CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2009-10

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Opinion on the Authority accounting statements

I have audited the accounting statements and related notes of City of Bradford MDC for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of City of Bradford MDC in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Strategic Director: Corporate Services and auditor

The Strategic Director: Corporate Services responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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

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

Basis of audit opinion

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

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

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Signed

Paul Lundy
District Auditor

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

Date: 30 September 2010

Opinion on the West Yorkshire Pension Fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of West Yorkshire Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Strategic Director: Corporate Services and auditor

The Strategic Director: Corporate Services' responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Basis of audit opinion

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

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

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Signed

Paul Lundy
District Auditor

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

Date: 30 September 2010

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, City of Bradford Metropolitan District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Signed

Paul Lundy
District Auditor

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

Date: 30 September 2010

Certificate

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

Signed

Paul Lundy
District Auditor

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

Date: 30 September 2010

Introduction to the Council's Accounts

This report sets out the Council's Statement of Accounts for the financial year 2009-10. One of the prime objectives of the report is to provide easily understood information, which gives an insight into how the Council has performed during the financial year.

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

This foreword includes a Statement of Responsibilities and is followed by an Annual Governance Statement. The accounting statements then follow, beginning with the Report of the Strategic Director, Corporate Services. This report summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2009-10. Information about the amount of money spent by the Council and where the money comes from is shown in a series of charts. A distinction is made between revenue spending (the annual cost of providing services) and capital expenditure (spending on schemes which will have a long-term benefit for the citizens of the Bradford District).

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

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

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

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

In order to help readers, a Glossary of Terms widely used in relation to local authority finance and referred to within these accounts is included at the back of the document. The financial statements are subject to audit by the authority's external auditors.

City of Bradford Metropolitan District Council's Responsibilities

The Council is required to:

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

The Strategic Director, Corporate Services' Responsibilities

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

In preparing this Statement of Accounts, the Strategic Director, Corporate Services has:

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

In addition Financial Services has issued :

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

Certification of the Accounts

I certify that the Statement of Accounts presents fairly the position of the City of Bradford Metropolitan District Council at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Signed:

Becky Hellard
Strategic Director, Corporate Services
Date: 30 September 2010

In accordance with the Accounts and Audit Regulations 2003 (as amended in 2006) I certify that the Statement of Accounts was approved by the Corporate Governance and Audit Committee on 24 September 2010

Signed:

Councillor Val Slater
Chair of Corporate Governance and Audit Committee
Date: 30 September 2010

ANNUAL GOVERNANCE STATEMENT

INTRODUCTION

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

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

Scope of responsibility

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

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

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

The purpose of the governance framework

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

The system of internal control is a significant part of that framework. It is designed to ensure:

- effective and efficient use of resources
- compliance with established policies, practices, laws and regulations
- safeguarding of the Council's assets and interests from loss
- the quality, integrity and reliability of information, accounts and data
- management of risk to a reasonable level.

It cannot eliminate all risk to the achievement of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of Council's objectives, to evaluate the likelihood of those risks being realised and potential impact, and to manage them efficiently, effectively and economically.

The governance framework has continued in place at the Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

The governance framework

The systems and processes that comprise the Council's governance are developed around the following key elements:

The Constitution of the Council

The Council has a Constitution which sets out how it operates, how decisions are made and the procedures that are followed to ensure it is efficient, transparent and accountable to local people. The provisions of the Constitution are outlined under the following headings where appropriate.

New Executive Arrangements

The Local Government and Public Involvement and Health Act 2007 requires the Council to consider its preferred model of Executive arrangement. On 15th December 2009 the Council, therefore, resolved that the Leader and Cabinet executive model be adopted since this is considered to better assist the Council in securing continuous improvement in the way its functions are exercised.

The City Solicitor has put in place the necessary constitutional amendments to reflect the decisions taken by Council.

Code of Corporate Governance.

The Council has approved and adopted a Code of Corporate Governance. It is consistent with 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 of 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.

A clear vision of the Council's purpose and intended outcomes for citizens and service users which is clearly communicated

- The Council's 2020 Vision - the 20 year vision for the district - sets out the long term broad vision for the district based on future projections and informs strategic planning and ownership amongst all key partners.
- The Big Plan 2008-2011 is the overarching strategy for the district. The purpose of the Big Plan is to deliver the strategic vision for the district in the medium term. It informs corporate planning and ownership amongst

key partners as well as establishing the critical issues and priorities for the district over the next three years. The next stage of the Big Plan is scheduled to come into effect from April 2011.

- The Executive has agreed 20 strategic delivery priorities for the Council which are the improvement priorities and major projects on which it will focus its resources in the medium term in support of The Big Plan and the Council's improvement and efficiency agenda. These priorities reflect and take account of :
  - The shared outcomes, transformational and other priorities of The Big Plan
  - The Council's commitment and contribution to the various Partnership Delivery Plans
  - The major projects and programmes that the Council is undertaking

- The Corporate Plan 2009-12, approved by Council, establishes its direction and key priorities for the next three years, It informs and promotes:
  - the development of the Council's Medium Term Financial Strategy
  - the priority-led budget setting process and service business plans
  - an increased focus on the transformational priorities of education, regeneration and skills
  - an improved cross referencing to the Big Plan, to minimise duplication of information.
  - the Council's contributions at a strategic level to the Big Plan

- Community Pride along with the Council's web site establishes clear channels of communication with all sections of the community and other stakeholders.

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

- The Council's Corporate Plan, the three year strategic plan 2009-12, ensures emphasis on the transformational priorities of the Council. It is reviewed and updated annually. This is influenced by external inspections and their findings as well as meeting the requirements of External Audit's Key Lines of Enquiry for comprehensive area assessments and Use of Resources.

