivered a £0.2m saving in Financial Services.

- **Legal and Demographic Services** – the overspend of £0.2m was split equally between additional spend incurred on external legal costs for Children's social care cases and short term costs associated with bringing mortuary services in house.

- **Chief Executive's Office** – Public Affairs and Communications delivered £0.5m of efficiency savings through the effective management of print contracts, developing more e-communications and staffing savings.

- **Business Services** – in 2012-13 the Service underwent significant changes following the creation of three new central corporate teams for Strategic Support, Transactional Services and Commissioning and Procurement. Vacancy management, difficulties in recruiting and delays in delivering certain training programmes led to an underspend before budget carry forwards of £1.2m.

- **Asset/Property works** – The Asset/Property works programme delivered £0.8m of full year revenue savings from vacating premises. With an additional 700 employees adopting flexible working arrangements, the Council now has approximately 1,100 flexible workers.

- **Non Service Budgets** – the underspend of £1.5m reflects an unplanned Yorkshire Purchasing Organisation dividend of £0.7m and an unplanned £0.1m interim dividend from our 10% investment in Integrated Bradford LEP. There was also a reduction of £0.2m in External Audit Fees following a change in external audit arrangements in 2012-13.

- **Central budgets:** a net underspend of £2.2m on the contingency budget combined with savings on the implementation of single status and the payment of £250 to each employee earning less than £21,000 led to an overall underspend of £3.6m on central budgets. The underspend was applied to meet the costs of Waste Private Finance Initiative (PFI) enabling works £2.1m, fund an additional £1.3m of capital from revenue and make a £1.3m contribution to the Capital Renewals and Replacement Reserve.

Schools' Delegated Budgets

At the end of the financial year 2012-13, school balances were £21.996m (a decrease of £3.466m) and school contingencies and other balances have increased from £19.105m to £21.139m. After taking into account both movements, the overall level of school balances decreased from £44.568m at 31 March 2012 to £43.136m at 31 March 2013.These sums have been carried forward to schools' budgets in 2013-14 in accordance with delegated arrangements.

Two schools were in deficit at 31 March 2013, compared to one at the end of 2011-12. In addition 43 schools (62 in 2011-12) have breached the 8% of primary school budgets, and 5% of secondary school budgets limit and will be required to justify their holdings under the Use of Balances protocol.

General Fund Balance

The General Fund balance acts as a necessary contingency against unforeseen events. At 31 March 2013 the General Fund balance remains at £10.803m and within the Council's policy of 2.5% of the net budget requirement.

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.

Though the Government no longer provides revenues support to meet the financing costs of new capital schemes funded from borrowing, much of the Council's historic borrowing is still funded from revenue grant. Where the Council borrows prudentially (i.e. above the level supported by grant) it must meet the full cost of the borrowing.

Other than borrowing, the Council continues to receive capital grants towards certain projects and is able to reinvest its capital receipts or use revenue to fund capital spending.

Capital Spending in 2012-13

The Council spent £96.9m in the year (£224.7m in 2011-12) including £0.2m of capitalised finance lease costs. This was £3m 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 2013-14.

Where the Money Came From

The spending of £96.9m was funded as follows:

- £18.4m (19%) by borrowing generating capital financing charges which will form part of future revenue spending.
- £62.8m (65%) from government and other grants.
- £11.8m (12%) from revenue contributions and other revenue reserves.
- £3.7m (4%) from capital receipts from the sale of land and buildings.
- £0.2m (0%) from other Finance Leases.

Major Capital Schemes in 2012-13

The table opposite shows the expenditure in 2012-13 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes Expenditure 2012-13	Main Schemes £000	Total Spend £000
Adult and Community Services		**95**
Children & Young People		**62,263**
Devolved Formula Capital	3,520	
Primary Capital Programme	3,432	
Childrens Home Residential Provision	1,664	
Educational, Social and Behavioural School	4,489	
Communication and Interaction School	3,928	
Academies Programme	22,061	
Primary Schools Expansion Programme	18,895	
Capital Maintenance Grant	2,025	
Other Children & Young People	2,249	
Legal		**10**
Environment and Sport		**5,065**
Replacement of Vehicles	1,779	
Waste PFI Enabling works	2,162	
Other Environment & Sport	1,124	
Culture & Tourism		**987**
Property & Economic Development		**10,221**
Property Programme	9,093	
Other Property & Economic Development	1,128	
Climate, Housing, Employment & Skills		**6,938**
New Affordable Housing	1,961	

Development of Equity Loans	582	
Empty Private Sector Homes	557	
Carbon & Other Efficiencies	1,042	
Other Climate, Housing & Skills	2,796	
Planning		**571**
Highways & Transport		**10,729**
Capital Highways Maintenance	3,788	
Bridges	1,811	
Street Lighting	826	
Connect 2	1,175	
Local Integrated Transport Schemes	819	
Other Highways & Transport	2,310	
Grand Total		**96,879**

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 2013 is £689m which is within the indicator it set for the year of £765m.

Schools

The accounting treatment for the various categories of schools; - Community, Voluntary Controlled, Voluntary Aided, Foundation, Trust and Academies is complex and does result in significant in year movements in the Council's long term assets. In deciding which schools should be included on the Council's Balance Sheet the Council has taken into consideration who owns the land, controls the asset and has access to future service potential. The judgement is set out in the Critical Judgements in Applying Accounting Policies on page 30 and summarised in the Table below.

Type of school	**2011-12**	**2012-13**	**Accounting Treatment**
Community	109	103	On Balance Sheet
Special Schools	7	7	On Balance Sheet
Foundation	13	13	Off Balance sheet
*Voluntary Aided	35	34	Off Balance sheet
*Voluntary Controlled	14	14	Off Balance sheet
Academies**	7	15	Off Balance sheet
Trust	5	4	Off Balance sheet
TOTAL SCHOOLS	**190**	**190**	
Nurseries	7	7	On Balance Sheet

*The above table includes one Voluntary Aided school and 5 Voluntary Controlled schools that remain on the balance sheet because the Council still holds legal title.

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

In 2012-13 eight schools converted to Academies which overall led to a reduction of £30m on the value of assets on the Balance Sheet. Whilst no Schools converted to Trusts in 2012-13, the 2011-12 Balance Sheet has been restated for Parkside School which became a Trust School in September 2011. The 2011-12 Balance Sheet has also been restated for capital expenditure relating to Voluntary Controlled and Voluntary Aided schools. Further information relating to these restatements is shown on page 28.

Heritage Assets

Following the inclusion in the Council's Balance Sheet of Heritage Assets for the first time in 2011-12, further work has been undertaken in 2012-13 to catalogue and value the Council's fine art collection. This has resulted in an uplift of £17.977m in the value of Heritage Assets disclosed in the Balance Sheet. Further information is set out in Note 9 p40.

Material or Unusual Charge or Credit in the Accounts

a) Termination costs (primarily redundancy and retirement pension costs) of £1.665m (£9.706m in 2011-12) were charged to Services in 2012-13. The costs arose as part of the Council's ongoing plans to address the impact of significant Government grant reductions in 2012-13 and beyond.

b) Academy grant refunds - in 2012-13 the Council has accounted for two one off refunds to compensate the Council for the £1.3m and £2.8m that was re-allocated from the Council's 2011-12 and 2012-13 formula grant for central education spend transferring from local authorities when schools convert to Academies. Both refunds which together total £3.1m have been transferred into an earmarked reserve to address future funding issues in respect of central education services.

c) Bradford and Calderdale Waste Partnership PFI - On 21 February 2013 the Department for Environment, Food and Rural Affairs announced the withdrawal of the provisional Waste Infrastructure Credits allocated to Bradford and Calderdale Waste Partnership. The project was always reliant on the credits to make the case viable and demonstrate value for money compared with the option to landfill all residual waste.
As the Council had entered into an Enabling Works Agreement with Pennine Resource Recovery to facilitate early works to the site, it was liable for these costs when the project did not reach financial closure by 31 March 2013. At the 31 March, the Council had received an invoice for £2.2m with an expectation that further costs of £0.6m will fall due in 2013-14. The total cost of work completed by 31 March has been capitalised, funded partly by a contribution of £0.5m from Calderdale and £1.7m from the Council's 2012-13 revenue budget. A further £0.4m of the underspend on central budgets has been transferred into the Renewals Reserve to fund Bradford's share of the remaining costs that will come through in 2013-14.

Material Write-offs during the Year

There were no material write–offs in either 2012-13 or 2011-12.

Significant Provisions or Contingencies at 31 March 2013

The provisions total £21.015m at 31 March 2013 (£29.962m at 31 March 2012) and are included in Note 17 on page 45. 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. The Council did not create any new provisions in 2012-13 and at the same time fully utilised the single status back pay payments provision (£2.3m) and most of the £3.0m provision for 2012-13 termination costs. Other significant movements in provision balances in year were as follows:

a) £3.4m was paid out in equal pay compensation claims in 2012-13. Whilst the current history of actual claims would suggest that the obligation is less than the estimated 31 March provision, following the legal outcome of a recent court case, the Council has elected to maintain the remaining provision.

b) the provision to repay personal property search fees wrongly charged by the Council since January 2005 has been reduced by £0.2m. The reduction in the provision reflects an overstatement previously of the potential refunds that may be required, rather than a change in circumstances during the 2012-13 financial year. No refunds have been paid out of the provision as at 31 March 2013 but pay-outs are expected in 2013-14.

d) the amount the Council has to set aside to meet a potential claw back by Municipal Mutual Insurance of claims paid on behalf of the Council since 1993 has been reassessed at £0.2m lower than the figure of £0.6m included in the 2011-12 accounts.

e) the cost of planned future termination costs in 2013-14 arising from the 2013-14 detailed saving proposals approved as part of the 2013-14 Budget has been assessed as £0.4m

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

At 31 March 2013, the deficit on the Pension Reserve calculated by the Actuary was £814m, an increase of £48m when compared to the figure at 31 March 2012 of £766m. The main reason for the increase is an overall actuarial loss of £38 million for the financial year ending 31 March 2013, which is due to experience losses on liabilities of £3m; losses on liabilities due to changes in assumptions of £128m; and a gain on assets due to the actual return on assets exceeding the expected return on assets of £93m. Experience losses on liabilities may be caused by price inflation being higher than expected or members living longer than foreseen.

Net Worth

The net worth of the Council is £24.226m, a decrease of £5.809m. The main reasons are:

- An increase in useable reserves of £19.073m
- The increase in the pension fund liability of £48.384m, less other increases in unusable reserves of £23.502m due to non-cash movements, such as asset revaluations

Council Tax and Non Domestic Rate Collection

At 31st March 2013 the Council had collected 95.5% of the value of council tax bills for the year compared with 95.2% at the same point last year. The collection figure is one of the highest achieved in Bradford. For non-domestic rates 96.8% had been collected compared to 95.6% at the same time last year.

Collection Fund

In year, the Collection Fund moved from a closing deficit position at 31 March 2012 of £0.645m to a closing deficit position at 31 March 2013 of £0.486m. The deficit shown in the Collection Fund Adjustment Account is £0.419m, Bradford's share (84%) of the overall deficit of £0.486m.

Looking Forward to 2013-14 and beyond

The Government's Spending Review (SR2010) 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. However with recovery from recession being longer than expected, falling tax revenues and continued borrowing, subsequent fiscal announcements have reaffirmed that austerity measures will continue well beyond 2012-13.

The Council's funding in 2013-14

2013-14 sees a radical change in the way local authorities are funded with the previously guaranteed formula grant element of Government funding being replaced with a system based in part on local business rates retention. Under the new arrangements the Council will:

- be able to retain a 49% local share of the business rates income it collects. Estimated to be £66.6m in 2013-14.
- receive a Top Up grant of £54.4m
- be paid a general Revenue Support Grant of 182.9m

Under this new funding regime only the Top Up Grant and RSG are guaranteed cash amounts.

In 2013-14 the Council also raised Band D Council Tax from £1,094.33 to £1,116.11 (1.99%). Its Band D Council Tax still remains one of the lowest of all Metropolitan Districts. (4th).

To contain spend within the 2013-14 approved budget of £453.4m, the Council is required to make combined reductions in its cost base and raise additional income totalling £29m. This means that overall the savings the Council has had to find in the three years following the 2010 Spending Review exceeds £100m.

Other Significant Changes

Introduction of a Local Council Tax Support Scheme – from 1 April 2013 Council Tax benefit was replaced with a localised system of Council Tax Support. This means households claiming council tax support will receive a discount and the Council's tax base will be reduced accordingly. In December 2012 the Council approved a Local Council Tax Support Scheme which required all people of working age to pay at least 25% of their Council tax liability. Pensioners remained fully protected.

Transfer of Public Health - the Public Health function transferred from the Primary Care Trust (NHS Airedale, Bradford and Leeds) to the Council on 1 April 2013. To cover the cost, the Department of Health will pay the Council a ring fenced grant of £31.5m in 2013-14 and £34.7m in 2014-15.

Emerging Regional Agenda - in June 2013, all five West Yorkshire Authorities will consider whether to approve the creation of a West Yorkshire Combined Authority to focus on driving economic growth through a joint approach to strategic investment and transport. The Combined Authority would be a separate legal body and would have powers and funding devolved from the Government. The Council has also committed to being a Member of the Leeds City Region Business Rates pool and has contributed to the creation of a West Yorkshire Transport Fund.

Academies- in 2012-13 a further 8 schools converted to Academy status with a further two converting at the start of 2013-14. It is expected that this trend with continue in the foreseeable future.

In summary the scale of the fiscal challenge and uncertainty facing the Council is huge. The Council's future funding will be more dependent on the amount that it can self finance, its local share of Business rates, the council tax discounts it provides and the Council tax income it generates. Whilst it can be more efficient at the margin, the step change required inevitably means that the Council in the next few years will look very different to the Council in 2012-13.

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 2013 General Fund Balance of £53.939m comprises £10.803m (£10.803m in 2011-12) balances generally available to the Council and £43.136m (£44.568m in 2011-12) cash balances held on behalf of schools under the Local Management Scheme.

The surplus on the Provision of Services line of £13.444m (deficit of £150.537m in 2011-12) 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 £24.882m (reduction of £383.612m in 2011-12). This reduction mainly comprises an increase to the estimated pension fund liability of £48.384m, less the increase in the capital adjustment account of £21.637m.

			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
			Restated				(a+b+c+d)	Restated (e+f)	Restated (e+f)
			£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	a		**53,120**	**80,123**	**0**	**50,118**	**183,361**	**222,577**	**405,938**
Movement in reserves during 2011-12									
Surplus/ (deficit) on provision of services (page 14)	b		-150,537	0	0	0	-150,537	0	-150,537
Other Comprehensive Income and Expenditure (page 14)	c		0	0	0	0	0	-225,366	-225,366
Total Comprehensive Income and Expenditure (page 14)	d	b+c	**-150,537**	**0**	**0**	**0**	**-150,537**	**-225,366**	**-375,903**
Adjustments between accounting basis & funding basis under regulations (note 1)	e		167,207	0	192	-9,153	158,246	-158,246	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	f	d+e	**16,670**	**0**	**192**	**-9,153**	**7,709**	**-383,612**	**-375,903**
Transfers to/from Earmarked Reserves	g		-14,419	14,419	0	0	0	0	0
Increase/Decrease(-) in 2011-12	h	f+g	**2,251**	**14,419**	**192**	**-9,153**	**7,709**	**-383,612**	**-375,903**
Balance at 31 March 2012	i	**a+h**	**55,371**	**94,542**	**192**	**40,965**	**191,070**	**-161,035**	**30,035**
Movement in reserves during 2012-13									
Surplus/ (deficit) on provision of services (page 14)	j		13,444	0	0	0	13,444	0	13,444
Other Comprehensive Income and Expenditure (page 14)	k		0	0	0	0	0	-19,253	-19,253
Total Comprehensive Income and Expenditure (page 14)	l	**J+k**	**13,444**	**0**	**0**	**0**	**13,444**	**-19,253**	**-5,809**
Adjustments between accounting basis & funding basis under regulations (note 1)	m		468	0	278	4,883	5,629	-5,629	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	n	**l+m**	**13,912**	**0**	**278**	**4,883**	**19,073**	**-24,882**	**-5,809**
Transfers to/from Earmarked Reserves (Note 2, p34)	o		-15,344	15,344	0	0	0	0	0
Increase/Decrease(-) in 2012-13	p	n+o	**-1,432**	**15,344**	**278**	**4,883**	**19,073**	**-24,882**	**-5,809**
Balance at 31 March 2013	q	i+p	**53,939**	**109,886**	**470**	**45,848**	**210,143**	**-185,917**	**24,226**

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.