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

- Performance Clinics are embedded and demonstrate a clear Corporate Management Team commitment and actions to establish a performance culture.
- The performance framework provides clarity for accountability, for data quality and the role of members.
- The Chief Executive's corporate integrated monitoring report to the Executive presents the current position on performance, risk management and finance in relation to the Council's activities. The quarterly report sets out the key areas of progress, the key issues and areas for continued attention in relation to the Council's corporate priorities.
- Corporate policies for data quality are in place and operating appropriately – this has been confirmed by the Audit Commission's National Indicator spot checks.
- The Council has invested in the development of an observatory to enable partners to share data and improve effective performance management arrangements.
- Customer satisfaction surveys are conducted regularly and action plans developed from the concerns raised by respondents.
- Citizen's panels and customer forums are held when appropriate.
- Departments carry out their own mini performance clinics.
- The Council has a Value for Money framework which assists the achievement of the Government's efficiency targets for local authorities of 3% cashable efficiency savings.
- A Value for Money Strategy has been developed to support the Value for Money framework and ensure the alignment of all the Council's strategic plans and strategies.
- Additionally the Council has 7 Overview and Scrutiny Committees which are required to contribute to the better decision making of the Council, secure continuous improvement in service delivery as well as review the development of community participation in council activities.

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

The Articles of the Council's Constitution set out:

- The role of the Executive which is responsible for all the functions of the Council other than the exceptions detailed in the Constitution.
- The terms of reference of members of the Council, Committees and sub-Committees, including their roles and functions.
- Overview and Scrutiny procedure rules, the arrangements for the scrutiny of matters and the rules governing the conduct of any matter proposed to be subject to scrutiny by a committee. Further, the Local Democracy, Economic Development and Construction Act 2009 requires the Council to designate a senior officer as the scrutiny officer with overall responsibility for the delivery of the scrutiny function. It was agreed at the May 2010 Council meeting that the designated statutory officer would be the Strategic Director Performance and Commissioning.
- The functions of the Council's designated posts. The Head of Paid Service is the Chief Executive, the Monitoring Officer is the Assistant Director, City Solicitor and the S151 responsibilities are undertaken by the Strategic Director, Corporate Services.
- The scheme of delegation of functions to officers by the Council and the Executive and the rules that officers shall follow in discharging delegated functions.
- Protocols for effective communications of Committee decisions.
- The rules governing decisions taken by officers. A review of this protocol has been commenced by Standards Committee. A programme of training for officers will be initiated once the review is completed
- 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"*

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

The Council's Constitution establishes:

- That the Standards Committee has the role and function of promoting and maintaining high standards of conduct by Members of Council and monitoring the operation of the Members' code of conduct.
- A code of members' conduct which Members must observe. Training on the code of conduct is offered to all members.
- A protocol on member-officer relations 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.
- General principles of conduct for employees of the Council. However, there is a need to develop a complete code of practice for employees. A code is to be drafted in line with the consultation documents circulated by DCLG for further consideration by the Corporate Governance and Audit Committee in 2010.

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

- Council Standing Orders for contracts and Financial Regulations are contained in the Constitution of the Council. They are subject to annual review by officers before approval at the Corporate Governance and Audit Committee and adoption by full Council at the annual meeting.
- Key control booklets are maintained by Internal Audit, updated as required and placed on the Council's intranet.
- Job descriptions and personnel specifications for all senior officers detail their key responsibilities.

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

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

Arrangements 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 as well as a Corporate Anti-fraud Strategy Statement. These can both be accessed on the Council's intranet site.
- Under the Articles of the Constitution, the Corporate Governance and Audit Committee has a function to consider the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements.
- Internal Audit has dedicated resources to undertake independent investigations and report on allegations of impropriety. A training package, "Focus on Fraud and Corruption", is available to all staff.
- The Council has a formal 'Comments, Complaints and Compliments' procedure on the "Contact us" section of the Council's website. All members of the public have the right to complain to the Council in writing, by telephone or by speaking to a member of staff.
- The Standards Committee has the responsibility to deal with alleged failure by members to comply with the code of conduct, practice or protocol approved by the Council.

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 and is working towards the IDeA Member development standard.
- A Member Learning and Development Strategy was approved by the Member Development Steering Group in July 2009. At the same time a new Member Development Programme was launched.
- The Strategy introduces the key learning and development aims and objectives. It also identifies actions that will be taken to ensure all Councillors have access to learning and development opportunities appropriate to their needs. The aim of this is to help Councillors carry out their roles efficiently and effectively.
- The Council recognises that alongside members, employees are an important resource - the development of the two goes

hand in hand. The key outcomes identified in the People Strategy focus on effective workforce planning and development, embracing leadership and skills training for all staff.

Establishment of 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.
- The Executive's Forward Plan for key decisions is published at least 14 days before the start of the four month period covered by the plan. It is available for inspection free of charge during normal office hours and is published on the Council's website.
- Overview and Scrutiny arrangements provide for meetings to be open to the public, except where confidential information or exempt information is likely to be disclosed.
- The Council's website provides a communication and wide ranging information link.
- The Annual Statement of Accounts provides a report on the Council's financial activities for the year.
- The Council's Medium Term Financial Strategy is reviewed annually.
- Publications, Community Pride and other publicity arrangements including specific area community newsletters such as Streets Ahead provide communication channels with the district's citizens.
- Financial information, including details of efficiency savings, is issued with Council Tax bills.
- The Council's participation in the "Total Place" pilot has recognised the tremendous potential to simplify, streamline, make more relevant and hugely influence direct and indirect costs over the long term. By engaging and empowering our communities and our citizens, the Council can significantly change the way public services are accessed and delivered.

  A key outcome of the Total Place pilot in Bradford is the recognition of the need and the desire to substantially embed the approach through the Bradford District Partnership and wider business community. To make this happen in Bradford the Council has established a Partnership Transformation Board (PTB) which will report directly to the Bradford District Partnership. The PTB will have clear responsibility for delivering transformational improvement in key areas for the place and the citizen now and into the future.

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

- The role of the Corporate Governance and Audit Committee includes maintaining an overview of the Council's partnership arrangements and overseeing any action plans for improvement arising, for example, from inspection reports.
- Good governance principles have been incorporated into contractual relationships with partners such as Bradford I (IBM), Education Bradford (Serco) and the Local Education Partnership (LEP) under the Building Schools for the Future programme.
- The Local Strategic Partnership supports the Sustainable Community Strategy and Local Agreement 2008-2011.
- A partnership delivery team has been established to support the Local Strategic Partnership also supported by the Accountable Body Guidance Manual. Training on the application of this guidance has been provided to partners.
- The "Total Place" pilot has provided a significant opportunity to be engaged in a wide range of initiatives to deliver better outcomes through working more efficiently in partnership across the different parts of the public sector in the district, and learning about innovative practice from other local areas.

Review of effectiveness

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

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

The processes applied in maintaining and reviewing the effectiveness of the Council's governance arrangements continue throughout the year and are outlined below.

• The Executive

The Constitution provides the framework within which the Executive takes decisions in discharge of the Council's functions, subject to the scrutiny of a number of 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.

• Corporate Governance & Audit Committee

The Council has in place a Corporate Governance and Audit Committee 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 Committee is independent of the Executive and has responsibility for:

- approving the Council's Statement of Accounts which incorporate the WYPF
- agreeing the annual 'Internal Audit Plan'
- receiving matters of a financial nature referred by External Audit
- reviewing the adequacy of all governance arrangements
- considering the effectiveness of the risk management arrangements on the internal control environment
- undertaking an annual review of the Council's Constitution and submitting recommendations for its amendment to Annual Council for approval
- legal and strategic management of the WYPF.

A mid-year review, update and progress report on the significant governance issues reported in the Council's Annual Governance Statement 2008-9 was presented to the Committee in January 2010.

A review of the effectiveness of the Corporate Governance and Audit Committee will proceed when a protocol for the review has been agreed with members.

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

- WYPF Investment Advisory Panel and
- WYPF Joint Advisory Group

The Investment Advisory Panel has overall responsibility for overseeing and monitoring the management of the investment portfolio and investment activity. In this capacity, the Panel is responsible for formulating the broad future policy for investment. At meetings of the Panel the investment portfolio is reviewed and any necessary adjustments to the spread of investments made as well as decisions taken about the investment of new money. A Director of Finance from one of the member Authorities sits on the Panel. This position is currently held by the Assistant Director Corporate Services - Finance of Bradford Council.

The Joint Advisory Group has overall responsibility for overseeing and monitoring the pension 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 pension's administration and investment management functions and also receives the Annual Report and Accounts.

• Standards Committee

This Committee has responsibility for the Council's ethical framework, in particular:

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

• Risk Management Processes

The Council's Risk Management Strategy was reviewed in January 2010 and provides a systematic business approach utilising risk management methodologies. Risk management training is standard within project management and at particular key stages of project implementation.

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

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

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

• Business Continuity Management

The Council is committed to providing for business continuity, as detailed in the Civil Contingencies Act 2004, in line with its visions and values to ensure it can provide all its key functions in the event of an emergency or disruption so far as is practicable. The Emergency Management Team has put in place the policy and framework which sets out the Council's policy for business continuity management.

Assistant Directors lead on business continuity planning within their service areas. The Emergency Management Team has co-ordinated its introduction at service level and provided assistance and guidance to services with their planning.

• Internal Audit

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

The Council's internal control environment is reviewed on a continual basis by Internal Audit. Internal Audit's opinion on the overall adequacy and effectiveness of the internal control environment is contained within the Annual Report which was presented to the 30th June 2010 Corporate Governance and Audit Committee meeting. Monitoring reports throughout the year have demonstrated an improvement in the controls in operation and working effectively compared to the corresponding period in 2008-9. A number of operational control issues have been identified and action is being taken to put improvements in place.

• External Audit & Inspection Work

External Audit undertake a programme of work during the year covering areas such as value for money and internal control. Details are contained within the Audit and Inspection Plan, regular progress reports, the Comprehensive Area Assessment, and the publication by the Audit Commission of the Council's

Annual Audit and Inspection Letter. The results of this work have been taken into account when determining the measure of risk to the Council.

The Audit Commission's annual assessment of the Council's use of resources is an integral part of the Comprehensive Area Assessment. The Council received an overall score of 2 for its use of resources performance in 2009. Of the nine key lines of enquiry comprising the assessment, the Council scored 3 for Financial Planning and for Risk Management and Internal Control. A score of 3 means the Council was judged to be consistently above minimum requirements and performing well. A score of 2 indicates minimum requirements were met and performance was considered adequate. The assessment for all key lines of enquiry was as follows:

	2009 Score
Financial Planning	3
Understanding costs and achieving efficiencies	2
Financial reporting	2
Commissioning and procurement	2
Data quality and use of information	2
Good governance	2
Risk management and internal control	3
Use of natural resources	2
Strategic asset management	2

The Audit Commission said in their judgement that overall *'the Council performs adequately in the use of its resources, plans its finances well and makes sure it is spending within the resources that are available. It has shown that it can redirect its resources to the things that really matter'*.

Action plans for improvement are devised and implemented in response to External Audit recommendations.

- **Group Activities**

Bradford City Centre Urban Regeneration Company Limited, a company in the group, was wound up during the year. The Council has now taken over the lead role in promoting city centre regeneration. Progress has been made in developing a Transformation Plan and Transformation Board to allow the Council to effectively deliver its Economic Strategy in which the City Centre Masterplan is a key element.