2011-12	2011-12	2011-12		2012-13	2012-13	2012-13
Gross Expenditure	**Income**	**Net Expenditure**		**Gross Expenditure**	**Income**	**Net Expenditure**
Restated	**Restated**	**Restated**				
£000	**£000**	**£000**		**£000**	**£000**	**£000**
50,118	-43,253	6,865	Central Services to the Public	49,344	-45,112	4,232
41,770	-16,918	24,852	Planning and Development Services	41,690	-13,460	28,230
49,177	-17,539	31,638	Cultural and Related Services	47,336	-16,819	30,517
57,729	-15,263	42,466	Environmental and Regulatory Services	52,044	-14,706	37,338
761,481	-526,319	235,162	Education & Children's Services	654,170	-523,385	130,785
55,400	-9,746	45,654	Highways & Transport Services	51,621	-6,414	45,207
200,502	-172,910	27,592	Housing Services	214,167	-183,613	30,554
168,787	-41,536	127,251	Adult Social Care	168,212	-43,597	124,615
11,012	-2,453	8,559	Corporate & Democratic Core	12,240	-249	11,991
7,570	-768	6,802	Non Distributed Costs	12,360	-178	12,182
1,403,546	**-846,705**	**556,841**	**Cost of services before Acquired Operations**	**1,303,184**	**-847,533**	**455,651**
52,610	-2,195	50,415	Services transferred in respect of Education Bradford (Note 21)	0	0	0
1,456,156	**-848,900**	**607,256**	**Cost of services**	**1,303,184**	**-847,533**	**455,651**
		49,298	Other Operating Expenditure (Note 5a)			25,879
		44,954	Financing and Investment income and expenditure (Note 5b)			43,220
		-550,971	Taxation and non-specific grant income (Note 5c)			-538,194
		150,537	**Surplus (-) /Deficit on Provision of Services**			**-13,444**
		-8,593	Surplus (-)/Deficit on revaluation of non current assets			-18,627
		233,959	Actuarial (gains)/losses on pension assets & liabilities			37,880
		225,366	**Other Comprehensive Income and Expenditure**			**19,253**
		375,903	**Total Comprehensive Income and Expenditure**			**5,809**

In 2012-13 there was a surplus for the year on the Provision of Services of £13.444m (deficit of £150.537m in 2011-12). The difference between the two years is the result of a reduction in the losses on disposal of fixed assets in 2012-13 and a positive change in the fair value of investment properties. Other Comprehensive Income and Expenditure shows net other costs of £19.253m due to the increase in the pension fund liability, £37.880m partially offset by a surplus on the revaluation of non current assets £18.627m. However, after reversing out, through the Movement in Reserves Statement, and including the Movement in Earmarked Reserves, there was a reduction of £1.432m in school balances and no change on the General Fund Balance.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the 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 2011 Restated £000	31 March 2012 Restated £000		31 March 2013 £000	*Notes*
1247,482	1,235,474	Property, Plant and Equipment	1,232,907	*Note 6*
20,804	20,804	Heritage Assets	38,781	*Note 9*
74,433	65,399	Investment Property	60,595	*Note 10*
9,010	7,598	Intangible assets	5,819	*Note 11*
1	1	Long term investment	1	*Note 13*
2,808	2,657	Long term debtors	2,164	*Note 14*
1,354,538	**1,331,933**	**Long Term Assets**	**1,340,267**	
64,073	57,768	Short Term Investments	116,960	*Note 15*
203	0	Assets Held for sale	238	*Note 16*
1,886	2,250	Inventories	1,747	*Note 15*
100,542	76,843	Short Term Debtors	77,783	*Note 15*
115,773	118,011	Cash and Cash Equivalents	83,888	*Note 15*
282,477	**254,872**	**Current assets**	**280,616**	
-4,094	-7,171	Cash and Cash Equivalents	-10,139	*Note 15*
-6,760	-6,762	Short term borrowing	-6,901	*Note 44*
-123,434	-106,665	Short Term Creditors	-113,096	*Note 15*
-13,619	-15,281	Provisions	-7,190	*Note 17*
-147,907	**-135,879**	**Current Liabilities**	**-137,326**	
-13,874	-14,681	Provisions	-13,825	*Note 17*
-411,323	-411,485	Long term borrowing	-411,594	*Note 44c*
-651,896	-988,672	Other Long Term liabilities	-1,027,713	*Note 36*
-401	-301	Deferred income	-200	*Note 37*
-5,676	-5,752	Capital Grants Receipts in Advance	-5,999	*Note 42*
-1,083,170	**-1,420,891**	**Long Term Liabilities**	**-1,459,331**	
405,938	**30,035**	**Net Assets**	**24,226**	
-183,361	-191,070	Usable Reserves	-210,143	*Note 2*
-222,577	161,035	Unusable Reserves	185,917	*Note 18*
-405,938	**-30,035**	**Total Reserves**	**-24,226**	

The total assets less liabilities of the Council are financed by movements in reserves. There was a small reduction in total reserves of £5.809m, from a surplus of £30.035m at 31 March 2012 to a surplus of £24.226m at 31 March 2013. The main reason for the reduction in reserves is a reduction on unusable reserves of £24.882m, partially offset by a movement of £19.073m on unusable reserves.

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.

2011-12		**2012-13**
£000		**£000**
Restated		
150,537	Net (surplus) or deficit on the provision of services (Comprehensive Income and Expenditure Statement page 14)	-13,444
-297,258	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 19 d)	-152,889
75,687	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 19 d)	69,430
39,508	Interest and dividends received and paid	42,019
-31,526	**Net cash flows from Operating Activities (Note 19 a)**	**-54,884**
32,875	Investing Activities (Note 19 b)	78,350
-511	Financing Activities (Note 19 c)	13,625
838	**Net (increase) or decrease in cash and cash equivalents**	**37,091**
	Balance Sheet Movement	
111,678	Cash and cash equivalents at the beginning of the reporting period (Balance Sheet page 15: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	110,840
110,840	Cash and cash equivalents at the end of the reporting period (Note 15, page 44) (Balance Sheet page 15: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	73,749
838	**Net (increase) or decrease in cash and cash equivalents**	**37,091**

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 2012-13 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 2012-13 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) 2012-13.

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 Council direct, have been included in the liabilities and contributions in line with International Accounting Standard (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 49.

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 2012-13 figures are based on actual take-up levels up to 31 March 2013.

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. They can be classified either as *financial liabilities at amortised cost* or as *financial liabilities at fair value through profit and loss*.

Those classified as *financial liabilities at amortised cost* 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 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 was 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 insurance value or estimate of market value and are not depreciated. 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 treated according to 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 2012-13 (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 of Practices' 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. The unitary payments made for the PFI schemes are split, using estimation techniques, into separate elements. Those elements impacting on the balance sheet are the repayment of the liability and lifecycle replacement costs. Other elements are the interest payable on the outstanding liability, the value of services received and contingent rent (contract inflationary increases) which impact on the Comprehensive Income and Expenditure statement.

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.

The carrying value of debtors has been impaired to reflect bad and doubtful debts. The impairment is netted off the gross total of debtors in line with accounting practice and is not included in the provisions note. Known uncollectable debts have been written off in full.

Landfill Allowance Schemes

Landfill allowances, whether allocated by the Department for Environment, Food and Rural Affairs (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 34.

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. Value Added Tax (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.

xxviii. Disclosure Requirements – Prior Period Adjustments

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

1a. Parkside School
The 2011/12 accounts have been restated to take account of the conversion of Parkside School to Trust Status. The Council had not accounted for this change in status in the 2011/12 accounts, in accordance with its policy. Its policy is to remove school assets from its accounts at the point of conversion because of the loss of control over the related asset.

The impact of this restatement is to remove Parkside school assets from the balance sheet, reducing Plant, Property and Equipment by £30.984m. The reduction in value is shown as a loss on disposal in the Income and Expenditure Account of £30.984m. There is also a reduction in reserves of £30.984m shown in the Movement in Reserves Statement. The restatement also impacts on the cash flow statement and a number of notes. The changes to the 2011/12 statement are summarised below:

	2011/12 £000 Original	2011/12 £000 Change	2011/12 £000 Restated
Balance Sheet			
Property, Plant and Equipment	1,285,338	-30,984	1,254,354
Net Assets (includes Property, Plant and Equipment)	**79,898**	**-30,984**	**48,914**
Capital Adjustment Account	-421,171	13,308	-407,863
Revaluation Reserve	-254,381	17,676	-236,705
Unusable Reserves (includes Capital Adjustment Account and Revaluation	**111,172**	**30,984**	**142,156**
Net Change		**0**	
Movement in Reserves Statement			
(-Deficit) on the Provision of Services	-114,455	-30,984	-145,439
Adjustments between accounting basis funding basis	131,125	30,984	162,109
Comprehensive Income and Expenditure			
Total Comprehensive Income and Expenditure	339,821	30,984	370,805
Net change		**0**	
Cash Flow			
Deficit for the year on the Comprehensive Income and Expenditure Account	114,455	30,984	145,439
Adjustments to net surplus or deficit on the provision of services for non-cash	-261,176	-30,984	-292,160
Net change		**0**	

1b. School Capital Expenditure
The 2011-12 accounts have been restated in order to remove capital expenditure relating to some Voluntary Controlled and Voluntary Aided schools which were removed from the balance sheet. These schools were previously removed from the balance sheet as the Council no longer has control over how they deploy these assets.

The impact of this restatement is to reduce the value of Property, Plant and Equipment on the 2011-12 Balance Sheet by £18.880m. Unusable reserves have also reduced by £18.880m, as shown below. In addition, the restatement impacts on the Comprehensive Income and Expenditure, increasing the deficit on the Provision of Services by £5.098m to £150.537m. The restatement has also impacted on a number of other statements, such as the Movement in Reserves Statement, the cash flow statement and other notes. These changes to the 2011-12 Statement of Accounts follow on from the Parkside amendment detailed above and are summarised below:

	2011/12 £000 Following Parkside change above	2011/12 £000 Change	2011/12 £000 Restated
Balance Sheet			
Property, Plant and Equipment	1,254,354	-18,880	1,235,474
Net Assets (includes Property, Plant and Equipment)	**48,914**		**30,035**
Capital Adjustment Account	-407,863	18,880	-388,983
Revaluation Reserve	-236,705	0	-236,705
Unusable Reserves (includes Capital Adjustment Account and Revaluation Reserve)	**142,156**		**161,035**
Net Change		**0**	

Movement in Reserves Statement			
(-Deficit) on the Provision of Services	-145,439	-5,098	-150,537
Adjustments between accounting basis funding basis	162,109	5,098	167,207
Net change		**0**	
Cash Flow			
Deficit for the year on the Comprehensive Income and Expenditure Account	145,439	5,098	150,537
Adjustments to net surplus or deficit on the provision of services for non-cash movements	-292,160	-5,098	-297,258
Net change		**0**	

2.Dedicated Schools Grant (DSG)

Note 40 shows the receipt and application of the Dedicated Schools Grant (DSG). New disclosure requirements require the Council to show the DSG before academy recoupment in 2012/13. The amount recouped from the Council's DSG is then paid directly by the Department for Education to academies. The 2011/12 comparatives have been restated to also show the DSG before academy recoupment, as shown in the table below:

Dedicated Schools Grant	**2011/12** **£000** Original	**2011/12** **£000** Change	**2011/12** **£000** Restated
Final DSG before Academy Recoupment		434,696	434,696
Academy Recoupment		-19,268	-19,268
Total DSG after Academy Recoupment	415,428	0	415,428

3 Debtors and creditors

Total Debtors and creditors in 2011-12 have been reduced by £8.522m due to a reclassification of amounts paid over in payroll taxes. The amendments are shown in the table below:

	2011/12 **£000** Original	**2011/12** **£000** Change	**2011/12** **£000** Restated
Balance Sheet			
Short Term Debtors	85,365	-8,522	76,843
Short Term Creditors	115,187	-8,522	106,665
Debtors (Note 15)			
Other entities and individuals	72,237	-8,522	63,715
Creditors (Note 15)			
Central Government Bodies	22,443	-8,522	13,920
Cash Flow Reconciliation (Note 19 d)			
Decrease (-) / increase in amounts due to	-6,215	-8,522	-14,737
Decrease / increase (-) in amounts due	12,297	8,522	20,819
Financial Instruments			
Financial assets at contracted amounts	46,392	-8,522	37,870

xxviv. Changes to Accounting Policies

Accounting Policy	Summary of Policy	Effect of any changes
IAS 1	This relates to presentation of Financial Statements.	The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Service in 2013-14.
IAS 12	The accounting policy relates to Income taxes.	This impacts on investment properties but will not affect the Statement of Accounts.
IFRS 7	This accounting policy requires additional financial instrument disclosures in relation to offsetting of financial assets and liabilities.	No effect because financial assets and liabilities are already shown separately.
IAS 19 Accounting Standard	The International Accounting Standards Board (IASB) issued a revised IAS 19 (IAS 19) accounting standard on 16 June 2011. The expected return on assets is calculated at the discount rate, instead of as currently at an expected return based on actual assets held in the Fund. The interest on the service cost is included in the service cost itself.	The revised accounting standard will affect the accounting treatment of defined benefit pension schemes and will be effective for accounting periods beginning on or after 1 January 2013 and, therefore, the first financial year to which it will apply is 2013-14. However, under IFRS, the Council is required to disclose the impact of the revised accounting standard as if it had been adopted in 2012-13.

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.

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 2013, 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. A new school type of "Academies" has 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 Private Finance Initiative (PFI) contract does not separate out the construction costs 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 2013 is the revalued amount.

The 2012-13 accounts restate previous years to reflect the conversion of Parkside school in 2011-12 to Trust School status. Where there is a change from the 2011-12 accounts, in the main statements or disclosure notes, the 2010-11 comparative year is also shown.

xxx. 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 £9.084m 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.	An increase over the forthcoming year of in either the total number of claims or the estimated average settlement would have a proportionate impact on the provision required.
	The Council also has a provision of £9.517m at 31 March 2013 (£9.627m at 31 March 2012) 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.	If the equal pay provision is not adequate, which is considered very unlikely, extra funds would have to be found from available reserves or from in year savings.
	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 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, Aon Hewitt 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 £190.854m.
Arrears	At 31 March 2013, the Council had a balance of debtors and prepayments of £97m, an increase of £3m compared to the 31 March 2012 figure of £94m. 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 :	The detailed criteria used to classify leases between operating and finance are explained on page 69.
	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.	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.

	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.	
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 2012-13

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.

2011/12					2012/13			
Useable Reserves					Useable Reserves			
General Fund Balance Restated	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves Restated	**Adjustment between Accounting Basis and Funding Basis Under Regulation**	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
49,893	0	0	-49,893	Charges for depreciation and impairment of non current assets	44,329	0	0	-44,329
79,526	0	0	-79,526	Revaluation losses on property, plant and equipment	27,235	0	0	-27,235
4,548	0	0	-4,548	Movements in the market value of Investment Properties	-3,661	0	0	3,661
1,785	0	0	-1,785	Amortisation of intangible assets	1,860	0	0	-1,860
-46,094	0	0	46,094	Capital grants and contributions applied	-28,805	0	0	28,805
54,701	0	-8,277	-46,424	Revenue expenditure funded from capital under statute (REFCUS)	2,958	0	-2,893	-65
55,108	0	0	-55,108	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	28,225	0	0	-28,225
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
-29,841	0	0	29,841	Statutory provision for the financing of capital investment	-33,278	0	0	33,278
-7,009	0	0	7,009	Capital expenditure charged against the General Fund	-11,804	0	0	11,804
				Adjustments primarily involving the Capital Grants Unapplied Account :				
-17,766	0	17,766	0	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-33,386	0	33,386	0
0	0	-18,642	18,642	Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-25,610	25,610
				Adjustments primarily involving the Capital Receipts Reserve				
-6,412	6,412	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-3,984	3,984	0	0
0	-6,199	0	6,199	Use of the Capital Receipts Reserve to finance new capital expenditure	0	-3,687	0	3,687
21	-21	0	0	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	19	-19	0	0
0	0	0	0	**Adjustments primarily involving the Deferred Capital Receipts Reserve**	0	0	0	0
73	0	0	-73	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	148	0	0	-148
				Adjustments primarily involving the Financial Instruments Adjustment Account				
-719	0	0	719	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	-571	0	0	571
				Adjustments primarily involving the Pensions Reserve				
75,534	0	0	-75,534	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	54,863	0	0	-54,863
-49,159	0	0	49,159	Employer's pensions contributions and direct payments to pensioners payable in the year	-44,359	0	0	44,359
				Adjustments primarily involving the Collection Fund Adjustment Account				
2,555	0	0	-2,555	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.	-133	0	0	133
				Adjustment primarily involving the Accumulated Absences Account	0	0	0	0
463	0	0	-463	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.	812	0	0	-812
167,207	**192**	**-9,153**	**-158,246**	**Total Adjustments between accounting basis & funding basis under regulations**	**468**	**278**	**4,883**	**-5,629**

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 2012-13.

	Balance at 31 March 2011 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2012 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2013 £000
General Fund Reserve	10,803	0	0	10,803	0	0	10,803
Schools Delegated Balances	42,317	0	2,251	44,568	-1,432	0	43,136
A. Total General Fund Balance	**53,120**	**0**	**2,251**	**55,371**	**-1,432**	**0**	**53,939**
Reserves available to support future budget decisions	**29,684**	**-5,144**	**5,313**	**29,853**	**-6,369**	**2,801**	**26,285**
Corporate Earmarked Reserves							
Managed Severance	1,408	-5,307	7,992	4,093	0	0	4,093
Exempt VAT	2,000	0	0	2,000	0	0	2,000
Former grant allocations	8,551	-5,266	0	3,285	0	0	3,285
PFI - Contracts	4,627	0	0	4,627	0	0	4,627
Capital Feasibility	551	-278	0	273	0	0	273
Carbon Intervention	2,000	-158	0	1,842	0	0	1,842
Major Project Support	1,193	-471	549	1,271	0	0	1,271
Changing our Council	2,612	-1,069	0	1,543	-801	0	742
Employment Opportunities Fund	0	0	4,521	4,521	0	0	4,521
VAT Trade Waste	0	0	4,433	4,433	0	0	4,433
Municipal Mutual Insurance	0	0	0	0	0	151	151
Industrial Centres of Excellence	0	0	0	0	-121	1,800	1,679
Sports Strategy Regional	0	0	0	0	-42	250	208
Regional Growth	0	0	0	0	0	7,000	7,000
Academy Refund	0	0	0	0	0	3,079	3,079
School Improvement Support Fund	0	0	750	750	-750	0	0
2012-13 Better Use of Budgets	0	0	0	0	0	5,546	5,546
2011-12 Better Use of Budgets	0	0	2,876	2,876	-2,876	0	0
Single Status	0	0	705	705	-134	0	571
Pre 1 April 2011Better Use of Budgets	1,876	0	0	1,876	-615	0	1,261
	24,818	**-12,549**	**21,826**	**34,095**	**-5,339**	**17,826**	**46,582**
Reserves for capital investment							
Markets	867	0	53	920	0	22	942
Renewal and Replacement	15,515	-81	0	15,434	-7,097	4,410	12,747
	16,382	**-81**	**53**	**16,354**	**-7,097**	**4,432**	**13,689**
Service Earmarked Reserves							
PFI - BSF Phase 1 and 2 Unitary Charge	3,095	0	2,554	5,649	0	2,082	7,731
National Asylum Support Service	1,074	0	0	1,074	-200	0	874
Supporting People	1,168	0	516	1,684	0	381	2,065
Odsal Feasibility Study	1,126	-1,126	0	0	0	0	0
Other	2,183	0	1,137	3,320	-313	2,964	5,971
	8,646	**-1,126**	**4,207**	**11,727**	**-513**	**5,427**	**16,641**
Revenue Grant Reserves	593	-518	2,438	2,513	-1,418	5,594	6,689
B Total Earmarked Reserves	**80,123**	**-19,418**	**33,837**	**94,542**	**-20,736**	**36,080**	**109,886**
C Capital Grants Unapplied	50,118	-26,919	17,766	40,965	-28,538	33,421	45,848
D Capital Receipts Reserve	0	-6,220	6,412	192	-3,706	3,984	470
E Total Other Usable Reserves	**50,118**	**-33,139**	**24,178**	**41,157**	**-32,244**	**37,405**	**46,318**
Total Usable Reserves	**183,361**	**-52,557**	**60,266**	**191,070**	**-54,412**	**73,485**	**210,143**

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.

a) General Fund Balance (£53.939m)

A net 53.939m balance has been carried forward to 2013-14 (£55.371m at 31 March 2012). This includes £43.136m 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 (£109.886m)

The Council's reserves play a pivotal part in the Council's approach to resource management. In 2012-13 the Council's reserve policy has been consistently applied and reserves used, none recurrently, to support Council priorities. In 2012-13 the level of earmarked reserves increased by a net £15.344m from £94.542m at 31 March 2012 to £109.886m at 31 March 2013. The significant in year transfers into reserves are listed below:

- £2.8 m net underspend in 2012-13 transferred into a reserve earmarked for support of future annual revenue budgets. For further explanation see Financial Summary on page 4.
- £3.9m one off Academy Refunds to compensate the Council for the £1.3m and £2.8m that was deducted from the Council's formula grant in 2011-12 and 2012-13.
- £5.5m of requests from Services to carry forward 2012-13 budgeted underspends into 2013-14. 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.
- £2m 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.
- £5.6m of unspent specific grant allocations which will be spent in 2013-14 in accordance with the original purpose of the grant.

An increase in earmarked reserves was factored into the 2013-14 Budget process and Members agreed that £11.3m of earmarked reserves would be used in 2013-14 to manage down the recurrent cost base and finance priority non recurrent activity. This leaves only £17.2m (10%) of reserves unallocated.

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 £18,860 to the pool in 2012-13 (£20,963 in 2011-12).

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.

2011-12 £000	Capital Receipts Reserve	2012-13 £000
0	**Balance at 1 April**	**192**
	Usable receipts in the year	
6,412	Disposal of assets	3,926
	Other capital receipts	58
-21	Appropriation to (–) from Revenue Account re pooled housing receipts	-19
-6,199	Used to finance capital spending	-3,687
0	Used for debt repayment	0
192	**Balance at 31 March**	**470**

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 2012-13, there were no exceptional items of expenditure or income separately disclosed within the Comprehensive Income and Expenditure statement.

Note 4. Post Balance Sheet Events

Between 1st April and 30th September 2013, 10 schools became Academies and moved out of Local Authority control. Of these, 2 had already been removed from the balance sheet, with the remaining 8, with a net book value of £104m being removed in 2013/14 and replaced with peppercorn leases.

From 1st April 2013, responsibility for Public Health has transferred to the Council.

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

2011-12 Restated £000	Other Operating expenditure	2012-13 £000
846	Parish Council Precepts	887
21	Payments to the Government Housing Capital Receipts Pool	19
916	Revaluation Loss on Assets Held for Sale	0
47,515	Losses on the disposal of non-current assets	24,973
49,298	**Total**	**25,879**

b) Financing and Investment Income and Expenditure

2011-12 £000	Financing and Investment Income and Expenditure	2012-13 £000
44,295	Interest payable and similar charges	44,352
269	Pensions interest cost and expected return on pension assets	5,641
-3,851	Interest receivable and other income	-1,733
3,730	Income and expenditure in relation to investment properties and changes in their fair value	-6,154
-624	Other investment income	-850
1,135	Net Deficit on Trading Accounts	1,964
44,954	**Total**	**43,220**

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

2011-12 £000	Interest Payable and Similar Charges	2012-13 £000
	External interest charges	
25,810	Public Works Loans Board	25,794
16,439	Interest on finance lease rentals (PFI)	16,499
1,771	Lender Option Borrower Option (LOBO's)	1,776
275	Transferred debt	283
44,295	**Total**	**44,352**

c) Taxation and Non- Specific Grant Income

2011-12 £000	Taxation and Non- Specific Grant Income	2012-13 £000
-163,269	Council Tax income	-164,206
-209,204	Non domestic rates	-251,493
-114,638	Non-ringfenced government grants (see below)	-60,303
-63,860	Capital grants and contributions	-62,192
-550,971	**Total**	**-538,194**

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 2012-13 the Council received the following:

2011-12 £000	Government grants (not attributable to specific services)	2012-13 £000
-64,665	Revenue Support Grant	-4,875
0	Academy Refund	-3,079
-29,680	Early Intervention Grant	-31,100
-11,998	Learning Disability and Health Reform Grant	-12,237
-1,460	Local Services Support Grant	-1,023
-2,761	New Homes Bonus Grant	-3,910
-4,074	Council Tax Freeze Grant	-4,079
-114,638	**Total**	**-60,303**

Note 6. Property, Plant and Equipment: Movements on Balances in 2012-13

	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 2012	**2,583**	**964,528**	**65,682**	**250,880**	**37,388**	**32,306**	**40,678**	**1,394,045**	**117,460**
Additions	27	36,822	4,553	11,246	365	33	35,116	88,162	0
Revaluation in the Rev. Reserve	0	-2,867	0	0	672	654	0	-1,541	0
Rev. in Surplus/Deficit on the Provision of Services	-2,434	-18,971	0	0	1,565	-7,794	0	-27,634	0
Derecognition - disposals	0	-28,504	0	0	-204	-237	0	-28,945	0
Assets reclassified (to)/ from Held for Sale	0	-783	0	0	0	-73	0	-856	0
Reclassifications	6,414	27,792	0	0	171	7,204	-33,582	7,999	0
Other movements in cost or valuation	0	131	0	0	96	0	0	227	0
At 31 March 2013	**6,590**	**978,148**	**70,235**	**262,126**	**40,053**	**32,093**	**42,212**	**1,431,457**	**117,460**
Accumulated Depreciation & Impairment									
At 1 April 2012	**0**	**-47,479**	**-42,915**	**-67,950**	**87**	**-314**	**0**	**-158,571**	**-2,937**
Dep charge	-43	-23,846	-6,713	-7,918	-3	-40	0	-38,563	-1,805
Dep w/o Revaluation Reserve	0	2,157	0	0	3	32	0	2,192	0
Dep w/o to the Surplus/Deficit on the Provision of Services	0	378	0	0	0	21	0	399	0
Impairment losses/ (reversals) in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment in Surplus/Deficit on the Provision of Services	0	-5,766	0	0	0	0	0	-5,766	0
Derecognition - disposals	0	1,935	0	0	0	4	0	1,939	0
Reclassifications – Other		389	0	0	0	-342	0	47	
Other movements in depreciation & impairment	0	-131	0	0	-96	0	0	-227	0
At 31 March 2013	**-43**	**-72,363**	**-49,628**	**-75,868**	**-9**	**-639**	**0**	**-198,550**	**-4,742**
At 31 March 2012 – Net Book Value	**2,583**	**917,049**	**22,767**	**182,930**	**37,475**	**31,992**	**40,678**	**1,235,474**	**114,523**
At 31 March 2013– Net Book Value	**6,547**	**905,785**	**20,607**	**186,258**	**40,044**	**31,454**	**42,212**	**1,232,907**	**112,718**

Comparative Movements 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
		Restated						**Restated**	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2011	**0**	**998,974**	**52,326**	**239,573**	**19,577**	**28,927**	**21,493**	**1,360,870**	**117,034**
Additions	0	84,418	3,212	11,320	441	59	59,431	158,881	50,734
Revaluation in the Rev. Reserve	0	9,372	0	0	38	-324	0	9,086	2,847
Revaluation in Surplus/Deficit on the Provision of Services	-2,318	-76,562	0	0	0	0	0	-78,880	-53,155
Derecognition - disposals	0	-54,503	0	0	-532	-580	0	-55,615	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**	**964,528**	**65,682**	**250,880**	**37,388**	**32,306**	**40,678**	**1,394,045**	**117,460**
Accumulated Depreciation & Impairment									
At 1 April 2011	**0**	**-16,804**	**-36,005**	**-60,413**	**29**	**-195**	**0**	**-113,388**	**-1,626**
Dep charge	0	-26,551	-6,910	-7,540	-107	-112	0	-41,220	**-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	4,710	0	0	5	2	0	4,717	**1,554**
Other movements in depreciation & impairment	0	63	0	3	160	-9	0	217	0
At 31 March 2012	**0**	**-47,479**	**-42,915**	**-67,950**	**87**	**-314**	**0**	**-158,571**	**-2,937**
At 31 March 2011 – Net Book Value	**0**	**982,170**	**16,321**	**179,160**	**19,606**	**28,732**	**21,493**	**1,247,482**	**115,408**
At 31 March 2012– Net Book Value	**2,583**	**917,049**	**22,767**	**182,930**	**37,475**	**31,992**	**40,678**	**1,235,474**	**114,523**

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.

£26.8m of other land and buildings held at historic cost relate to Appleton Academy that was transferred from assets under construction. This will be reviewed as part of the 2013-14 revaluation programme.

Of the assets that have not been reviewed within the five years £10m relates to one building where during 2012-13 there has been substantial refurbishment that has meant it has not been possible for a formal valuation to be completed. However the value of the assets as at 31 March 2013 has been considered and it is not thought that this is significantly over / under stated.

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	29,464	20,607	0	186,258	20,266	42,212	298,807
Valued at Fair Value in:								
2007/08	0	10,702	0	75	0	0	0	10,777
2008/09	0	153,627	0	1,235	0	29	0	154,891
2009/10	0	112,970	0	2,846	0	410	0	116,226
2010/11	0	353,602	0	12,284	0	3,618	0	369,504
2011/12	2,567	170,654	0	1,917	0	50	0	175,188
2012/13	3,980	74,766	0	13,097	0	15,671	0	107,514
	6,547	**905,785**	**20,607**	**31,454**	**186,258**	**40,044**	**42,212**	**1,232,907**

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 2013 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 £23.1m. Similar commitments at 31 March 2012 were £52.786m. The major commitments (over £1m) are:

Capital Commitments	31 March 2012	31 March 2013
	£000	£000
Primary Capital Programme	2,631	0
Primary Schools Expansion Programme	2,924	9,342
New Affordable Housing – Beechgrove	2,541	0
New Affordable Housing – Valley Drive, Ilkley and Canary Drive	0	6,754
Academies Programme	35,619	6,014
Special Education Needs Re-organisation	9,071	727
Buck Lane	0	283
Total	**52,786**	**23,120**

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
- on going 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 £197.084m 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.

Note 9. Heritage Assets

(a) Tangible Heritage Assets

	Museum collection £000	Civic regalia £000	Total Assets £000
Cost or valuation			
1 April 2011	**19,072**	**1,732**	**20,804**
Revaluation increases / (decreases) recognised in the revaluation reserve	0	0	0
31 March 2012	**19,072**	**1,732**	**20,804**
Cost or valuation			
1 April 2012	19,072	1,732	20,804
Revaluation increases / (decreases) recognised in the revaluation reserve	17,977	0	17,977
31 March 2013	**37,049**	**1,732**	**38,781**

The Council held £38.781m heritage assets on its Balance Sheet as at 31 March 2013.

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 five 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 values estimated by museum staff. The insurance values are considered annually and in 2012-13 there was a review of the major pieces of the Fine Art Collection held at Cartwright Hall by Christies. For those items reviewed by Christies they have been included on the Balance Sheet based on Christies auction values (lower range). This has meant an increase in the value of the museum collection of £18.7m, although overall the net increase in Heritage Assets for 2012-13 is £17.9m because of other reductions.

For the remainder of the collection 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 2013 these assets had an estimated value of £4.6m 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. However there are plans to review the museum collection on an on going basis over the next few years.

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 2012-13.

Additions of Heritage Assets

There have been no significant purchases or donations to heritage assets in 2012-13 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 £1.819m (see below Analysis of Rental Income and Management Costs of Investments), plus the increase of £3.661m on fair value (see below reconciliation of Movements on Investments), plus the gain on disposal of £0.674m comprise the £6.154m charge for investment properties in Financing and Investment Income and Expenditure, see page 36.

2011-12	Analysis of Rental Income and Management Costs of Investments	2012-13
£000		£000
-2,813	Rental income from investment property	-2,613
-34	Other income (service and other charges)	-53
	Direct operating expenses:	
269	Repairs & maintenance	182
499	Management expenses	665
-2,079	**Net (gain)**	**-1,819**

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

2011-12	Reconciliation of Movements on Investments	2012-13
£000		£000
74,433	**Balance at 1 April**	**65,399**
359	Expenditure	181
-2,907	Disposals	-647
-4,548	Net gains/losses(-) from fair value adjustments	3,661
	Transfers	
-1,938	To/from Property, Plant and Equipment	-7,999
65,399	**Balance at 31 March**	**60,595**

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 Information Technology (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 £1.860m charged to revenue in 2012-13 (£1.785m in 2011-12) 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:

	2011-12 £000	2012-13 £000
Balance at 1 April each year		
• Gross carrying amounts	16,647	17,020
• Accumulated amortisation	-7,637	-9,422
Net carrying amount at start of year	9,010	7,598
Additions :		
• Purchases	373	81
Amortisation for the period	-1,785	-1,860
Net carrying amount at end of year	**7,598**	**5,819**
Comprising :		
• Gross carrying amounts	17,020	17,101
• Accumulated amortisation	-9,422	-11,282

The intangible assets figures largely comprise the software required to run the Council's 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. The Council did not enter into any construction contracts in 2012-13 or 2011-12.

Note 13. Long Term Investment

The Council's long term investment at 31 March 2013 is made up of £1,000 in Integrated Bradford LEP Ltd (31 March 2012 £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 £200,000 due from Wakefield Metropolitan District Council at 31 March 2013 (£301,000 at 31 March 2012) 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 74, Note 37). The amount owed by other local authorities at 31 March 2013 of £355,000 is in respect of transferred debt for Probation Services owed by other West Yorkshire authorities. The balance due on long term finance leases of £225,000 represents the principal element of the leases.

31 March 2012 £000	Analysis of Long Term Debtors	31 March 2013 £000
136	Former Council house tenants	80
301	Waste Management SSA	200
379	Other local authorities re joint services	355
1,204	Car loans	869
293	Building Schools for the Future Ltd	293
0	Loans to organisations	102
7	Housing Advances	6
303	Balance owing on sale of assets on finance lease(s)	225
34	Other	34
2,657	**Total**	**2,164**

Note 15. Current Assets and Current Liabilities

31 March 2012 £000	Inventories	31 March 2013 £000
70	Trading services	67
2,180	Other	1,680
2,250	**Total**	**1,747**

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

31 March 2012 Restated £000	Analysis of Debtors and Payments in Advance	31 March 2013 £000
	Amounts falling due within one year	
13,672	Central Government bodies	13,755
2,141	Other local authorities	3,204
5,545	NHS bodies	4,951
624	Public corporations and trading funds	672
63,715	Other entities and individuals	65,636
7,928	General payments in advance	8,682
93,625	**Total**	**96,900**
	Less provision for bad and doubtful debts	
10,376	Collection Fund	11,441
6,406	Other	7,676
76,843	**Net Total**	**77,783**

The net debtors have changed from a total of £76.843m at 31 March 2012 to £77.783m at 31 March 2013, an increase of £0.94m.

Short Term Investments

The Council has short term investments of £116.960.m; see Balance Sheet (£57.768m 2011-12). 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 2013, £83.888m was invested in short term deposits, banks and building societies (£118.011m at 31 March 2012).

31 March 2012 £000		31 March 2013 £000
1,132	Cash held by the Council	1,224
63,496	Bank accounts	59,250
53,383	Short term deposits with building societies and banks	23,414
118,011	**Total Cash and Cash Equivalents** (see Balance Sheet page 15)	**83,888**
-7,171	Cash and Cash Equivalents Overdrawn (see Balance sheet page 15)	-10,139
110,840	**Total net Cash and Cash Equivalents** (see Cashflow statement page 16)	**73,749**

Creditors and Receipts in Advance

31 March 2012 Restated £000	Analysis of Creditors and Receipts in Advance	31 March 2013 £000
	Amounts falling due within one year	
13,920	Central Government bodies	12,048
597	Other local authorities	870
1,611	NHS bodies	2,981
138	Public corporations and trading funds	84
73,711	Other entities and individuals	81,328
89,977	**Total**	**97,312**
	Receipts in advance	
10,647	Sundry	8,995
6,041	Developer's contributions	6,790
16,688	**Total**	**15,785**
106,665	**Total Creditors and Receipts in Advance**	**113,096**

Note 16. Assets held for sale

Current Assets held for sale

	2011-12 £000	2012-13 £000
Balance outstanding at start of year	**203**	**0**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	2,106	811
Revaluation losses	-916	0
Assets declassified:		
- Property, Plant and Equipment	-91	0
Assets sold	-1,302	-573
Balance outstanding at year end	**0**	**238**

Note 17. Provisions

The provisions totals of £21.015m at 31 March 2013 and £29.962m at 31 March 2012 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, £7.190m at 31 March 2013 (£15.281m at 31 March 2012). Long term provisions are those expecting to be used more than 12 months after the Balance Sheet date, £13.825m at 31 March 2013 (£14.681m at 31 March 2012).

	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	Aftercare Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000		**£000**
Balance at 31 March 2011	**0**	**0**	**0**	**0**	**0**	**3,762**	**6,120**	**16,892**	**719**	**0**	**27,493**
Additional provisions made in 2011-12	2,982	2,295	881	606	814	3,085	4,493	0	125	0	15,281
Amounts used in 2011-12	0	0	0	0	0	-2,423	-2,222	-4,447	-532	0	-9,624
Unused amounts reversed in 2011-12	0	0	0	0	0	-78	-3,110	0	0	0	-3,188
Balance at 31 March 2012	**2,982**	**2,295**	**881**	**606**	**814**	**4,346**	**5,281**	**12,445**	**312**	**0**	**29,962**
Additional provisions made in 2012-13	363	0	0	0	786	1,768	5,852	0	0	101	8,870
Amounts used in 2012-13	-2,982	-2,295	0	0	-814	-2,115	-2,032	-3,361	-312	0	-13,911
Unused amounts reversed in 2012-13	0	0	-172	-151	0	-637	-2,946	0	0	0	-3,906
Balance at 31 March 2013	**363**	**0**	**709**	**455**	**786**	**3,362**	**6,155**	**9,084**	**0**	**101**	**21,015**

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 actual biodegradable municipal waste (BMW) landfill usage for 2012-13 is 36,690 tonnes (2011-12 63,682 tonnes). As the market price of 2012-13 allowances at 31 March 2013 has been deemed to be nil, the provision at 31 March 2013 is zero.

Termination (£0.363m) **–** for planned future termination costs arising from the detailed saving proposals approved as part of the 2013-14 Budget by Council in February 2013.

Single Status (£0m) **–** 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. £2.295m was set aside 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. These payments were made in 2012-13 so the provision has been fully used.

Property Search fees (£0.709m) – Whilst Personal Search companies have claimed for refunds from the Council, given that the Council's and other authorities charging policies were based on a statutory fee, the Council will seek to reclaim any repayment from the government in due course.