Significant governance issues

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

The Council is continuing to make significant progress towards introducing an equality proof pay structure & implementing the National Single Status Agreement. Negotiations with the trade unions have resulted in a collective agreement with the Council to remove bonus payments from all NJC staff. The development of draft pay structures as a basis for further negotiation is under way. The timetable for implementation remains challenging, and will be significantly influenced by the continuation of successful joint working with the trade unions.

Attendance management remains a high priority and is managed through the Council's performance management framework. All Departments are challenged in relation to their absence figures at Corporate and Departmental Performance clinics and also at the quarterly clinic that is dedicated to attendance management which is chaired by the Council's Chief Executive.

The Council still has an issue in dealing with waste arising in advance of the PFI contract due to start in 2015. Waste arising are falling year on year and recycling is improving with sustained growth in the re-use and recycling of materials from the municipal waste stream. The Council has already awarded contracts to a local recycling facility to remove recyclables from Household Waste Site residual material along with commercial waste. The Council has recently invited tenders from the market for landfill and treatment solutions for its waste up to 2015. In order to further mitigate the risk, the Council has also agreed to trade landfill allowances with the other West Yorkshire authorities.

In response to a critical OFSTED report in 2000 and under the provisions of section 497A(4) of the Education Act 1996 the Local Authority was directed to outsource education services. Following a competitive tender process, the contract was awarded to Serco Plc., trading as Education Bradford, in 2001. This contract expires on 29th July 2011.

On 15th December 2009 the Council endorsed the decision of the Executive to bring responsibility for delivery of education services back in-house. On 21st December 2009 Ed Balls, then Secretary of State for Children, Schools and Families authorised the Council to proceed with work to deliver its preferred option.

The Authority is working with partners to establish budgets, staffing and accommodation requirements in order to maintain a continuous service and achieve a seamless transfer in accordance with relevant legislation and terms of contract. Implementation of the decision of Council is being project managed by the Assistant Director of Learning Services under the line management of the Director of Childrens' and Young People Services with advice and assistance from all relevant support services to ensure legal, HR and financial risks are identified and managed. The Council is fully aware that we now have an enormous challenge in front of us in delivering better educational attainment for our young people.

Over the coming year we propose to take steps to address the above matters 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 Ian Greenwood, Leader of Council
30th June 2010

Signed:

……………………………………………………………………

Tony Reeves, Chief Executive
30th June 2010

Report by Becky Hellard, Strategic Director, Corporate Services

On 25 February 2009 the Council set its budget and council tax for 2009-10. Spending of £435.069m was approved for the authority. This was to be funded from government grants and local taxation totalling £420.467m and £14.602m from corporate reserves.

Within the total spending, £426.039m was initially allocated to services and central budgets in line with budget decisions taken by members and the balance of £9.030m was held corporately. This included £2.260m for Waste Management strategies, £3.0m for the implementation of Equal Pay and a central contingency of £3.770m. As the Equal Pay Strategy was not finalised in 2009-10, £3.0m was not required. This together with a £1.9m over provision for the 2009 Pay Award was transferred at 31 March 2010 into a Corporate earmarked reserve to support the 2010-11 budget.

Overall services have underspent by £5.361m and non services over performed by £3.624m resulting in a combined underspend of £8.985m. This is after a net transfer of £4.028m into service earmarked reserves and includes additional spending as a result of extreme winter weather conditions totalling £905,000.

Of the total under spend position of £8.985m, £6.649m of unspent budgets have been carried forward into the new financial year in a Better Use of Budget Reserve. In arriving at this position Strategic Directors have raised awareness that certain budgets have planned commitments against them in 2010-11. The resulting net revenue underspending of £2.336m (0.5%) against a budget set for 2009-10 of £435.069m has been credited to the General Fund balance at the year-end.

	£000	£000
Variations in spending by Departments 2009-10		
Environment & Neighbourhoods	-1,862	
Corporate Services	-1,528	
B works project	-677	
Adult & Community Services	-533	
Children and Young People	-478	
Other departments (net)	-283	
		-5,361
Variations in other costs		
YPO dividend	-733	
Contingencies not used	-2,709	
Other costs	-182	**-3,624**
Total variations in spending		**-8,985**
Transfer to Better Use of Budget Reserve		**6,649**
Net Underspending transferred to the General Fund Balance		**2,336**

- Children's Services: The net underspend of £478,000 is after absorbing pressures of £1.198m arising in Care Management Service, a loss of £614,000 incurrred by the Industrial Services Group and an overspending of £349,000 on the Academies Programme. Principal areas of underspending were in respect of fostering and residential units (£516,000), Education Rates (£335,000) and School Supply Service (£303,000).

- Within Adults and Community Services there was an overspend on front line operational services of £757,000 of which Domiciliary Care, the Community Equipment Service and Asylum & Immigration services were the significant pressure areas. Externally purchased care also overspent by a net £582,000 being the result of an overspend of £1.045m on home support packages for Learning Disability clients, offset by an underspend of £463,000 on other externally purchased care provision budgets, including direct payments.

  Offsetting the over spend on operational services was an under spend of £1.597m in Commissioning, Performance and Business Support. The most significant underspend being £833,000 in respect of mental health commissioning, where the absence of PCT match funding led to a number of schemes being put on hold.

- Corporate Services: The service received significant additional subsidy of £720,000 from the Department of Works and Pensions to address the impact of the recession on the number of residents claiming benefits and faced significant pressure during the financial year as a consequence of the current economic recession. Other revenue underspends arose due to the capitalisation of spend on the Business Continuity Centre (£240,000) and significant vacancy levels across the whole service for much of the year.

- Environment and Neighbourhoods. The department incurred an underspend of £1.862m mainly due to an underspend of £1.948m on Area Action and Area Initiatives budgets. These specific budgets were allocated to each of the five areas within the district over the three years 2008-11 and priorities have been determined over that time frame. Facilities Management over spent by a net £350,000. This was made up of an under spend of £728,000, within the Energy Management Unit, £500,000 relating to the carbon management and an overspend on utilities (£684,000) and various other facility management costs (£394,000).

- Regeneration: Overall, Regeneration overspent by £166k in 2009-10, after consistently reporting significant budget pressures throughout the year.
  The effect of the economic downturn on Planning was largely offset by an underspend of £667,000 on the budget for Local Development Framework. The Highways and Transportation service came under pressure due to severe weather resulting in loss of car parking income (£150,000) and extra expenditure on salt supplies (£550,000). The closure of Bradford City Regeneration Company and the release of the Council's funding agreement contributed to an underspend of £601,000 within the Economic Development Service.

- b-works: The underspending of £677,000 on the b-works programme was partly a result of delays to improvement works at Shipley Town Hall (£150,000) and delays to completing work at mitre Court (£145,000). This work will be completed in 2010-11.

- Yorkshire Purchasing Organisation (YPO) Dividend. The Council benefited from a one off late notification of a YPO dividend of £733,000 in March 2010.

- Contingencies: The underspending of £2.709m relates in the main to residual balances earmarked for Waste Management Initiatives and other general contingencies.

Schools

There was a net surplus on schools delegated budgets of £2.050m, and as a result the overall level of school balances increased from £30.228m at 31 March 2009 to £32.278m at 31 March 2010. The net surplus is made up of deficit balances of £413,000 and surplus balances of £32.691m. The number of schools in deficit was 6, compared to 3 at the end of 2008-09. These sums have been carried forward to schools' budgets in 2010-11 in accordance with delegated arrangements. Schools are legally entitled to carry forward 8% of primary school budgets, and 5% of secondary school budgets.

General Fund Balance

The General Fund balance acts as a necessary contingency against unforeseen events. At 31 March 2010 the General Fund balance totalled £15.060m, compared to £12.724m at 31 March 2009, an increase of £2.336m. The level of the General Fund stands in excess of a minimum of 2.5% of the financial year's budget.

More Details

The Strategic Director, Corporate Services presented her report "Outturn Position and Statement of Accounts for the Financial Year Ended 31 March 2010" to the meeting of the Council's Executive on 28 June 2010. The report provides more details of the Council's financial performance in 2009-10. It is a public document and can be viewed via the Council's Internet site www.bradford.gov.uk

How Much Money Did the Council Spend?

In 2009-10, the gross revenue expenditure on the provision of services was £1.284bn. This included £21.115m paid to the West Yorkshire Passenger Transport Authority and £785,000 paid in local precepts to Parish Councils. For a further breakdown of the amount spent on individual services, please see either the following chart or the Income and Expenditure Account (page 26).

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

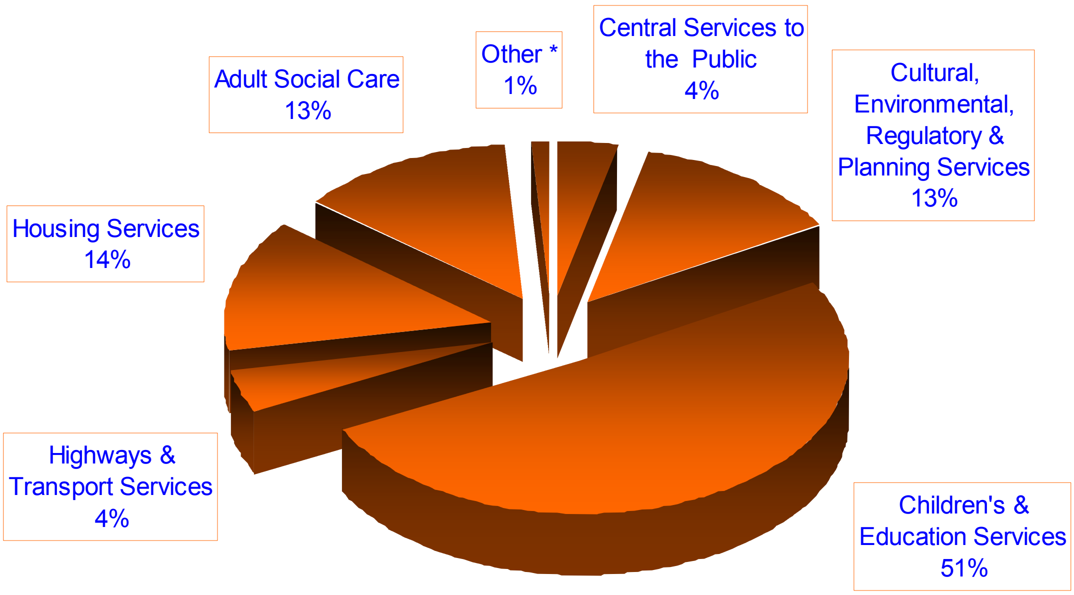
Where Did the Council Get Its Money?

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

What Is the Money Spent On?