Municipal Mutual Insurance (MMI) Ltd (£0.455m) – 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. A claw back of 15% will be activated, following MMI Ltd losing a recent court case relating to Employee Liability claims for Mesothelioma, an asbestos related disease (see also Note 41). The provision has been reduced because in 2011-12 a clawback of 20% was estimated.

Carbon Reduction Commitment (£0.786m) **–** 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.

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 2012 £000	Analysis of Insurance Provision (Outstanding Legal Cases & Injury and Damage Compensation Claims)	31 March 2013 £000
33	Property	30
8,931	Liability	8,654
660	Motor	833
3	Other	0
9,627	**Total**	**9,517**

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 2012-13, claims and legal costs totalling £3.361m (£4.447m in 2011-12) were paid out leaving £9.084m in the provision (£12.445m at 31 March 2012).

Other provision – From previous years, a provision had been set aside to cover the cost of dilapidations and reinstating alterations made in properties following the termination of a property lease. This provision of £0.312m was fully used in the 2012/13 financial year.

Aftercare services provision – A provision of £0.101m has been added in 2012-13 for Aftercare services.

Note 18. Unusable Reserves

2011-12 Restated £000		2012-13 £000
236,705	(a) Revaluation Reserve	238,827
388,983	(b) Capital Adjustment Account	410,620
-7,334	(c) Financial Instruments Adjustment Account	-6,763
-765,506	(d) Pensions reserve	-813,890
488	(e) Deferred capital receipts reserve	340
-552	(f) Collection Fund Adjustment Account	-419
-13,820	(g) Accumulated Absences Account	-14,632
-161,035	**Total Unusable Reserves**	**-185,917**

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 2012-13, the Reserve has increased from £236.705m to £238.827m, an increase of £2.122m.

2011-12 Restated £000		2012-13 £000
258,772	**Balance at 1 April**	**236,705**
14,334	Upward revaluation of assets	33,843
-4,695	Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-15,216
-1,046	Impairments not charged to the Surplus or deficit on the Provision of Services	0
8,593	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**18,627**
-8,048	Difference between fair value depreciation and historical cost depreciation	-6,482
-22,612	Accumulated gains on assets sold or scrapped	-10,023
-30,660	**Amount written off to the Capital Adjustment Account**	**-16,505**
236,705	**Balance at 31 March**	**238,827**

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.

2011-12		2012-13
£000		£000
Restated		
487,823	**Balance at 1 April**	**388,983**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
-49,893	- Charges for depreciation and impairment of non-current assets	-44,329
-79,526	- Revaluation losses on Property, Plant and Equipment	-27,235
-1,785	- Amortisation of Intangible Assets	-1,860
-46,424	- Revenue expenditure funded from capital under statute (REFCUS)	-65
-55,108	- 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)	-28,225
30,660	Adjusting amounts written out of the Revaluation Reserve	16,505
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year :	
6,199	- Use of the Capital Receipts Reserve to finance new capital expenditure	3,687
46,094	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	26,893
18,641	- Application of grants to capital financing from the Capital Grants Unapplied Account	25,610
0	- Allocation of grants to capital financing from the Capital Grants Receipts in Advance Account	1,913
29,841	- Statutory provision for the financing of capital investment charged against the General Fund	33,278
7,009	- Capital expenditure charged against the General Fund balance	11,804
-4,548	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,661
388,983	**Balance at 31 March**	**410,620**

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.

2011-12		2012-13
£000		£000
-8,053	**Balance at 1 April**	**-7,334**
882	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	679
-163	Removal of Effective Interest Rate on stepped interest loans	-108
719	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	571
-7,334	**Balance at 31 March**	**-6,763**

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.

2011-12 £000		2012-13 £000
-505,172	**Balance at 1 April**	**-765,506**
-233,959	Actuarial gains or losses on pensions assets or liabilities	-37,880
-75,534	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	-54,863
49,159	Employer's pensions contributions and direct payments to pensioners payable in the year	44,359
-765,506	**Balance at 31 March**	**-813,890**

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.

2011-12 £000		2012-13 £000
561	**Balance at 1 April**	**488**
-73	Transfer to the Capital Receipts Reserve upon receipt of cash	-148
488	**Balance at 31 March**	**340**

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.

2011-12 £000		2012-13 £000
2,003	**Balance at 1 April**	**-552**
-2,555	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	133
-552	**Balance at 31 March**	**-419**

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.

2011-12 £000		2012-13 £000
-13,357	**Balance at 1 April**	**-13,821**
13,357	Settlement or cancellation of the accrual made at the end of the preceding year	13,821
-13,821	Amounts accrued at the end of the current year	-14,632
-464	**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**.	**-811**
-13,821	**Balance at 31 March**	**-14,632**

Note 19. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2011-12 Restated £000		2012-13 £000
150,537	Net (surplus) or deficit on the provision of services	-13,444
-297,258	Adjustments to surplus or deficit for non-cash movements (See d)	-152,889
75,687	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	69,430
-4,033	Interest Received	-1,420
44,136	Interest paid	44,241
-595	Dividends Received	-802
-31,526	**Net cash flows from operating activities**	**-54,884**

b) Investing Activities

The cash flows for investing activities include the following items:

2011-12 Restated £000		2012-13 £000
109,132	Purchase of property, plant and equipment, investment property and intangible assets	85,523
196,457	Purchase of short term and long term investments	150,777
1,726	Other payments for investing activities	0
-6,412	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-3,984
-65,446	Capital grants	-61,855
-202,582	Proceeds from short term and long term investments	-92,111
32,875	**Net cash flows from investing activities**	**78,350**

c) Financing Activities

2011-12 £000		2012-13 £000
-6,200	Cash receipts of short and long term borrowing	-19,300
-10,776	Other receipts from financing activities	0
9,895	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	9,448
6,200	Repayments of short and long term borrowing	19,300
370	Other payments for financing activities	4,177
-511	**Net cash flows from financing activities**	**13,625**

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

2011-12 Restated £000	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow	2012-13 £000
150,537	**Net deficit / surplus (-) for year on the Comprehensive Income and Expenditure Account (I & E)**	**-13,444**
	Add back non cash I & E items:	
-141,167	Depreciation & impairment, revaluation gains and losses, market value movements, and amortisation (see Note 1)	-73,074
-26,375	IAS19 Pension adjustments	-10,504
-39,542	Hanson Private Finance Initiative treated as REFCUS	0
	Items on accruals basis:	
364	Decrease (-) / Increase in stocks	-502
-14,737	Decrease (-) / increase in amounts due to Council (debtors)	-2,638
20,819	Decrease / increase (-) in amounts due from Council (creditors)	-4,062
-55,108	Carrying amount of disposals	-28,225
-2,468	Movement provisions	8,947
464	Net movement on Employee Benefit accrual	-812
-257,750	Removal of non-cash items included in Deficit/Surplus on Provision of services	*-110,870*
	Removal of interest received and paid already included in Surplus/Deficit so that this can be shown separately:	
-44,136	Interest paid	-44,241
4,033	Interest received	1,420
595	Dividends received	802
-39,508	Interest received and paid	*-42,019*
-297,258	**Adjustments to surplus or deficit for non-cash movements (Per Cash Flow Statement)**	**-152,889**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
69,275	Capital Grants credited to surplus or deficit on the provision of services	65,503
6,412	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,927
75,687	**Sub-total items for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	**69,430**
39,508	**Interest and dividends received & paid shown separately (see above)**	**42,019**
-31,526	**Operating activities - net cash flow**	**-54,884**

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 2013 is as follows:

Service Income and Expenditure 2012-13	Children's Services £000	Environment & Sports £000	Public Health £000	Adults and Community £000	Regeneration & Culture £000	Central, Corporate & Non Service £000	Total £000
Fees, charges & other service income	-39,994	-36,106	-178	-30,876	-57,183	-11,786	-176,123
Government grants & contributions	-511,073	-2,548	-124	-21,032	-4,959	-221,944	-761,680
Total Income	**-551,067**	**-38,654**	**-302**	**-51,908**	**-62,142**	**-233,730**	**-937,803**
Employee Expenses	395,668	38,685	0	32,185	46,709	50,480	563,727
Other service expenses	195,588	45,388	49	150,886	54,469	244,409	690,789
Capital Charges	37,336	2,972	0	4,669	28,377	2,238	75,592
Support services recharges	0	0	0	0	0	0	0
Total Expenditure	**628,592**	**87,045**	**49**	**187,740**	**129,555**	**297,127**	**1,330,108**
Net Expenditure	**77,525**	**48,391**	**-253**	**135,832**	**67,413**	**63,397**	**392,305**

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 Restated	Environment & Sports	Adults and Community	Regeneration & Culture	Central, Corporate & Non Service	Total Restated
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-38,676	-36,118	-43,889	-58,329	-18,259	-195,271
Government grants and contributions	-516,109	-1,396	-4,331	-10,854	-213,470	-746,160
Total Income	**-554,785**	**-37,514**	**-48,220**	**-69,183**	**-231,729**	**-941,431**
Employee Expenses	402,658	40,338	41,861	54,144	44,273	583,274
Other service expenses	258,131	46,146	147,119	59,078	234,178	744,652
Capital Charges	100,420	4,786	565	21,550	2,623	129,944
Support services recharges	0	0	0	0	0	0
Total Expenditure	**761,209**	**91,270**	**189,545**	**134,772**	**281,074**	**1,457,870**
Net Expenditure	**206,424**	**53,756**	**141,325**	**65,589**	**49,345**	**516,439**

Reconciliation of Service Income and Expenditure to Costs of Services in the Comprehensive Income and Expenditure Statement for 2012-13

The Net Cost of Services total of £392.748m is different to the Net Cost of Services of £456.094m included in the Comprehensive Income and Expenditure Statement in the Statement of Accounts. The differences, totalling £63.346m, are explained in the reconciliation statement below.

	2011-12 Restated	2012-13
	£000	£000
Net expenditure included in Service Analysis	**516,439**	**392,305**
Adjustments to Reconcile to pre IFRS Income and Expenditure Account :		
Add West Yorkshire Integrated Transport Authority (WYITA) levy	22,573	22,592
Pension deficit on acquisition of Education Bradford	26,052	0
NHS support for Social Care	-6,235	-6,003
Changing Our Council	1,116	0
Capital Charge Adjustment	0	0
Amounts in the Comprehensive income and Expenditure Statement not reported to management in the analysis	**43,506**	**16,589**
Exclude grants included in services for budget reporting, but excluded from the Statement of Accounts as included under Taxation and Non-Specific Grant Income	42,865	44,359
Trading Services deficit	-1,135	-1,964
Interest Received	4,437	2,543
Exclude income and expenditure in relation to changes in fair value of investment properties	2,079	1,819
Revaluation & impairment loss on Assets Held for Sale	-916	0
Cost of disposals	-19	0
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**47,311**	**46,757**
Cost of Services in the Comprehensive income and Expenditure Statement	**607,256**	**455,651**

2012/13 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 (CIES).

	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	-150,492	-9,772	0	18,939	19,777	-121,548	0	-121,548
Interest and investment income	-2,543	0	0	2,543	0	0	-2,583	-2,583
Council Tax income	0	0	0	0	0	0	-164,206	-164,206
Government grants & contributions	-764,693	-298	-6,003	44,711	298	-725,985	-373,988	-1,099,973
Total Income	**-917,728**	**-10,070**	**-6,003**	**66,193**	**20,075**	**-847,533**	**-540,777**	**-1,388,310**
Employee expense	522,210	31,512	0	-10,959	0	542,763	0	542,763
Other service expenses	653,915	36,874	0	-6,312	0	684,477	0	684,477
Support Service recharges	0	-61,410	0	-2,099	41,335	-22,174	0	-22,174
Depreciation, amortisation and impairment	72,498	3,094	0	-66	0	75,526	0	75,526
Interest payments	0	0	0	0	0	0	44,352	44,352
Net Pension Interest Cost	0	0	0	0	0	0	5,641	5,641
Precepts & levies	0	0	22,592	0	0	22,592	887	23,479
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	19	19
Gain or loss on trading accounts	0	0	0	0	0	0	1,964	1,964
Gain or loss on investment properties	0	0	0	0	0	0	-6,154	-6,154
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	24,973	24,973
Impairment loss on assets held for sale	0	0	0	0	0	0	0	0
Total Expenditure	**1,248,623**	**10,070**	**22,592**	**-19,436**	**41,335**	**1,303,184**	**71,682**	**1,374,866**
Surplus or deficit on the provision of services	**330,895**	**0**	**16,589**	**46,757**	**61,410**	**455,651**	**-469,095**	**-13,444**

2011-12 Comparative Figures

	Service Analysis (excluding support services) Restated	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 Restated	Corporate Amounts Restated	Total Restated
	£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	-750,472	-1,103	-6,235	43,151	0	-714,659	-387,702	-1,102,361
Total Income	**-919,650**	**-21,781**	**-6,235**	**66,725**	**0**	**-880,941**	**-555,446**	**-1,436,387**
Employee expense	549,604	33,670	27,125	-10,966	0	599,433	0	599,433
Other service expenses	709,903	34,749	43	-7,473	0	737,222	0	737,222
Support Service recharges	0	-52,224	0	0	52,224	0	0	0
Depreciation, amortisation and impairment	124,358	5,586	0	-59	0	129,885	0	129,885
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	47,515	47,515
Impairment loss on assets held for sale	0	0	0	-916	0	-916	916	0
Total Expenditure	**1,383,865**	**21,781**	**49,741**	**-19,414**	**52,224**	**1,488,197**	**98,727**	**1,586,924**
Surplus or deficit on the provision of services	**464,532**	**0**	**43,506**	**47,311**	**52,224**	**607,256**	**-456,719**	**150,537**

Note 21. Acquired and Discontinued Operations

There were no acquired or discontinued operations in 2012-13. 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.

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 2012-13:

Trading Services Surplus (-) / Deficit

2011-12 Surplus (-) /Deficit £000		2012-13 Turnover £000	2012-13 Surplus (-) /Deficit £000
-1,919	School & welfare catering	13,485	1,060
819	Non-Bradford school catering	1,028	-43
270	Other catering	746	272
1,965	Building cleaning	1,365	675
1,135	**Total**	**16,624**	**1,964**

Trading Services Included in Net Cost of Services

2011-12 Surplus (-) /Deficit £000		2012-13 Turnover £000	2012-13 Surplus (-) /Deficit £000
-212	Markets	-2,832	5,086
-930	Car parks	-3,960	-2,611
252	Trade refuse	-2,851	135
-890	**Total**	**-9,643**	**2,610**

The services have been shown in the Comprehensive Income and Expenditure Statement in accordance with SeRCOP. Those in the first table have been included 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.

Note 23. Agency Services

The Council did not undertake any such work in 2012-13 or 2011-12.

Note 24. Road Charging Schemes

The Council did not undertake or operate any road charging schemes in 2012-13 or 2011-12.

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.

	2011-12 £000	2012-13 £000
Funding provided		
Council	1,147	1,147
PCT	1,147	1,147
	2,294	**2,294**
Expenditure	2,379	2,483
Net overspend	**85**	**189**
Council share of the net overspend arising on the pooled budget	85	189

In 2012-13 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 2012-13 were £136.257m (£170.101m in 2011-12). The cost of services delivered on behalf of the Council was £2.036m and a further £1.469m recharges were paid for services (£24.380m in 2011-12, plus a further £6.2m recharges were paid for services).

Note 26. Termination Benefits

In 2012-13 the Council incurred voluntary and compulsory redundancy costs of £0.334m (£6.865m in 2011-12) together with £1.483m (£2.841m in 2011-12) for early retirement pension costs. The costs relate to the Council's plans to reduce its expenditure to help to offset the impact of significant Government grant reductions.

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 2012-13, the Council paid £23.684m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011-12 were £23.766m 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

Changes to IAS 19 Accounting Standard (IAS 19R)

The IASB has issued a revised IAS 19 (IAS 19R) accounting standard that came into force for financial periods beginning on or after 1 January 2013. The revised accounting standard will affect the accounting treatment of defined benefit pension schemes and will be effective for accounting periods beginning on or after 1 January 2013 and, therefore, the first financial year to which it will apply is 2013-14.

The principal changes are as follows:

- The expected return on assets is calculated at the discount rate, instead of as currently at an expected return based on actual assets held in the Fund.
- The interest on the service cost is included in the service cost itself.
- Administration expenses continue to be charged through the Comprehensive Income and Expenditure Statement.

The above changes are likely to lead to higher charges to the Surplus or Deficit on the Provision of Services in future years. The impact of the revised accounting standard had it been applied in 2012-13 is shown in the second table in the section headed "Transactions Relating to post-employment Benefits", below. If the revised accounting standard were adopted for the accounting period ending 31 March 2013, then this will increase the expenses recognised for funded benefits for 2012-13 from £48.690m to £79.916m. There is no effect on the Balance Sheet.

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 payment 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 2012-13 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:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits		Total	
	2011-12 £000 Restated	2012-13 £000	2011-12 £000 Restated	2012-13 £000	2011-12 £000 Restated	2012-13 £000	2011-12 £000 Restated	2012-13 £000
Comprehensive Income and Expenditure Statement								
Cost of Services:								
• Current service cost	43,977	47,761	0	0	0	0	43,977	47,761
• Past service cost / gain (-)	5,236	1,461	0	0	0	0	5,236	1,461
• Settlements and curtailments	0	0	0	0	0	0	0	0
• Entity combinations	26,052	0	0	0	0	0	26,052	0
Financing and Investment Income and Expenditure								
• Interest cost	91,454	92,553	2,600	2,306	4,333	3,867	98,387	98,726
• Expected return on scheme assets	-98,118	-93,085	0	0	0	0	-98,118	-93,085
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**68,601**	**48,690**	**2,600**	**2,306**	**4,333**	**3,867**	**75,534**	**54,863**
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement								
• Actuarial gains (-) and losses	223,396	28,605	3,841	3,313	6,722	5,962	233,959	37,880
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**291,997**	**77,295**	**6,441**	**5,619**	**11,055**	**9,829**	**309,493**	**92,743**
Movement in Reserves Statement								
• 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	-68,601	-48,690	-2,600	-2,306	-4,333	-3,867	-75,534	-54,863
Actual amount charged against the General Fund balance for pensions in the year:								
• Employers' contributions payable to the scheme	**39,957**	**34,846**	**0**	**0**	**0**	**0**	**39,957**	**34,846**
• Retirement benefits payable to pensioners	**0**	**0**	**3,554**	**3,620**	**5,647**	**5,893**	**9,201**	**9,513**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £559.294m.