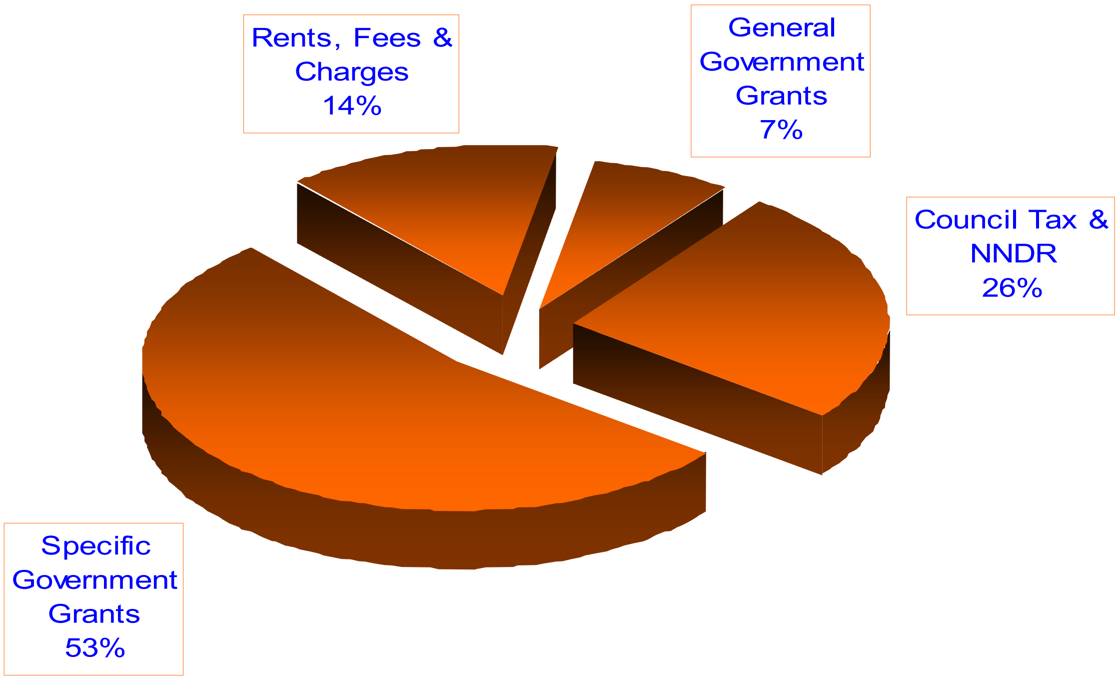
Local authority services are labour intensive with staff direct and indirect costs accounting for £561.311m of revenue expenditure. In 2009-10, spending on other operating costs and capital financing costs was £544.983m and council tax and rent benefits together totalled £177.706m.

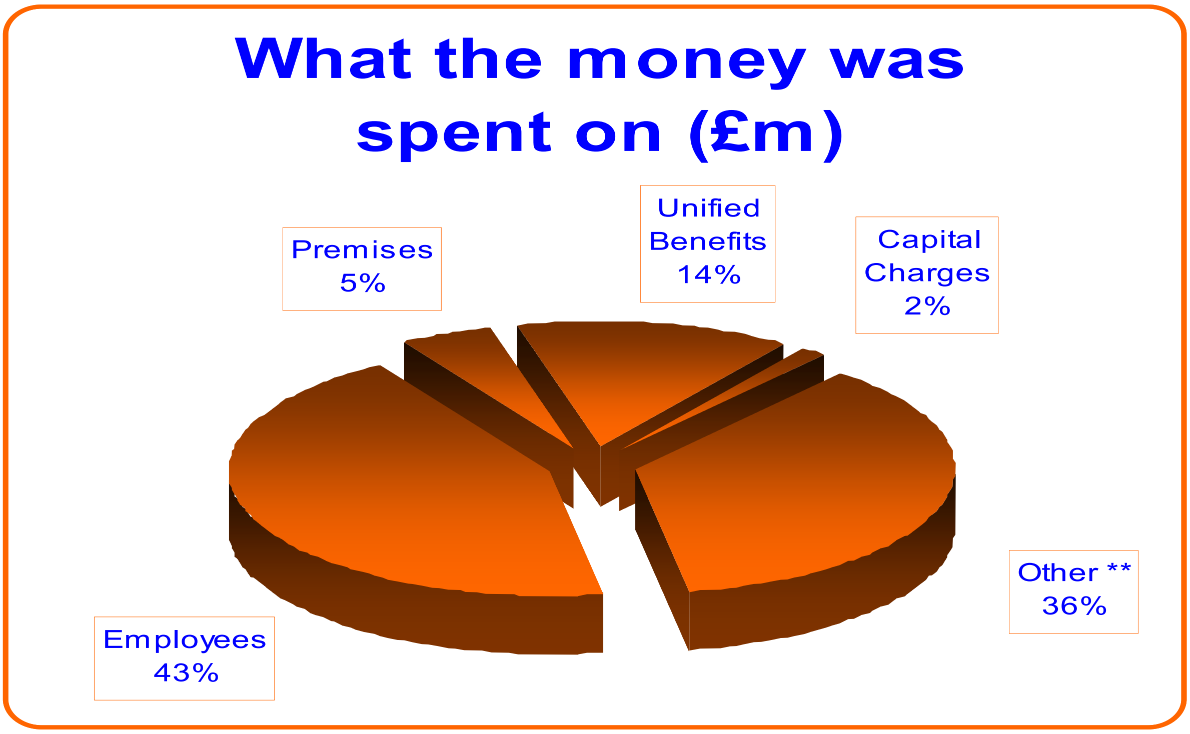
Where the money was spent (£m)



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

Where the money came from (£m)





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

Capital Expenditure

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

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

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

Capital Spending in 2009-10

The Council spent £88.1m in the year, a variance of £35m against the planned level. The variance is made up of delays in letting contracts, and reprofiling of annual capital allocations and underspendings. The variance will not create extra resources, as spending is re profiled to take place in 2010-11.

Where the Money Came From

The spending of £88.1m was funded as follows:

- £37.9m (43.0%) by external borrowing generating capital financing charges which will form part of future revenue spending.
- £43.9m (49.8%) from government and other grants.
- £1.2m (1.4%) from revenue contributions and the use of the Renewal and Replacements Reserve and other revenue reserves.
- £5.1m (5.8%) from capital receipts from the sale of land and buildings.

Schools capital receipts are ring fenced for future investment in Building Schools for the Future (BSF). Most other receipts are ringfenced to the B- Works Programme.

In addition to the £88.1m capital expenditure, a further £15.4m was incurred as a payment in advance on the BSF Phase 2 scheme. This will be included in the council's balance sheet when the scheme becomes operational in 2010-11.