The following transactions are the transactions for the year ending 31 March 2013 based on the requirements of the revised IAS 19 (IAS 19R) accounting standard, which will come into force for financial periods beginning on or after 1 January 2013. These figures will form the prior year comparator figures in next year's Statement of Accounts

	2012-13 **Local Government Pension Scheme** **£000**
Comprehensive Income and Expenditure Statement	
Cost of Services:	
• Current service cost*	50,095
• Past service cost / gain (-)	1,461
• Settlements and curtailments	0
• Net interest on the net defined benefit liability/asset (-)	28,360
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**79,916**
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
• Actuarial gains (-) and losses	-2,621
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**77,295**
Movement in Reserves Statement	
• 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	-79,916
Actual amount charged against the General Fund balance for pensions in the year:	
• Employers' contributions payable to the scheme	**34,846**
• Retirement benefits payable to pensioners	**0**

* The current service cost includes an allowance for the administration expenses of £0.878m.

Assets and Liabilities in Relation to Post-Employment Benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Local Government Pension Scheme Discretionary Benefits		Unfunded liabilities: Teachers Voluntary Early Retirement Discretionary Benefits		Total	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	**1,629,222**	**1,965,887**	**49,025**	**51,912**	**81,573**	**86,981**	**1,759,820**	**2,104,780**
Current service cost	43,977	47,761	0	0	0	0	43,977	47,761
Interest cost	91,454	92,553	2,600	2,306	4,333	3,867	98,387	98,726
Contributions by scheme participants	14,992	14,046	0	0	0	0	14,992	14,046
Actuarial gains (-) and losses	148,501	121,351	3,841	3,313	6,722	5,962	159,064	130,626
Benefits paid	-65,373	-56,524	-3,554	-3,620	-5,647	-5893	-74,574	-66,037
Past service costs	5,236	1,461	0	0	0	0	5,236	1,461
Entity Combinations	97,878	0	0	0	0	0	97,878	0
Closing balance at 31 March	**1,965,887**	**2,186,535**	**51,912**	**53,911**	**86,981**	**90,917**	**2,104,780**	**2,331,363**

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

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits		Total	
	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	**1,254,649**	**1,339,274**	**0**	**0**	**0**	**0**	**1,254,649**	**1,339,274**
Expected rate of return	98,118	93,085	0	0	0	0	98,118	93,085
Actuarial gain and losses (-)	-74,895	92,746	0	0	0	0	-74,895	92,746
Employer contributions	39,957	34,846	3,554	3,620	5,647	5,893	49,158	44,359
Contributions made by scheme participants	14,992	14,046	0	0	0	0	14,992	14,046
Benefits paid	-65,373	-56,524	-3,554	-3,620	-5,647	-5,893	-74,574	-66,037
Entity Combinations	71,826	0	0	0	0	0	71,826	0
Closing balance at 31 March	**1,339,274**	**1,517,473**	**0**	**0**	**0**	**0**	**1,339,274**	**1,517,473**

Net Asset and Liabilities, per tables above

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits		Total	
	2011-12 Restated	2012-13	2011-12 Restated	2012-13	2011-12 Restated	2012-13	2011-12 Restated	2012-13
	£000	£000	£000	£000	£000	£000	£000	£000 Per Balance sheet
Net liability - Closing balance at 31 March	626,613	669,062	51,912	53,911	86,981	90,917	765,506	813,890

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 £185.831m (2011-12: £23.223m). The increase in the fair value of scheme assets from £1.339bn at 31 March 2012 to £1.517bn at 31 March 2013 is a 13.3% increase.

Based on the requirements of the revised IAS 19 accounting standard, which will come into force for financial periods beginning on or after 1 January 2013, the actual return on scheme assets for the year ending 31 March 2013 was £186.709m.

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

The IASB has issued a revised IAS 19 (IAS 19R) accounting standard that will come into force for financial periods beginning on or after 1 January 2013. The main change that the revised accounting standard will implement is a change to the “expected return on asset” component of pension cost. The change effectively means that the expected return on assets is calculated at the discount rate, instead of, as currently, at an expected rate of return based on actual plan assets held. Consequently, the long-term expected rate of return on assets at 31 March 2013 is not strictly required because the Surplus or Deficit on the Provision of Services in future periods will include a single financing item, rather than separate “interest cost” and “expected return on assets” items, and the “expected return on assets” component of the financing item will be effectively calculated using the discount rate assumption.

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:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013
Long-term expected rate of return on assets	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Equity investments	8.1	7.8	-	-	-	-
Government bonds	3.1	2.8	-	-	-	-
Other bonds	3.7	3.8	-	-	-	-
Property	7.6	7.3	-	-	-	-
Cash	1.8	0.9	-	-	-	-
Other	8.1	7.8	-	-	-	-
Mortality Assumptions	years	years	years	years	years	years
Longevity at 65 for current pensioners (aged 65 at accounting date):						
Men	22.0	22.1	22.0	22.1	22.0	22.1
Women	24.1	24.3	24.1	24.3	24.1	24.3
Longevity at 65 for future pensioners (aged 45 at accounting date):						
Men	23.8	23.9	-	-	-	-
Women	26.1	26.2	-	-	-	-
Commutation i.e. take-up of option to convert annual pension into retirement lump sum	Each member was assumed to exchange 50% of the maximum amount permitted of their pre-1 April 2010 pension entitlements, for additional lump sum. Each member was assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.	Each member was assumed to exchange 50% of the maximum amount permitted of their pre-1 April 2010 pension entitlements, for additional lump sum. Each member was assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.	-	-	-	-
Financial assumptions	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Rate of RPI inflation	3.5	3.6	3.4	3.5	3.4	3.5
Rate of CPI Inflation	2.5	2.7	2.4	2.6	2.4	2.6
Rate of increase in salaries	5.0	4.6	-	-	-	-
Rate of increase in pensions	2.5	2.7	2.4	2.6	2.4	2.6
Discount rate	4.7	4.4	4.6	4.1	4.6	4.1

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 their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Asset Category	**31 March 2012**	**31 March 2012**	**31 March 2013**	**31 March 2013**
	£m	**%**	**£m**	**%**
Equity investments	952	71.1	1,100	72.5
Government bonds	169	12.6	181	11.9
Other bonds	72	5.4	86	5.7
Property	48	3.6	47	3.1
Cash	38	2.8	55	3.6
Other assets	60	4.5	48	3.2
Total	**1,339**	**100**	**1,517**	**100**

Scheme History

	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
	£m	**£m**	**£m**	**£m**	**£m**
Present value of liabilities:					
Local Government Pension Scheme	-1,120	-1,824	-1,629	-1,966	-2,186
Local Government Pension Scheme Discretionary Benefits	-45	-57	-49	-52	-54
Teachers Voluntary Early Retirement Discretionary Benefits	-72	-86	-82	-87	-91
Fair value of assets in the Local Government Pension Scheme	860	1,143	1,255	1,339	1,517
Total	**-377**	**-824**	**-505**	**-766**	**-814**
Surplus/deficit (-) in the scheme:					
Local Government Pension Scheme	-260	-681	-374	-627	-669
Local Government Pension Scheme Discretionary Benefits	-45	-57	-49	-52	-54
Teachers Voluntary Early Retirement Discretionary Benefits	-72	-86	-82	-87	-91
Total	**-377**	**-824**	**-505**	**-766**	**-814**

A summary of the underlying assets and liabilities for both the Local Government Pension Scheme and Discretionary 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 £814m at 31 March 2013 (£766m at 31 March 2012).

The Council is also responsible for the costs of any compensatory added years benefits granted to members of staff, including 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 discretionary benefits 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 £814m at 31 March 2013 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 2014 are £34.431m. Expected contributions for the Local Government Pension Scheme Discretionary Benefits scheme and the Teachers Voluntary Early Retirement Discretionary Benefits scheme in the year to 31 March 2014 are £3.7m and £6.037m, respectively.

History of Experience Gains and Losses

The net increase in the total liability of £48.384m includes £37.880m 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 2012-13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008-09		2009-10		2010-11		2011-12		2012-13	
	£000	%	£000	%	£000	%	£000	%	£000	%
Local Government Pension Scheme										
Difference between the expected and actual return on assets	-264,607	-30.8	229,019	20.0	27,217	2.2	-74,895	-5.6	92,746	6.1
Experience gains and losses (-) on liabilities	0	0	13,621	0.7	13,279	0.8	-12,298	-0.6	2,251	0.1
Gains and losses (-) on liabilities due to changes in assumptions	285,768	25.2	-643,585	-35.3	103,495	6.4	-136,203	-6.9	-123,602	-5.7
Total	**21,161**		**-400,945**		**143,991**		**-223,396**		**-28,605**	
Local Government Pension Scheme Discretionary Benefits										
Experience gains and losses (-) on liabilities	0	0	1,433	2.5	-147	-0.3	-1,170	-2.3	99	0.2
Gains and losses (-) on liabilities due to changes in assumptions	7,754	17.1	-13,295	-23.4	1,933	3.9	-2,671	-5.1	-3,412	-6.3
Total	**7,754**		**-11,862**		**1,786**		**-3,841**		**-3,313**	
Teacher's Voluntary Early Retirement Discretionary Benefits										
Experience gains and losses (-) on liabilities	0	0	2,264	2.6	-9,148	-11.2	-1,954	-2.2	166	0.2
Gains and losses (-) on liabilities due to changes in assumptions	11,193	15.6	-17,694	-20.4	4,153	5.1	-4,768	-5.5	-6,128	-6.7
Total	**11,193**		**-15,430**		**-4,995**		**-6,722**		**-5,962**	
Total Gain / Loss (-)	**40,108**		**-428,237**		**140,782**		**-233,959**		**-37,880**	

Note 29. Members' Allowances

The total cost to the Council in respect of Members' allowances in 2012-13 was £2,020,263 and £18,340 expenses (£2,081,568 and £24,444 expenses in 2011-12).

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 2011-12	Employees Emoluments	Number of Employees 2012-13
141	£50,000 - £54,999	140
143	£55,000 - £59,999	127
70	£60,000 - £64,999	76
37	£65,000 - £69,999	51
27	£70,000 - £74,999	25
18	£75,000 - £79,999	22
21	£80,000 - £84,999	16
9	£85,000 - £89,999	8
11	£90,000 - £94,999	7
5	£95,000 - £99,999	5
2	£100,000 - £104,999	0
1	£105,000 - £109,999	2
2	£110,000 - £114,999	4
2	£115,000 - £119,999	4
4	£120,000 - £124,999	0
1	£125,000 - £129,999	0
1	£130,000 - £134,999	0
1	£135,000 - £139,999	1
2	£140,000 - £144,999	0
0	£145,000 - £149,999	0
0	£175,000 – £179,999	0
1	£195,000 - £199,999	0
0	£200,000 - £204,999	0
0	£205,000 – £209,999	1
499	Total	489

The above figures include 382 teachers (420 2011-12)

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.

2012-13 Senior Officers with a salary less than £150k per annum (excluding Employer Pension contributions)

Post Title	Note	Salary including fees & Allowances 2012-13	Expense Allowances 2012-13	Comp'n for loss of Office 2012-13	Benefits in kind 2012-13	Total Remuneration excluding pension contributions 2012-13	Pension contributions 2012-13	Total remuneration including pension contributions 2012-13
		£	£	£	£	£	£	£
Strategic Director – Business Support		117,406	1,239	0	0	118,645	17,323	135,968
Strategic Director – Children's services		138,480	767	0	0	139,247	20,472	159,719
Interim Strategic Director Adult & Community Services	E	109,657	0	0	0	109,657	16,263	125,920
Strategic Director - Regeneration and Culture		119,997	1,239	0	0	121,236	17,637	138,873
Strategic Director - Environment & Sport		117,344	1,239	0	0	118,583	17,323	135,906
Strategic Director Council Change Programme	F	20,097	206	0	0	20,303	2,940	23,243
City Solicitor	B	108,404	1,239	0	0	109,643	16,090	125,733
Director of Finance	C	111,920	1,239	0	0	113,159	16,500	129,659
Director - West Yorkshire Pension Fund		93,976	1,239	0	0	95,215	13,910	109,125

2011-12 Senior Officers with a salary less than £150k per annum (excluding Employer Pension contributions)

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	0	137,221	20,283	157,504
Strategic Director - Adult and Community Services	D	120,583	1,239	0	0	121,822	17,637	139,459
Interim Strategic Director Adult & Community Services	E	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	F	139,126	1,239	0	0	140,365	20,419	160,784
City Solicitor	B	104,651	1,239	0	0	105,890	15,421	121,311
Director of Finance	C	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

Senior Officers' Remuneration

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

2012-13 Senior Officers with salary more than £150k per annum (excluding Employer Pension contributions)

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
		2012-13	**2012-13**	**2012-13**	**2012-13**	**2012-13**	**2012-13**	**2012-13**
		£	£	£	£	£	£	£
Chief Executive - Tony Reeves	B	204,948	1,239	0	0	206,187	30,555	236,742

2011-12 Senior Officers with salary more than £150k per annum (excluding Employer Pension contributions)

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	B	197,104	1,239	0	0	198,343	29,116	227,459

Notes:

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

Annualised Salary for 2012-13

Chief Executive – Tony Reeves - £178,476
Director of Finance - £110,000
Strategic Director Business Support - £115,486
Strategic Director Children's Services - £136,480
Interim Strategic Director Adult and Community Services - £85,039
Strategic Director Regeneration and Culture – £117,583
Strategic Director Environment and Sport – £115,486
Strategic Director Council Change Programme – 117,583
City Solicitor – £94,488
Director West Yorkshire Pension Fund – £92,736

Annualised Salary for 2011-12

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

B. The following amounts were paid in 2012-13 for election duties and are included in salaries.
Chief Executive – Tony Reeves- £25,222 (£15,628 2011-12)
City Solicitor - £12,776 (£8,322 2011-12)

C. The Director of Finance started on 3 October 2011. This was a new role. It includes the role of Section 151 officer previously performed by the Strategic Director Council Change Programme.

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

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

F. The Strategic Director Council Change Programme left on 1 June 2012.

G. The Salary including Fees and Allowances shown in the tables above, includes a transport allowance, which ended in November 2012 and is no longer payable.

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 2011-12	**Cost to Council 2011-12**	**Cost Bandings**	**Number of Exit Packages 2012-13**	**Cost to Council 2012-13**
	£			**£**
38	345,578	£0 - £19,999	17	122,590
6	161,419	£20,000 - £39,999	1	26,784
2	107,580	£40,000 - £59,999	0	0
4	284,718	£60,000 - £79,999	1	60,400
1	96,159	£80,000 - £99,999	0	0
1	131,869	£100,000 - £149,999	0	0
0	0	£150,000 - £199,000	0	0
52	**1,127,323**	**Total**	**19**	**209,775**

Other Departures				
Number of Exit Packages 2011-12	**Cost to Council 2011-12**	**Cost Bandings**	**Number of Exit Packages 2012-13**	**Cost to Council 2012-13**
	£			**£**
368	2,118,052	£0 - £19,999	191	1,273,607
55	1,577,642	£20,000 - £39,999	33	948,644
14	674,969	£40,000 - £59,999	9	436,317
7	469,195	£60,000 - £79,999	8	556,905
5	441,601	£80,000 - £99,999	1	90,931
1	106,755	£100,000 - £149,999	1	106,414
0	0	£150,000 - £199,000	0	0
450	**5,388,214**	**Total**	**243**	**3,412,818**

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 2012-13 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 2012-13 is £33.278m (2011-12 £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 £11.804m in 2012-13 (£7.009m in 2011-12) 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 £24.299m in 2012-13 is made up of £28.225m from the de-recognition of assets and £3.926m in capital receipts. There is a significant loss on disposal in 2012-13 largely because of the eight schools that were de-recognised from assets when they converted to Academies. The Council does not receive capital receipts when schools convert to academies.

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 2012	Finance Leases as Lessee	31 March 2013
£000		£000
73	Other land and Buildings	169
1,204	Vehicles, Plant, Furniture and Equipment	826
1,277	**Total**	**995**

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 2012	**Finance Lease liabilities** (net present value of minimum lease payments)	31 March 2013
£000		£000
486	Current	255
672	Non-current	617
310	Finance costs payable in future years	251
1,468	**Total Minimum Lease Payments**	**1,123**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than one year	577	331	486	255
Later than one year and not later than five years	711	676	533	521
Later than five years	180	116	139	96
	1,468	**1,123**	**1,158**	**872**

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 2013 the forecast rental income for 2013-14 is £39,000.

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 2012-13 was £2.6m (£2.7m 2011-12).

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

31 March 2012 £000		31 March 2013 £000
2,326	Not later than one year	2,110
5,080	Later than one year and not later than five years	4,481
5,876	Later than five years	4,884
13,282	**Total**	**11,475**

Council as Lessor

Finance Leases

The Council has leased out two properties respectively for 999 and 125 years. The Academy school buildings that are on a 125 year lease are 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 2012 £000	Finance lease debtor (net present value of minimum lease payments)	31 March 2013 £000
14	Current	1
303	Non-current	225
2,770	Unearned finance income	2,749
0	Unguaranteed residual value of property	0
3,087	**Gross Investment in the Lease**	**2,975**

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 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than one year	51	38	51	38
Later than one year and not later than five years	203	154	203	154
Later than five years	2,833	2,783	2,833	2,783
	3,087	**2,975**	**3,087**	**2,975**

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 2012 £000		31 March 2013 £000
2,625	Not later than one year	2,354
6,864	Later than one year and not later than five years	5,785
78,355	Later than five years	65,075
87,844	**Total**	**73,214**

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 2012-13 £0.775m contingent rents were receivable by the Council (2011-12 £0.667m).

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.

2011-12 £000	BSF Private Financing Initiative	2012-13 £000
	Charges to Net Cost of Services	
3,395	Unitary Payments to the Contractor for services provided	4,054
3,395	**Total charges to the revenue account**	**4,054**
	Net Operating Expenditure	
6,082	Interest element of finance lease payments	5,799
	Movement in Reserves Statement	
2,036	Capital element of finance lease	2,127
11,513	**Total PFI charges**	**11,980**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
3,549	Education	4,168
12,554	**Total Financing**	**13,173**
1,041	**Transfer to BSF PFI Reserve**	**1,193**

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. The figures used to calculate PFI balances include indexation. Estimated cash payments remaining to be made under the PFI contract at 31 March 2013 are as follows:

Year	Unitary Charge £000	Principal £000	Interest £000	Service charge and life cycle costs £000
Within 1 yr	12,310	2,245	6,503	3,562
2-5	50,611	9,949	24,711	15,951
6-10	66,614	14,034	26,245	26,335
11-15	70,891	19,613	20,714	30,564
16-20	75,517	28,000	13,303	34,214
21-25	5,722	3,095	239	2,388
Total	**281,665**	**76,936**	**91,715**	**113,014**

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:

2011-12 £000	Analysis of Outstanding Liability for BSF Phase 1	2012-13 £000
81,099	**Balance outstanding at 31 March**	**79,063**
-2,036	Payments during the year	-2,127
79,063	**Balance outstanding at year end**	**76,936**

The closing value of assets held under the scheme at 31 March 2013 was £29.963m (£30.371m at 31 March 2012) in respect of the BSF Phase 1 scheme.