Major Capital Schemes in 2009-10

The table below shows the expenditure in 2009-10 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes Expenditure 2009-10

	Main Schemes £000	Total Spend £000
Adult and Community Services		**759**
Children & Young People		**30,851**
Devolved Formula Capital	6,642	
Building Schools for the Future Phase 2	5,463	
Surestart Early Years & Childcare	3,321	
Education Capital Works	3,164	
Primary Programme	2,564	
Harnessing technology	1,805	
Corporate Services		**1,689**
Forensic Science Centre	1,187	
Culture Tourism & Sport		**5,523**
Roberts Park	3,105	
Parks & Landscapes	700	
Environment and Neighbourhoods		**9,398**
Replacement of Vehicles	3,669	
Parry Lane Depot	1,204	
Ward Investment Fund	1,167	
Capital Investment Fund	1,112	
Asset Management		**6,691**
Central Hall Keighley	450	
Short Term Regeneration Loan	6,083	
Housing		**11,438**
Disabled Housing Facilities Grant	3,646	
Renewal Areas	2,288	
Housing Market Renewal	3,154	
Economic Development		**7,366**
City Park	5,647	
Local Enterprise Growth Initiative	606	
Performance & Commissioning		**354**
Transportation Design and Planning		**14,075**
LTP Maintenance	5,911	
LTP Integrated transport	2,877	
Local Safety Schemes	843	
Street Lighting	1,004	
Connecting the City	1,131	
Total		**88,144**

Capital Borrowing

The Prudential Code defines the Capital Financing Requirement (CFR) as the measure of an authority's borrowing for capital purposes. It is one of the indicators an authority must set and monitor against each year to ensure capital spending and borrowing are affordable.
The Council's CFR calculations for 2008-09 have been restated in line with the 2009 SORP requirements to include the capital cost of PFI schemes, and associated liabilities, on the balance sheet. Since this is a fundamental change the 2008-09 comparatives have been restated below, and £85.5m added to capital spending in the year, and £784k to a reserve for the provision for repayment of capital borrowing in 2009-10.
The Council's CFR at 31 March 2010 is £534.2m, which is within the indicator it set for the year of £538.5m.

Council Tax Collection

At 31 March 2010, the Council had collected 93.6% of the value of council tax bills sent out for 2009-10, the comparative percentage for 2008-9 93.8%. The recovery process continues for outstanding arrears.

Pensions Liabilities

Financial Reporting Standard 17 requires the Council to include in its balance sheet the Council's share of the West Yorkshire Pension Fund's assets and liabilities.

At 31 March 2010 the deficit on the Pensions Reserve calculated by the actuary was £824m, an increase of £447m when compared to the figure at 31 March 2009 of £377m.

The significant increase in deficit is largely due to changes in assumptions made by the actuary (for discount rates for corporate bonds, inflation, mortality, pay and pensions) in estimating the future assets and liabilities of the fund.

The deficit referred to above will be reduced by approximately £167m in 2010-11 due to the Government decision in the summer of 2010 that future inflation rises for pensioners would be based on the Consumer Price Index (CPI) instead of the Retail Price Index (RPI), which has traditionally been a higher figure. Since this change occurred after 31 March 2010, it is treated as a non adjusting event and will be taken account of in the 2010-11 accounts (See note 49).

Building Schools for the Future

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

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

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

The Council was successful in securing further PFI credits in support of Phase 2 of the local programme which will result in £281m over 25 years. The contract was awarded in September 2009, and 7 new PFI schools (4 Secondary and 3 Special Schools) are scheduled to open in March 2011.

BSF Phase 2 and 3 development costs of £3.931m were charged to Children's Services in 2009-10 (£1.973m) in 2008-09).

The capital value of the BSF Phase 1 scheme has been included on the Authority's balance sheet, together with the associated liabilities, from 2008-09 onwards, see 'Accounting developments in 2009-10' below for a detailed explanation of the necessary changes. All future PFI schemes will also be treated the same way, provided they meet the necessary technical criteria.

Accounting Developments in 2009-10

Authorities are required to comply with the Statement of Recommended Practice on Local Authority Accounting in the UK 2009 (the 2009 SORP) when preparing their 2009-10 Statements of Accounts. The changes introduced in the 2009 SORP have required the authority to make further significant changes, in preparation for the introduction of IFRS (see note below). The key changes comprise in particular accounting for PFI which has already been referred to, plus accounting for local taxes (see page 31). The changes are of a fundamental nature and the authority is therefore required to provide comparative information for 2008-09. The 2008-09 figures have been restated in all the main financial statements and accompanying specific notes. The changes to the Accounting Statements include:

- Private Finance Initiative (PFI) schemes will be accounted for under IFRS and IFRIC 12 which require that assets acquired under PFI schemes, such as BSF, and the debts on those assets, are included on the council's balance sheet. In addition, the unitary charge which is payable to the contractor delivering the PFI service, must be split between service charges and financing costs. The restatement of the 2008-9 accounts has impacted on both the balance sheet and the income and expenditure account. The effect of the restatement on the balance sheet is to add £85.5m to fixed assets which is the estimated cost of the new schools being provided, and liabilities of £84.7m to recognise the long term borrowing , provided by the PFI contractor, to fund them, plus a reserve of £0.8m for the 2008-09 principal repayment costs. The effect on the Income and Expenditure Account is to reduce the Children's Services net expenditure by £3.247m from £204.061m to £200.814m and increase Interest payable (under net operating expenditure) by £3.627m from £29.315m to £32.942m.
- Accounting for local taxes. The SORP 2009 identifies the council as a billing agent for council tax and NNDR, and requires the Council to account for only its share of debtors and creditors, not those of preceptors.
- More detailed disclosures of employee remuneration. The authority is now required to disclose senior employees pay (see Note 28 Page 41).