The liabilities (i.e the total principal repayments due over the life of the scheme) due on these assets at 31 March 2013 were £76.936m (£79.063m at 31 March 2012). The decrease of £2.127m is due to payments during the year.

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.

2011-12 £000	BSF Private Financing Initiative	2012-13 £000
	Charges to the Revenue Account	
7,995	Unitary Payments to the Contractor for services provided	8,487
7,995	**Total charges to the revenue account**	**8,487**
	Net Operating Expenditure	
10,231	Interest element of finance lease payments	10,604
	Statement of Movement on the General Fund Balance	
5,337	Capital element of finance lease	6,549
23,563	**Total PFI charges**	**25,640**
	Financed By	
17,540	Government PFI Revenue Grant	18,296
6,919	Education	7,762
24,459	**Total Financing**	**26,058**
896	**Transfer to BSF PFI Reserve**	**418**

The assets that were handed over to the Council before 31 March 2013 have been recognised on the Balance Sheet as an addition to Property, Plant and Equipment.

The figures used to calculate PFI balances include indexation. Estimated cash payments remaining to be made under the PFI contract at 31 March are as follows:

Year	Unitary Charge £000	Principal £000	Interest £000	Service charge and life cycle costs £000
Within 1 yr	25,386	6,613	11,451	7,322
2-5	104,150	25,155	45,142	33,853
6-10	136,546	27,734	53,822	54,990
11-15	144,475	29,026	51,464	63,985
16-20	153,450	31,331	46,665	75,454
21-25	95,408	20,054	24,874	50,480
Total	**659,415**	**139,913**	**233,418**	**286,084**

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

2011-12 £000	Analysis of Outstanding Liability for BSF Phase 2	2012-13 £000
63,500	**Balance outstanding at 31 March**	**146,715**
-7,061	Payments during the year	-6,802
90,276	Capital Expenditure incurred in the year	0
146,715	**Balance outstanding at year end**	**139,913**

The closing value of assets held under the scheme at 31 March 2013 was £82.755m (£84.152m £2011-12) 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 2013 were £139.9m (£146.715m 31 March 2012).

Note 34. Capital Expenditure and Financing

The Capital Financing Requirement is shown below:

2011-12 £000		2012-13 £000
	Capital Expenditure and Capital Financing Requirement	
605,976	**Opening Capital Financing Requirement**	704,191
	Capital investment	
158,881	Property, Plant and Equipment	88,162
359	Investment properties	181
373	Intangible Assets	81
63,364	Revenue Expenditure funded from Capital under statute	8,455
	Sources of Finance	
-6,199	Capital Receipts Applied	-3,687
-81,677	Government grants and other contributions	-62,804
-7,008	Sums set aside from revenue	-11,804
-8,372	Repayment of Principal on PFI and Other Finance Leases	-9,194
-21,460	MRP/loans fund principal	-24,083
-9	Miscellaneous other	0
-37	Payments of Principal on Long-Term Debtors	-179
704,191	**Closing Capital Financing Requirement**	**689,319**
	Explanation of movements in year	
0	Increase in underlying need to borrow (supported by government financial assistance)	0
7,578	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	-15,107
361	Assets acquired under finance leases	235
50,734	Assets acquired under PFI contracts	0
39,542	Hanson REFCUS expenditure under PFI contract	0
98,215	**Increase/ (decrease) in Capital Financing Requirement**	**-14,872**

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 £8.455m (£63.364m in 2011-12). Grants of £5.497m received in year (£8.663m in 2011-12) and £2.893m transferred from the Capital Grants Unapplied reserve were used to fund the REFCUS charges (£8.277m in 2011-12).

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Note 36. Other Long Term Liabilities

The total deferred liabilities at 31 March 2013 are £1,027.713m compared to a restated total of £988.672m at 31 March 2012. The main liability is in respect of the actuarially calculated pension liability which is £48.384m higher at 31 March 2013 when compared to 31 March 2012.

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 2013 was £216.8m (£225.8m at 31 March 2012), of which £207.9m is a deferred liability and £8.9m a creditor in respect of the 2012-13 principal repayment.

b) former West Yorkshire Waste Management Joint Committee debt. This is managed on the Council's behalf by Wakefield Metropolitan District Council. The deferred liability outstanding at 31 March 2013 was £4.617m (£4.809m at 31 March 2012).

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.

2011-12 £000	Other Long Term Liabilities	2012-13 £000
765,506	Pension Liability	813,890
	BSF	
76,936	Phase 1	74,691
140,143	Phase 2	133,300
4,809	Waste Management Joint Committee Debt	4,617
1,278	Other	1,215
988,672		**1,027,713**

Note 37. Deferred Income

This is income due from Wakefield Metropolitan District Council in respect of the former West Yorkshire Waste Management arrangements. Under an agreement that started in 2000-01, the balance due is being repaid at £100,000 per annum over 15 years. The sum outstanding at 31 March 2013 was £200,544 (£300,996 at 31 March 2012).

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 16).

Members and Chief Officers

The register of Members' interests and any declarations have been examined. The Council Portfolio Holder for Change Programme, Housing, Planning and Transport is also the Council appointed chair of West Yorkshire Joint Services, Archives, Archaeology and Trading Standards Committee. The Council contributed £1.215m revenue funding towards West Yorkshire Joint Services in 2012-13

The register of Members' interests 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 2012-13 it charged the Fund £578k in respect of support services provided (£573k in 2011-12). The charge includes accommodation, financial, legal and information technology services.

Other Public Bodies

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

2011-12 £000	Other Public Bodies	2012-13 £000
	Payment of precepts & distribution of collection fund surplus:	
7,901	West Yorkshire Fire and Rescue Authority	7,815
19,675	West Yorkshire Police Authority	19,461
845	Parish Councils	887
26,459	Payments to joint committees, joint services and other bodies	24,028
25	Parish Councils (running expenses and allotment grants)	69

In addition, the Council received a £2m capital grant payment from the West Yorkshire Integrated Transport Authority.

Subsidiary and Associated Companies

The Council had financial relationships in 2012-13 with the following companies. Their assets and liabilities are not included in the Council's accounts. Transactions with the companies in 2012-13 were:

2011-12 £000	Subsidiary and Associated Companies	2012-13 £000
204	Building Schools for the Future Ltd Phase 2	204
89	Building Schools for the Future Ltd Phase 1	88
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

In 2012-13 the Council received a £0.1m interim dividend from our 10% investment in Integrated Bradford LEP.

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, the Bradford District Apprenticeship Training Ltd (8424557) was incorporated on 28 February 2013. However, as at 31 March 2013, there has been no activity.

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.

Jointly Controlled Operations

The Council has identified that it is involved in eight (eight in 2011-12) Jointly Controlled Operations, the most significant of which is West Yorkshire Joint Services Committee. In 2012-13 the Council included its contribution of £1.2m to the arrangement (£1.6m in 2011-12) 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:

2011-12 £000	External Audit Costs	2012-13 £000
377	General audit services	246
75	Certification of grant claims and returns	38
61	West Yorkshire Pension Fund	48
513	**Total**	**332**

The Council's external auditors were the Audit Commission up to October 2012. After this date, the Audit Commission was replaced by Mazars.

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 £442.578m DSG for the financial year 2012-13. New disclosure requirements require the Council to show the DSG before academy recoupment. The amount recouped from the Council's DSG is then paid directly by the Department for Education to academies. The allocation of this grant between the Individual Schools Budget and the Central Schools Budgets is shown in the table below:-

Dedicated Schools Grant	**2011-12** Total £000	**2011-12** Central Expenditure £000	**2011-12** Individual Schools Budget (ISB) £000	**2012-13** Total £000	**2012-13** Central Expenditure £000	**2012-13** Individual Schools Budget (ISB) £000
Final DSG before Academy Recoupment	434,696			442,578		
Academy Recoupment	-19,268			-35,542		
Total DSG after Academy Recoupment	**415,428**			**407,036**		
Plus DSG b/f from previous year	2,898			2,667		
Agreed Budget Distribution	**418,326**	**43,012**	**375,314**	**409,703**	**39,844**	**369,859**
Actual ISB deployed to schools	374,539	0	374,539	368,520	0	368,520
Actual Central Expenditure	41,120	41,120	0	37,141	37,141	0
Total Carry Forward	**2,667**	**1,892**	**775**	**4,042**	**2,703**	**1,339**

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. A contingent liability is needed for unexpected consequences of the equal pay legislation. (Please also see Provisions, Note 17, p45.)

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 £3.016m. (Please also see Provisions, Note 17, p45.)

Pension Fund Guarantee

The Council agreed, subject to limitations, to guarantee the pension fund deficit of the Bradford District Commissioning Care Groups at 31 March 2013, which is around £2m to £2.5m.

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. In addition, there could be additional costs on another separate existing contract, should the terms be modified or terminated, although the possibility of this is regarded as low.

Search Fees

An amount of £709,000 is set aside within provisions for refund of search fees. The City of Bradford Metropolitan District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present to cover refunds of search fees charged by the Council since January 2005. (Please also see Provisions, Note 17, p45.)

Contingent Assets

There are no contingent assets to disclose as at 31 March 2013.

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 2012-13:

	2011-12 £000	2012-13 £000
Credited to Net cost of Services		
Dedicated Schools Grant (DSG)	415,538	407,043
Rent Allowance Subsidy	166,761	176,111
Council Tax benefit and benefits administration	44,593	44,771
Education and schools	31,571	27,125
PFI Revenue Support	26,545	27,301
Pupil Premium	8,550	16,451
NHS Adult Social Care Contribution	6,235	6,003
REFCUS	8,663	5,497
Weekly Waste Collections	0	1,890
Drug Intervention Programme	1,813	1,824
Miscellaneous under £500k	879	1,392
European Union	2,238	1,334
Youth training	1,426	981
Contribution to cost of NDR collection	771	735
Health education	736	414
Asylum accommodation	332	299
Arts, Heritage & Leisure	1,064	247
Safer communities	124	87
Adoption Grant	0	86
Employment	2,059	0
Winter Maintenance	1,118	0
Social services carers	358	0
Early years	0	0
Local Area Agreement (LAA)	0	0
Personal social services	0	0
Total	**721,374**	**719,591**
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	64,665	4,875
Non Domestic Rates Redistribution	209,204	251,493
Academy Refund	0	3,079
Early Intervention Grant	29,680	31,100
Learning Disability & Health Reform	11,997	12,237
Local Services Support Grant	1,460	1,022
Council Tax Freeze Grant	4,074	4,080
New Homes Bonus Grant	2,761	3,910
Total	**323,841**	**311,796**

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:

	2011-12 £000	2012-13 £000
Capital Grants Receipts in Advance		
Developer's contributions	5,752	5,999
Total (See Balance Sheet p15)	**5,752**	**5,999**

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 37 and Intangible Assets

The Council has recognised an impairment loss of £5.766m on Property, Plant and Equipment in the Surplus or Deficit on the Provision of Services, and no impairment loss in 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 2012 £000	31 March 2013 £000	Restated 31 March 2012 £000	31 March 2013 £000
Investments				
Loans and receivables	0	0	150,954	175,864
Equity Investments	1	1	0	0
Available for sale financial assets	0	0	24,825	24,984
Total Investments	**1**	**1**	**175,779**	**200,848**
Debtors				
Loans and receivables	2,657	2,164	38	26
Financial assets carried at contract amounts	0	0	37,870	37,125
Total Debtors	**2,657**	**2,164**	**37,908**	**37,151**
Borrowings				
Financial liabilities at amortised cost	416,900	416,808	14,132	17,240
Total Borrowings	**416,900**	**416,808**	**14,132**	**17,240**
Other long term liabilities				
PFI and finance lease liabilities	217,751	208,608	9,186	9,113
Total other long term liabilities	**217,751**	**208,608**	**9,186**	**9,113**
Creditors				
Financial liabilities carried at contract amounts	0	0	34,405	41,202
Total creditors	0	0	**34,405**	**41,202**

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

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 (in long term assets/liabilities with accrued interest in current assets/liabilities). 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 Public Works Loan Board (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:

2011-12 Carrying amount £000	2011-12 Fair value £000	Fair value of liabilities carried at amortised cost at 31 March	2012-13 Carrying amount £000	2012-13 Fair value £000
368,447	454,194	PWLB Loans	368,445	463,991
43,038	40,665	LOBO's	43,149	40,720
6,762	6,762	Short term borrowing	6,901	6,901
7,170	7,170	Cash overdrawn	10,139	10,139
5,221	6,104	Other local authorities re joint services	5,011	5,930
394	394	Other	403	403
226,937	226,937	PFI and finance lease liabilities	217,721	217,721
34,405	34,405	Financial liabilities at contracted amounts	41,202	41,202
692,374	**776,631**	**Total Liabilities**	**692,971**	**787,007**

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.

2011-12 Carrying amount Restated £000	2011-12 Fair value Restated £000	Fair value of assets carried at amortised cost at 31 March	2012-13 Carrying amount £000	2012-13 Fair value £000
118,011	118,011	Investments - Cash in hand	83,888	83,888
32,943	33,045	Investments	91,976	92,171
1	1	Equity Investments -Integrated Bradford Local Education Partnership (LEP) Ltd	1	1
317	317	Finance leases	226	226
1,204	1,204	Car loans	869	869
403	532	Other local authorities re joint services	380	498
293	293	Building Schools for the Future Ltd	293	293
478	478	Other	422	422
37,870	37,870	Financial assets at contracted amounts	37,125	37,125
191,520	**191,751**	**Total Financial Assets**	**215,180**	**215,493**

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.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

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.

2011-12 £000	Recognised gains and losses	2012-13 £000
	Recognised in the Comprehensive Income and Expenditure Statement	
	Financial assets: Loans and receivables	
-4,475	Interest income	-2,583
-4,475	**Total income in surplus or deficit on the provision of services**	**-2,583**
	Financial Liabilities measured at amortised cost	
27,856	Interest payable	27,853
16,439	Interest Payable on PFI and Finance leases	16,499
	Recognised in Other Comprehensive Income and Expenditure	
44,295	**Total expense in surplus or deficit on the provision of services**	**44,352**

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 22nd May 2012 and is available on the website. Actual performance is also reported after each year.

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.

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. The four main UK Banks HSBC, Lloyds, Royal Bank of Scotland and Barclays and their subsidiaries: Maximum Investment with any one counter party - £60 million.
5. 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.
6. Any Bank or Building Society nationalised by the UK Government with a Fitch short term rating of F1 and support rating of 1: Maximum Investment with any one counter party – £20million.
7. Lower limit with any bank or building society with a moody rating of A2 or better, 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 2012/13 was approved by Full Council on 22 May 2012 and is available on the Council's website.

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). As at March 2013, the Council had a balance owing from its customers (mainly service and rent) of £37.1m (£37.8m 31 March 2012). The exposure to default has been assessed and is reflected in a bad debt (or impairment) provision of £7.6m.

A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2013 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.

31 March 2012 £000	Deposits with banks and other financial institutions	31 March 2013 £000
175,779	Amounts at 31 March	200,848
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

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds.

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 2012 £000	Total Borrowing	31 March 2013 £000
	Source of loan and interest rate range :	
368,447	Public Works Loan Board (3.7% to 10.25%)	368,445
43,038	Commercial Bank (3.2% to 4.5%)	43,149
411,485		**411,594**
	Analysis of loans:	
	Short Term Borrowing	
0	Maturing in less than 1year	**0**
	Long Term Borrowing	
105,449	Maturing in 2 - 5 years	115,449
43,942	Maturing in 5 - 10 years	49,454
54,688	Maturing in 10 - 15 years	55,660
207,406	Maturing in more than 15 years	191,031
411,485	**Total Long Term Borrowing**	**411,594**
411,485	**Total Borrowing**	**411,594**

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 Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services 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. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

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 2013 with all other variables held constant, the financial effect would be:

31 March 2012 £000	Effect of 1% increase in interest rates	31 March 2013 £000
0	Increase in interest payable on variable rate borrowings	0
-1,092	Increase in interest receivable on variable rate investments	-1,389
0	Increase in government grant receivable for financing costs	0
-1,092	**Impact on Surplus or Deficit on the Provision of Services**	**-1,389**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The Council does not have any borrowings at an variable rate.

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.

£74,000 (£76,000 at 31 March 2012) 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 2012	Analysis of Trust Funds and Custodial Money Balances	Expenditure 2012-13	Income 2012-13	Balance 31 March 2013
£		£	£	£
	Education charities:			
546,343	Charles Semon Educational Foundation	1,247	14,955	560,051
356,226	Bradford area	6,283	15,982	365,925
355,847	Keighley area	328	20,705	376,224
24,541	Housing charities	384	3,182	27,339
249,733	Charities for the Blind	0	7,022	256,755
1,532,690		**8,242**	**61,846**	**1,586,294**

For those Trust Funds where the Council acts as sole trustee and which at 31 March 2013 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 2012-13	Balance at 31 March 2013
		£	£
Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	13,708	560,051
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	19,800	367,458
Royd House Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	5,578	137,765
Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	2,349	68,844
Littlemoor Queensbury (519426)	Maintenance of Public Park & Recreation Ground for the benefit and use of Queensbury and the general public	1,750	54,739

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.

2011-12 £000	Collection Fund Statement	2012-13 £000	
	Income		
152,399	Due from Council Tax payers (excluding benefits)	153,551	*Note 1*
38,973	Due in respect of Council Tax benefits	39,370	
130,297	Due from business ratepayers	131,446	*Note 2*
321,669	**Total income**	**324,367**	
	Expenditure		
	Precepts		
162,979	Bradford Council	163,186	
7,805	West Yorkshire Fire and Rescue Authority	7,815	
19,436	West Yorkshire Police Authority	19,461	
	Business rate		
129,558	Payment to national pool	130,711	
739	Costs of collection	735	
4,452	Council Tax write-offs	2,249	
-2,653	Contribution to/from (-) provision for losses on collection	52	*Note 3*
	Distribution of Collection Fund Surplus		
2,000	Bradford Council	0	
96	West Yorkshire Fire and Rescue Authority	0	
239	West Yorkshire Police Authority	0	
324,651	**Total Expenditure**	**324,209**	
2,982	**Net movement (surplus (-)/deficit) in the fund balance**	**-158**	*Note 4*
0	Balance at beginning of year	0	
-2,555	Transfer to/from (-) Collection Fund Adjustment Account	133	*Note 4*
-427	Preceptors' share of surplus/deficit (-) at 31 March	25	*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 2012-13 (£1,277.24 in 2011-12) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

2011-12 Band D Equivalent		Band	2012-13 Number of chargeable dwellings	Multiplier	2012-13 Band D Equivalent
72		A*	141	5/9	78
49,409		A	74,545	6/9	49,697
29,772		B	38,406	7/9	29,871
30,308		C	34,163	8/9	30,367
15,295		D	15,389	9/9	15,389
13,087		E	10,694	11/9	13,070
7,453		F	5,175	13/9	7,475
5,359		G	3,233	15/9	5,388
443		H	221	18/9	441
151,198	Total Band D equivalent				151,776
-2,268	Adjustment for estimated losses on collection				-2,656
148,930	**Council Tax Base**				**149,120**

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 45.0p (42.6p in 2011-12) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 45.8p (43.3p in 2011-12) 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 2012-13 was £251.5m (£209.2m in 2011-12).

The business rates income, after reliefs and provisions, was based on a total rateable value for the Council's area of £379,434,759 for 2012-13 (£384,792,891 for 2011-12).

Note 3 Provision for Council Tax Bad Debts

In 2012-13, the total provision for Council Tax bad debts was increased by £0.052m, from £8.409m to £8.461m. Of the final balance, 84% is to cover Council Tax owed to the Council. The remaining 16% 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 surplus of £0.158m arose in 2012-13 (£2.982m deficit in 2011-12), of which the Council's share was £0.133m (£2.555m deficit in 2011-12) and the preceptors share was £0.025m (£0.427m deficit in 2011-12). The Council's share was used to reduce the deficit on the Collection Fund Adjustment Account from £0.552m at 31 March 2012 to £0.419m at 31 March 2013.

Note 5 Non adjusting Post Balance Sheet Event

From 1 April 2013, the Council shares 49% of the risks and rewards of the income from NNDR. The Council could potentially receive a short fall in income, from changes in the valuations of commercial premises, following appeals to the Valuation Agency. As at 1 April 2013, £15.6m appeals were outstanding.

West Yorkshire Pension Fund

2011-12	Fund account	2012-13	Note
£000		£000	
	Contributions and benefits		
367,746	Contributions receivable	338,463	*4*
21,374	Transfers in	21,751	*5*
0	Other income	1	
24,097	Non-statutory pensions and pensions increases recharged	24,270	*6*
413,217	**Income total**	**384,485**	
-406,858	Benefits payable	-388,624	*8*
-24,097	Non-statutory pensions and pensions increases	-24,270	*6*
-14,366	Payments to and on account of leavers	-14,482	*10*
-4,840	Administrative and other expenses borne by the scheme	-4,375	*11*
-450,161	**Expenditure total**	**-431,751**	
-36,944	**Net withdrawals from dealings with members**	**-47,266**	
	Returns on investments		
236,214	Investment income	253,204	*12*
-2,954	Taxes on income	-2,087	
-62,006	Profit and losses on disposal of and changes in value of investments	952,712	*14*
1,577	Stock lending	1,167	*13*
0	Underwriting commission	4	
-1,738	Investment management expenses	-1,842	
171,093	**Net return on investments**	**1,203,158**	
134,149	**Increase in the net assets available for benefits during the year**	**1,155,892**	
8,650,264	**Opening net assets of the scheme**	**8,784,413**	
8,784,413	**Closing net assets of the scheme**	**9,940,305**	

31 March 2012 £000	Net assets statement	31 March 2013 £000	*Note*
	Investment assets		*14*
918,993	Fixed interest securities	1,023,063	
5,667,062	Equities	6,565,740	
636,598	Index-linked securities	697,136	
1,225,230	Pooled investment vehicles	1,183,798	
239,332	Cash deposits	356,205	
34,408	Other investment balances	53,743	
	Investments liabilities		
-2,986	Other investment balances	-14,903	
8,718,637	**Investments at 31 March**	**9,864,782**	
	Current assets		*18*
57,890	Debtors	50,905	
18,339	Cash balances (not forming part of the investment assets) *	34,182	
	Current liabilities		*19*
-10,453	Creditors	-9,564	
65,776	**Net current assets and liabilities**	**75,523**	
8,784,413	**Net assets of the scheme at 31 March**	**9,940,305**	

* This figure takes account of cheques drawn but not presented, the balance on the bank account at 31 March 2013 was £34,181,799.

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2013.

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 311 participating employers at 31 March 2013 whose employees were entitled to be contributors to the Fund.

Membership

2011-12	Profile of membership	2012-13
88,026	Active members	90,919
70,651	Pensioner members	72,666
79,473	Members with preserved pensions	82,953
238,150	**Total members**	**246,538**

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 preparation for which is already under way. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 are required by the Regulations to be signed off by 31 March 2014.

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.

9. The report on the actuarial valuation as at 31 March 2010 is available on the Fund's website at the following address www.wypf.org.uk

Aon Hewitt Limited

30 April 2013

Note 3. Accounting policies

Basis of preparation

The statement of accounts summarises the fund’s transactions for the 2012/13 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 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, including bulk transfers, 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.

Cash and cash equivalents

Cash comprises of cash in hand and on demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in values.

Investment income

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

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 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.

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 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 9.

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.

Contingent liabilities and contractual commitments

Aggregate undrawn commitments at 31st March 2013 equated to £405.4m (31 March 2012: £361.8m).

These undrawn commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity, property and infrastructure parts of the portfolio. The amounts "called" by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Note 4. Contributions receivable

2011-12 £000	Analysis of contributions received	2012-13 £000
263,216	Employers	238,987
104,530	Members	99,476
367,746	**Total contributions received**	**338,463**

Contributions are further analysed by type of member body.

2011-12 £000	Contributions received by type of member body	2012-13 £000
56,996	Administering authority	48,800
273,998	Scheduled bodies	257,320
35,856	Admitted bodies	32,147
896	Bodies with no further interest	196
367,746	**Total contributions received**	**338,463**

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

The employers' contributions for 2012/13 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 Local Government Pension Scheme (LGPS) regulations from 1 April 2008, and there are several tiered employee contribution rates. For 2012/13 the rates start at 5.5% payable by employees with salaries up to £13,500 a year, and the highest rate is 7.5% to be paid on salaries over £85,300 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

2011-12 £000	Transfers in from other pension funds	2012-13 £000
19,188	Individual transfers in from other schemes	20,613
2,186	Bulk transfers in from other schemes	1,138
21,374	**Total transfers in**	**21,751**

Note 6. Non-statutory pensions and pensions increase recharged

2011-12 £000	Non-statutory pensions and pensions increase recharged	2012-13 £000
24,097	**Pensions**	**24,270**

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:

2011-12 £000	Additional voluntary contributions	2012-13 £000
18,047	Value of funds at 1 April	17,474
2,702	Contributions received	3,531
58	Transfers and withdrawals	14
-5	Internal transfers	0
539	Interest and bonuses / change in market value of assets	1,471
-3,867	Sale of investments to settle benefits due to members	-1,819
17,474	**Value of fund at 31 March**	**20,671**

The aggregate amounts of AVC investments are:-

2011-12 £000	AVC investments	2012-13 £000
3,523	Equitable Life	3,378
2,632	Prudential	4,995
11,319	Scottish Widows	12,298
17,474	**Total**	**20,671**

Note 8. Benefits payable

2011-12 £000	Analysis of benefits payable	2012-13 £000
	Funded pensions	
264,494	Retired employees	286,444
22,732	Dependants	24,978
	Funded lump sums	
109,209	On retirement	67,401
10,423	On death	9,801
406,858	**Total Benefits Payable**	**388,624**

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

2011-12 £000	Analysis of benefits payable by member body	2012-13 £000
66,363	Administering authority	60,693
288,582	Scheduled bodies	280,946
48,851	Admitted bodies	41,291
3,062	Other interested bodies with no pensionable employees	5,694
406,858	**Total benefits payable**	**388,624**

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
Retail Price Index (RPI) Inflation	3.9	3.1
Consumer Price Index (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

* In excess of Guaranteed Minimum Pension increases in payment where appropriate.
** In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2010.

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.

Benefits paid during the accounting period

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.

Volatility of Results

Our calculations involve placing present values on future benefit payments to individuals many years into the future. These benefits will be linked to pay increases whilst individuals are active members of the Fund and will be linked to statutory pension increase orders (inflation) in deferment and in retirement. Assumptions are made for the rates at which the benefits will increase in the future (inflation and salary increases) and the rate at which these future cashflows will be discounted to a present value at the accounting date to arrive at the present value of the defined benefit obligation. The resulting position will therefore be sensitive to the assumptions used.

The present value of the defined benefit obligations are linked to yields on high quality corporate bonds whereas the majority of the assets of the Fund are usually invested in equities or other real assets. Fluctuations in investment markets in conjunction with discount rate volatility will therefore lead to volatility in the funded status of the Fund disclosed under IAS26 as amended by the Code of Practice.

Note 10. Payments to and on account of leavers

2011-12	Payments to and on account of leavers	2012-13
£000		£000
54	Refund of contributions	22
14,508	Individual transfers out to other schemes	14,460
-196	Bulk transfers out to other schemes	0
14,366	**Total transfers out**	**14,482**

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

2011-12	Administrative expenses	2012-13
£000		£000
4,644	Administration and processing	4,546
127	Actuarial fees	-223
61	Audit fee	48
8	Legal and other professional fees	4
4,840	**Total administrative expenses**	**4,375**

An amount previously set aside for Actuarial fees has been reversed.

Note 12. Investment income

2011-12	Investment income	2012-13
£000		£000
38,809	Income from fixed interest securities	41,775
173,518	Dividends from equities	185,362
8,967	Income from index-linked securities	8,289
13,023	Income from pooled investment vehicles	14,680
1,897	Interest on cash deposits	3,098
236,214	**Total investment income**	**253,204**

Note 13. Stock Lending

2011-12	Analysis of stock lending		2012-13
£000			£000
570	Income	- Fixed interest	132
108		- UK equities	353
1,097		- International equities	1,133
-198	Expenditure		-451
1,577	**Total**		**1,167**

As at 31 March 2013, £895.2m of stock was on loan to market makers and this was covered by collateral totalling £960m (which includes an appropriate margin), comprising UK and International Bonds (£403.8m), International Equities (£56.4m), UK Equities (£255.5m) and UK & International Government Bonds (£244.3m).

Note 14. Investments

Investments	Opening value at 1 April 2012	Purchases at cost	Sale proceeds	Change in market value	Closing value at 31 March 2013
	£000	£000	£000	£000	£000
Fixed interest securities	918,993	283,250	-248,412	69,232	1,023,063
Equities	5,667,062	403,371	-254,262	749,569	6,565,740
Index-linked securities	636,598	77,425	-77,624	60,737	697,136
Pooled investment vehicles	1,225,230	58,513	-173,119	73,174	1,183,798
Cash deposits	239,332	116,873	0	0	356,205
Other investment assets	34,408	0	19,335	0	53,743
Other investment liabilities	-2,986	-11,917	0	0	-14,903
Total investments	**8,718,637**	**927,515**	**-734,082**	**952,712**	**9,864,782**

Comparative movements for 2012:

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**

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.

2011-12 £000	Analysis of investments closing market values	2012-13 £000
	Fixed interest securities:	
402,179	UK public sector quoted	413,515
280,866	UK other quoted	339,463
27,354	UK Unquoted	32,427
101,652	Overseas public sector quoted	108,652
82,182	Overseas other quoted	69,927
24,760	Overseas unquoted	59,079
918,993		**1,023,063**
	Equities:	
3,024,848	UK quoted	3,430,785
127,747	UK unquoted	145,969
2,199,031	Overseas quoted	2,638,846
315,436	Overseas unquoted	350,140
5,667,062		**6,565,740**
	Index linked securities:	
473,482	UK public sector quoted	516,799
48,436	UK other quoted	54,696
114,680	Overseas public sector quoted	125,641
636,598		**697,136**
	Pooled investment vehicles:	
86,904	Currency funds	22,380
307,952	Hedge funds	298,718
310,361	Property	290,319
520,013	Other	572,381
1,225,230		**1,183,798**
	Cash deposits:	
239,332	Sterling	**356,205**

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:

2011-12 £000	Single investments with a value of greater than 5% of the asset class	2012-13 £000
	Fixed interest securities:	
n/a	Treasury 1.75% 2022	61,206
46,465	Treasury 4.25% 2027	n/a
	Index linked securities:	
63,642	Treasury 2020	56,298
34,096	Treasury 2022	37,578
75,047	Treasury 2024	77,240
38,206	Treasury 2027	n/a
57,164	Treasury 2030	62,622
51,700	Treasury 2035	57,328
59,213	Treasury 2040	50,926
43,232	USA Treasury 2022	41,024
	Pooled investment vehicles:	
72,634	Arden Alternative Advisors SPC	n/a
66,036	Aurum ISIS Sterling Fund Ltd	68,517
72,142	QIP Ltd	76,276

Note 15. Financial instruments – classification

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 2013	Designated as at fair value through profit or loss	Loans and receivables	Financial assets/liabilities at amortised cost	Total financial assets / liabilities
Financial assets	**£000**	**£000**	**£000**	**£000**
Fixed interest securities	1,023,063	0	0	1,023,063
Equities	6,565,740	0	0	6,565,740
Index-linked securities	697,136	0	0	697,136
Managed and unitised funds	1,183,798	0	0	1,183,798
Cash deposits	0	356,205	0	356,205
Other investment balances	53,743	0	0	53,743
Debtors	0	50,905	0	50,905
Total	**9,523,480**	**407,110**	**0**	**9,930,590**
Financial liabilities				
Other investment balances	14,903	0	0	14,903
Creditors	0	0	9,564	9,564
Total	**14,903**	**0**	**9,564**	**24,467**

31 March 2012	Designated as at fair value through profit or loss	Loans and receivables	Financial assets/liabilities at amortised cost	Total
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	10,453
Total	**2,986**	**0**	**10,453**	**13,439**

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.

Financial assets	Carrying value 2013 £000	Carrying value 2012 £000	Fair value 2013 £000	Fair value 2012 £000
Trading and other financial assets at fair value through profit or loss	9,523,480	8,482,291	9,523,480	8,482,291
Loans and receivables	407,110	297,222	407,110	295,923
Total financial assets	**9,930,590**	**8,779,513**	**9,930,590**	**8,778,214**
Financial liabilities				
Trading and other financial liabilities at fair value through profit or loss	14,903	2,986	14,903	2,986
Financial liabilities at amortised cost	9,564	10,453	9,564	10,453
Total financial liabilities	**24,467**	**13,439**	**24,467**	**13,439**

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 Generally Accepted Accounting Practice (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. Following the reclassification of some investments the figures for 2012 have been restated.

Valuation hierarchy

	31 March 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	**£m**	**£m**	**£m**	**£m**
Financial assets at fair value through profit or loss	8,324	313	886	9,523
Loans and receivables	407	0	0	407
Total financial assets	**8,731**	**313**	**886**	**9,930**
Financial liabilities				
Financial liabilities at fair value through profit or loss	15	0	0	15
Total financial liabilities	**15**	**0**	**0**	**15**

	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	7,264	398	821	8,483
Loans and receivables	297	0	0	297
Total financial assets	**7,561**	**398**	**821**	**8,780**
Financial liabilities				
Financial liabilities at fair value through profit or loss	3	0	0	3
Total financial liabilities	**3**	**0**	**0**	**3**

Note 18. Current assets

2011-12	**Current assets**	**2012-13**
£000		**£000**
	Debtors	
29,282	Contributions due from employees and employers	28,226
28,608	Other debtors	22,679
57,890	**Total current assets**	**50,905**

Further analysis by type of body:

2011-12	**Current assets by type of body**	**2012-13**
£000		**£000**
5,934	Central government bodies	2,166
44,218	Other local authorities	41,021
44	NHS bodies	8
1,591	Public corporations and trading funds	1,748
6,103	Bodies external to general government	5,962
57,890	**Total current assets**	**50,905**

Note 19. Current liabilities

2011-12	**Current liabilities**	**2012-13**
£000		**£000**
	Creditors	
6,361	Unpaid benefits	6,137
4,092	Other current liabilities	3,427
10,453	**Total current liabilities**	**9,564**

Further analysis by type of body:

2011-12	Current liabilities by type of body	2012-13
£000		**£000**
4,077	Central government bodies	3,427
14	Other local authorities	0
0	NHS bodies	0
0	Public corporations and trading funds	0
6,362	Bodies external to general government	6,137
10,453	**Total current liabilities**	**9,564**

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 full text for this policy can be found at www.wypf.org.uk

The Investment Principles are managed by the Investment Advisory Panel, whose responsibility it is to ensure the Fund's investment portfolio, that is managed 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's 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 asset allocation. The Fund has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period:

Asset type	2013 Potential market movement +/- (%pa)	2012 Potential market movement +/- (%pa)
UK equities	13.0	15.2
Overseas equities	12.2	14.8
UK gilts	5.5	5.5
UK corporate bonds	4.2	5.3
UK index-linked	7.1	6.4
Overseas bonds	7.5	9.5
Alternatives (universe)	3.7	9.5
Property	1.1	5.8
Cash	0	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 2013	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	3,576,754	13.0	4,041,732	3,111,776
Overseas Equities	2,988,986	12.2	3,353,642	2,624,330
UK Gilts	413,515	5.5	436,258	390,772
UK corporate bonds	371,890	4.2	387,509	356,271
UK Index-Linked	571,495	7.1	612,071	530,919
Overseas bonds	363,299	7.5	390,546	336,052
Alternatives (universe)	893,479	3.7	926,538	860,420
Property	290,319	1.1	293,513	287,125
Cash	356,205	0.0	356,205	356,205
Other investment assets	53,743	0.0	53,743	53,743
Other investment liabilities	-14,903	0.0	-14,903	-14,903
Total Investment Assets	**9,864,782**		**10,836,855**	**8,892,709**

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 Corporate bonds	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**

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 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	**31 March 2013**	**31 March 2012**
	£000	**£000**
Cash deposits	356,205	239,332
Cash balances	34,182	18,339
Total	**390,387**	**257,671**

Interest rate risk - sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The assumed interest rate volatility is 100 basis point (BPS) per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	**Carrying amount as at 31 March 2013**	**Change in year in the net assets available to pay benefits**	
		+100BPS	**-100BPS**
	£'000	**£'000**	**£'000**
Cash deposits	356,205	3,562	(3,562)
Cash balances	34,182	342	(342)
Total change in assets available	**390,387**	**3,904**	**(3,904)**

Asset type	**Carrying amount as at 31 March 2012**	**Change in year in the net assets available to pay benefits**	
		+100BPS	**-100BPS**
	£'000	**£'000**	**£'000**
Cash deposits	239,332	2,393	(2,393)
Cash balances	18,339	183	(183)
Total change in assets available	**257,671**	**2,576**	**(2,576)**

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 2013 and 31 March 2012:

Currency exposure - asset type	**Value as at 31 March 2013**	**Value as at 31 March 2012**
	£000	**£000**
Overseas quoted fixed interest securities	178,579	183,834
Overseas unquoted fixed interest securities	59,079	24,760
Overseas quoted equities	2,638,846	2,199,031
Overseas unquoted equities	350,140	315,436
Overseas quoted index linked securities	125,641	114,680
Overseas unit trusts	464,007	427,223
Overseas Property funds	22,794	21,477
Total overseas assets	**3,839,086**	**3,286,441**

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 5.8% (7.1% 2011/12).

A 5.8% (7.1% 2011/12) 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 2013 £000	Value on increase £000	Value on decrease £000
Overseas quoted fixed interest securities	178,579	188,937	168,221
Overseas unquoted fixed interest securities	59,079	62,506	55,652
Overseas quoted equities	2,638,846	2,791,899	2,485,793
Overseas unquoted equities	350,140	370,448	329,832
Overseas quoted index linked securities	125,641	132,928	118,354
Overseas unit trusts	464,007	490,919	437,095
Overseas Property funds	22,794	24,116	21,472
Total overseas assets	**3,839,086**	**4,061,753**	**3,616,419**

Asset type	Value as at 31 March 2012 £000	Value on increase £000	Value on decrease £000
Overseas quoted fixed interest securities	183,834	196,886	170,782
Overseas unquoted fixed interest securities	24,760	26,518	23,002
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
Overseas Property funds	21,477	23,002	19,952
Total overseas assets	**3,286,441**	**3,519,778**	**3,053,104**

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 holding 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 13.

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 2013 payroll are included within the debtors figure in note 18.

Central government bodies are related parties and are included within the creditors figure in note 19.

In 2012-13, City of Bradford Metropolitan District Council charged the West Yorkshire Pension Fund £578,514 in respect of support services provided (£573,742 in 2011-12). 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 West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation cost of these officers, attributable to West Yorkshire Pension Fund, is £116,624 (2012 £112,863). Details of the remuneration for these two posts are included in Note 30 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund Plc, which at 31 March 2013 was valued at £17.9m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2012-13. 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 2013 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31 March 2013 £m	**Un-drawn commitments £m**
Private equity	495.8	332.0
Property funds	290.3	52.8
Corporate bonds foreign	366.6	20.6
	1,152.7	**405.4**

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 foreign	92.8	22.8
Global Bonds	427.2	7.6
	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 March 2013 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 Participating Employers 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 Participating Employers

Abbey Grange CE Academy
Ackworth Parish Council
Aire Valley Homes Leeds
Airedale Academy
Appleton Academy
Aspire Trust
B B G Academy
Batley Girls Academy
Batley Grammar Free School
Beech Hill School
Beeston Primary Trust
Belle Vue Girls Academy
Bingley Grammar School
Birstall Primary Academy
Bishop Wheeler Catholic Academy Trust
Bolton Brow Primary Academy
Boston Spa School
Bradford Academy
Bradford College
Bradford Diocesan Academies Trust
Bradshaw Primary School
Brighouse Academy
Brighter Futures Academy Trust
Brooksbank School Sports College
Bruntcliffe Trust School
Burley Parish Council
Burnley Road Academy
Buttershaw Business & Enterprise College
CAFCASS
Calderdale College
Castle Hall Academy
Castleford Academy
Catering Academy
Christchurch CE Academy
Cockburn High School Trust
Co-Operative Academy of Leeds
Cottingley Primary Academy
Crawshaw Academy Trust
Crawshaw School Trust
Crescent Further Education Ltd
Crigglestone St James CE Primary Academy
Crofton High Academy
David Young Community Academy
De Lacy Academy
Denby Dale Parish Council
Dixons Allerton Academy
Dixons City Academy
Feversham College Academy
Feversham Primary Academy
Fieldhead Junior Infant & Nursery 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 Academy
Horbury Academy
Horbury Bridge CE Junior & Infant School
Horsforth School Academy
Horsforth Town Council
Huddersfield New College
Hugh Gaitskell Primary School Trust
Ilkley Grammar School Academy
Ilkley Parish Council
International Food & Travel Studio
Jerry Clay Lane Academy
Keelham Primary School
Keighley Town Council
Killinghall Primary School
King James School
King's Science Academy
Kirkburton Parish Council
Kirklees College
Kirklees Neighbourhood Hsg Ltd
Knottingley St Botolphs C of E Academy
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 Primary Partnership Trust
Leeds East North East Homes
Leeds Metropolitan University
Leeds North West Education Partnership
Leeds West Academy
Leeds West North West Homes
Lighthouse School
Lindley Junior School Academy
Luddendenfoot Grammar
Manston St James Academy
McMillan Education Trust
Meltham Town Council
Menston Parish Council
Micklefield Parish Council
Middleton Primary School Trust
Minsthorpe Academy Trust
Mirfield Free Grammar Academy
Moor End Academy Trust
Morley Town Council
New College Pontefract
Normanton Town Council
North Halifax Grammar Academy
Northern Schools of Contemporary Dance
Notre Dame Sixth Form College
Oakbank Primary School
Old Earth Academy
Ossett Academy and Sixth Form College
Ossett Pension Trust
Otley Town Council
Outwood Grange Academy
Outwood Primary Academy Kirkhamgate
Outwood Primary Academy Ledger Lane
Overthorpe CE Academy
Park View Primary Academy
Pontefract Education Trust
Pool Parish Council
Priesthorpe Academy
Prince Henrys Grammar
Pudsey Grangefield Trust
Purston E-Act Academy
Rainbow Primary Free School
Rastrick High School Academy Trust
Rodillian Academy
Rooks Nest Academy
Royds Learning Trust
Ryecroft Primary Academy
Ryhill Parish Council
Salendine Nook Academy Trust
Salterlee Academy Trust
Samuel Lister Academy
Scout Road Academy
Shelley College
Shibden Head Primary Academy
Shipley College
Simpsons Lane Academy
South Elmsall Town Council
South Hiendley Parish Council
South Leeds Academy
South Ossett Infants Academy
St Catherine's Catholic High School
St John's C.E Primary Academy Trust
St John's C.E Primary School
St John's Primary Academy Rishworth
The Bishop Konstant Catholic Trust
The Cathedral C.E Academy Trust
The Crossley Heath Academy Trust
The Farnley Academy
The Freeston Academy
The Morley Academy
The Police & Crime Commissioner for West Yorkshire
The Vale Primary Academy
Thornhill Community Academy
Thornton Grammar School
Todmorden Town Council
Trinity Academy Halifax
University Academy Keighley
University of Huddersfield
Wakefield City Academy
Wakefield College

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
Westwood Primary School Trust
Wetherby Town Council
Whetley Academy
Whitehill Community Academy
Willow Green Academy
Wilsden Parish Council
Woodkirk Academy
Woodside 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 Capital Adjustment Account (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.

Acronym	Full Description
AVCs	Additional Voluntary Contributions
BID	Business Improvement District
BDCT	Bradford District Care Trust
BPS	Base Points
BSF	Building Schools for the Future
BMW	Biodegradable Municipal Waste
CAA	Capital Adjustment Account
CFR	Capital Financing Requirement
CIES	Comprehensive Income & Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CPI	Consumer Price Index
CRC	Carbon reduction Commitment
CSR	Comprehensive Spending Review
DEFRA	Department for Environment, Food and Rural Affairs
DfES	Department for Education & Skills
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EIR	Effective Interest Rate
EUV	Existing Use Value
FRS	Financial Reporting Standards
FSS	Funding Strategy Statement
GAAP	Generally Accepted Accounting Policies
HRA	Housing Revenue Account
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISB	Individual School Budget
IT	Information Technology
JANES	Joint Arrangement which is not an Entity
LAA	Local Area Agreement
LATS	Landfill Allowances Trading Scheme
LEA	Local Education Authority
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option
MAP	Management Action Plans
MDCs	Metropolitan District Councils
MRP	Minimum Revenue Provision
NEET	Young people Not in Education, Employment or Training
NDR	Non Domestic Rates
NNDR	National Non Domestic Rates
NJC	National Joint Council
OJC	Officers' Joint Council
PCT	Primary Care Trust
PFI	Private Funding Initiative
PfS	Partnership for Schools
PPE	Property, Plane & Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute
RICS	Royal Institute of Chartered Surveyors
RPI	Retail Price Index
RSG	Revenue Support Grant

SeRCOP	Service Reporting Code of Practice
SIP	Statement of Investment Principles
SOLACE	Society of Local Authority Chief Executives
WDA	Waste Disposal Authority
WYPF	West Yorkshire Pension Fund
WYITA	West Yorkshire Integrated Transport Authority
VAT	Value Added Tax
YPO	Yorkshire Purchasing Organisation

ANNUAL GOVERNANCE STATEMENT 2012-13

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 2013 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 authority 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 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 Annual Finance and Outturn Performance Report presents to the Executive, the current position on performance and finance in relation to the Council's activities. The half yearly 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 Chief Executive's department.
- Corporate policies for data quality are in place.
- Customer satisfaction and needs are monitored through a range of mechanisms at a departmental and service level. Corporately, CMT has agreed that options for formal surveys should be explored with partners and that in the interim existing data from the West Yorkshire Office of the Police and Crime Commissioner should be used.
- 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.**

  On 10 July 2012 Council approved a new Code of Conduct for Elected Members and a procedure for dealing with complaints. In addition, the Standards Committee's role was retained to have responsibility for overseeing the operation of the Code and for promoting high standards of conduct.

  In addition, 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 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 five 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.
  - 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 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 they consider 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 Governance and Audit Committee has a function to consider the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements. This is supported by the work of the Corporate Fraud Unit.
  - 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. Member development programmes are run on a quarterly basis to ensure all councillors have access to learning and development opportunities appropriate to their needs. The development of programmes are Elected Member led, to ensure they are fit for purpose , relevant and address key issues to help councillors carry out their roles efficiently and effectively.

  - Ensuring we have a flexible and skilled workforce to meet the challenges of the future is a key priority for the Council. Training budgets and Resources have been centralised to ensure resources are used effectively to meet priority need. Training and Development needs for employees identified through focus on effective workforce planning and linked to service needs, 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.
  - The Council's Contact Centre and face-to-face Customer Service Centres provide easy access to Council services and advice.
  - An extensive programme of consultation on the 2013-14 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 provide communication channels with the district's citizens.
  - Financial information, including details of efficiency savings is available on the council's website.

- **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 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 through it's recently reviewed 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 to enable the Council to manage change effectively.
  - Recognising that the governance framework and business approach needs to evolve to continue to support partnership working across Bradford, work is continuing to develop new governance arrangements for the Bradford District Partnership, focussing on defining 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.

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 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 Governance and Audit Committee. The Head of Internal Audit & Insurance is also required to prepare and present an annual report to the Governance and Audit Committee as prescribed in the Code of Practice. This will identify a number of operational control issues and detail the actions 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 responds effectively to the Local Government Ombudsman's enquiries into complaints against the Council. The last Annual Review which covered the financial year 2011/12 showed that the number of complaints referred to the Ombudsman had increased to 157 from 124 in the previous year. One formal report was issued against the Council which related to a complaint about the provision of school transport. Due to significant changes in the way the Ombudsman handles and reports on complaints an Annual Review will not be issued for 2012/13. One formal report was issued during the year relating to an Adult Social Care matter. There is a concern that the Council is likely to face more referrals in the future in relation to benefits and social care as it implements the legislative changes. The Ombudsman is changing their reporting procedure for 2013/14 and when this, together with the changes outlined above, has been fully implemented the Council may need to adapt its own procedures for responding to enquiries.

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 Governance and Audit Committee will be kept informed of progress.

Governance challenges previously recognised and managed during the year:-

On the 25th January the Governance and Audit Committee received a detailed report which assessed progress against the following concerns identified in the 2011-12 Annual Governance statement.

1) The need to ensure that best practice is adopted in the Council's arrangements for managing data and information.

Work has continued to update policies and procedures and communicate requirements to staff. A requirement for all staff to undertake annual training is now established.

2) Delivering the Council's change programme relating to review of business processes, customer strategy and transformation.

Prior to closure of the programme work took place to ensure –

- That achievements to date are embedded into relevant departments.
- The development of a consistent and effective approach for review of business processes.
- Provision of a sustainable Programme Management Office.
- CMT monitor, challenge and lead the continuing change agenda.

The accountability for the ongoing delivery of the changes and associated savings is now aligned to the "business as usual" accountabilities of Directors.

3) Dealing with the requirements of new legislation.

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 –

Local Government Finance
The Localism Act
The Health and Social Care Act
The Welfare Reform Act

4) Ensuring that the Council's investment in regeneration of the city and activity to stimulate growth in the local economy is seen to be effective and sustainable.

Bradford's City Centre Growth Zone was launched on 1st November 2012. The growth zone will provide a focus for investment and a driver for growth in the district. It provides a distinct offer to businesses wanting to locate or expand in Bradford city centre. Backed by a £34.8 million investment co-funded by the Council and the government it will allow the council to offer companies business rate relief in exchange for new job creation.

Skills and employment remain a key focus and in June the Council launched the £7.7 million programme to tackle unemployment, especially youth unemployment, in the district. The Get Bradford Working programme is believed to be the largest job creation fund created by any local authority in the country. Jobs growth will also be boosted by £14.4 million from the government through the Super Connected Cities programme that enables free Wi-Fi and an open access infrastructure delivering ultrafast broadband in the city centre and key corridors such as Canal Road, the Aire Valley and Leeds Road.

5) Concluding the implementation of an equality-proof pay and grading structure

The new equality proof pay & grading structure for all NJC staff up to & including Scale 6 was implemented in June 2012. Work on the implementation of job evaluation results in schools where the Council is the employer is now underway with a view to completion during 2013. School Governors will be invited to adopt the pay structure & job evaluation results in June 2013, with a view to implementing immediately after notification of adoption.

6) Progressing to implementation the procurement of a joint waste disposal solution for Bradford and Calderdale Councils.

The procurement of a joint waste disposal solution for Bradford and Calderdale Councils which was in the final stages and proceeding towards financial close this year has been suspended as a result of the Government decision to withdraw PFI support from the project in February 2013. The Council has been engaging with the bidder to try to find a viable way forward without PFI credit support. However, there are significant challenges in doing so as the loss of the circa £120m revenue contribution over the life of the project has significantly shifted the value for money position. Measures to shift risk and change scope all carry significant procurement and operational risk and it is unlikely that project will proceed. The Council is also pursuing the Government through a Judicial Review process with a view to either reversing the decision or securing compensation for the wasted expenditure linked with the delivery of the project.

7) Extending delegated authority to local areas.

Following Executive approval of the devolution of eight services to Area Committees in October 2012, each service presented papers to Area Committees in November/December detailing the range and extent of the Committees' new responsibilities and powers. In April 2013 Executive agreed the division of budgets to each Area for these services. Services will present papers to Area Committees in June/July for Members to consider the use of this resource.

8) Effective planning of the education and learning infrastructure for the District.

In order to ensure a strategic and coherent approach, a single Education Organisation Plan has been produced for the development of all education provision across the District. This will provide a long term framework within which to shape any new proposals for future provision and evaluate each to identify whether they appropriately meet the needs of the District.

The Authority is currently engaged in a number of reviews, under the oversight of the Schools Forum, which will inform the way the Dedicated Schools Grant is allocated from April 2014.

In addition to the items above, the following governance issues were dealt with during the year which were not originally identified in the 2011/12 Annual Governance Statement.

9) West Yorkshire Governance Review of the Combined Authority

Executive members agreed that the Council should be party, together with other West Yorkshire Authorities, to a review of governance arrangements relating to transport, economic development and regeneration in West Yorkshire, pursuant to S108 of the Local Democracy, Economic Development and Construction Act 2009 and Sec 82 of the Local Transport Act 2008.

Executive has considered and approved a draft Scheme for the establishment of a Combined Authority for West Yorkshire to form the basis of public and stakeholder consultation by the individual West Yorkshire district authorities and the Integrated Transport Authority.

10) Land and Property Disposal Procedures

On the 4th December 2012 the Council's Executive Committee approved a new set of Land and property disposal procedures which greatly strengthened the Councils control framework when managing these transactions. These procedures included putting in place a protocol for consultation when considering sales from the Council's estate.

11) New External Auditors

In accordance with the Audit Commission Act 1998, Mazars LLP has been appointed as the Council's new External Auditors. Liaison work is ongoing to introduce the new auditors to the Council's business and to facilitate the audit of the Council's 2012/13 financial statements.

12) Top Management Restructure

In April 2013 the Council implemented a revised top management structure, which consolidated the Changing our Council work and developed a consistent management structure to enable the Council to increase its efficiency, to explore and develop new models of service delivery based on local partnerships and solutions as well as continuing to provide efficient in-house services where we are best placed to do so.

Governance challenges for 2013/14

The Council reviews the governance arrangements of its major risks through reports either to Council, the Executive, Governance and Audit Committee, Standards Committee and Scrutiny arrangements. This occurs on a continuing basis. The Council will focus on the following risks in 2013/14, a number of which have been identified in the forward plans and work objectives of the respective committees

1. West Yorkshire Combined Authority
2. Information Governance
3. Impact of Council budgetary reductions on the control environment
4. Welfare Reform
5. Waste Disposal Project
6. Public Health – Health & Wellbeing arrangements with new Clinical Commissioning Groups
7. Implementation of Area Committee devolved budgets and effectiveness of devolution
8. The impact of further new legislation arising from the Children and Families Bill, the Care Bill and the Local Audit and Accountancy Bill

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 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 2013.

Future Review of Governance Arrangements

Over the coming year the Council will 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.

Signed: ………………………………………………………………………………

Councillor David Green, Leader of Council

Signed: ………………………………………………………………………………

Tony Reeves, Chief Executive