- Interest owing on long term loans at 31 March each year, which the Council has taken out to fund its capital expenditure will no longer be included in creditors, but must be included in short term borrowing repayable within 12 months of the balance sheet date. As a result, in the 2008-09 restated accounts, a sum of £6.471m has been transferred from creditors to short term borrowing. In 2009-10 £6.620m interest was outstanding at 31 March 2010 and has been included in short term borrowing.
- A number of disclosures are no longer required for publication under the SORP09. These are Section 137 expenditure, expenditure on publicity, income under Local Authorities Goods and Services Act, Business Improvement District Schemes and the Building Control Account. The Building Control Account has been published on the Council's Internet site.

International Financial Reporting Standards

The Council will be required to produce accounts under International Financial Reporting Standards (IFRS) from 1st April 2010. Comparative figures will be needed from 1st April 2009, and the 2009-10 accounts will also have to be produced on an IFRS basis.
To ensure that the Council meets the deadline and carries out a complete transition of the new standards a project was commenced in early 2009.

The project has followed the timetable set by CIPFA LAAP Bulletin 80, and has included all the necessary actions to meet all the required milestones at the date of these accounts. Activities have included a workshop involving key departments across the Council, presentations to key departments, training of senior finance staff, and quarterly project meetings.

The Council was required to restate the balance sheet at 31 March 2009 in an IFRS compliant manner. The preparation of the restated accounts involved a substantial amount of detailed work reviewing areas including leases, PFI schemes, and fixed assets. The restated balance sheet was completed and presented, along with a report explaining the main changes, to Corporate Governance and Audit Committee, on 5 March 2010

The Council is well placed to meet the ongoing requirements of IFRS from 2010-11 onwards.

Future Developments in Council Funding

The Council will be facing reductions in government grants for 2010-11 and future years. The Department for Communities and Local Government (CLG) notified local authorities of the 2010-11 impact on June 10 2010. The impact on Bradford is a reduction in the levels of certain grants previously notified to the council in 2009-10. The reductions comprise:

- £7.3m in Area Based Grants (out of a total of £69.5m ABG),
- LABGI grant of £409k,
- The second instalment of Local Public Service Agreement (LPSA) grant of £5.637m (split equally revenue and capital),
- Planning Delivery grant estimated at £350k,
- Reductions to certain capital grants including £1.2m in the Integrated Transport Block and £180k in Transport Primary Route Network.
- Certain grants, both revenue and capital, through government agencies, yet to be clarified.

At the time of publication of the accounts, the government had not published details of any reductions in government grants for 2011-12 or later years; these are expected to be notified later in 2010 as part of the Autumn Spending Review.

Looking Forward – Key Issues

The Council's Medium Term Financial Strategy has a three year forward looking perspective and sets out the principles and issues that are estimated to influence the Council's financial strategy and annual budgets. Some of the key financial challenges which will also have to be taken account of in future budgets, in addition to anticipated reductions in grant funding, include:

- The contract with Serco plc for provision of education services is due to end on 29th July 2011. The Council is actively planning for delivery of the specific services after the contract expiry date, see note 8 for a more detailed explanation.
- 'Changing our Council'. The Council is actively implementing a multi year transformation programme aimed at the delivery of services in a more streamlined, efficient and customer focussed manner which will also deliver cost savings.
- Legislative changes including the potential abolition of NHS Primary Care Trusts (PCTs), and the split of their functions between GPs and local authorities. This is subject to legislation, and there is considerable uncertainty about the timescale, and the impact, operationally and financially.
- A review of the basis used for the distribution of Rate Support Grant (RSG) from 2011-12 onwards, which is paid by central government to local authorities to assist in funding of services. Its key aim is to ensure an approximately equal level of service provision across all local authorities. Bradford will receive RSG of £272m in 2010-11 and this funds approximately 60% of the Council's net budget of £449m in 2010-11. Any change could therefore have a significant impact on the Council's finances. A number of other grants are also subject to review and potential change. Bradford receives a higher level of grant per head overall than average, and some of the proposed changes could lead to the Council receiving less grant from 2011-12 onwards.
- Academy Schools. The Government has introduced new legislation which has simplified the process for establishing new academy schools, which would be independent from council control, and which would manage their own finances. The potential impact on the Council's expenditure on schools, and on its fixed assets, if schools transferred out of council control, could be significant.

General Principles

The accounts have been prepared in accordance with;

- the Accounts and Audit Regulations 2003 (as amended in 2006)
- the Code of Practice on Local Authority Accounting in the United Kingdom 2009, A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)
- Financial Reporting Standards (FRS) issued by the Accounting Standards Board
- CIPFA's Treasury Management in the Public Service Code of Practice
- the Best Value Accounting Code of Practice (BVACOP)

The following accounting concepts have been applied and policies adopted in preparing the financial accounts. The policies also include the effect of the partial introduction of International Financial Reporting Standards (IFRS) in local government in 2009-10. The key areas affected are Public Finance Initiative (PFI) schemes, accounting for Council Tax, and also accounting for National Non Domestic Rates (NNDR). These changes have been incorporated in the SORP 2009 a year earlier than the full introduction of IFRS which will apply from 2010-11 onwards. The 2008-09 comparative figures have also been restated on an IFRS basis for PFI, Council Tax and NNDR. The key changes are explained in Note 2 to the Main Financial Statements, and a significant number of individual notes have been restated accordingly in 2008-9.

Fundamental Accounting Concepts

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

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

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

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

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

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

Accounting Policies

Income and Expenditure (Debtors and Creditors)

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

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- There remain a small number of loans taken out before April 1988 for which, in accordance with previous practice, interest is not accrued. Non accrual of interest amounted to £139,710 at 31 March 2010.
- Expenditure on rent allowances is accounted for on a 52-week basis, with an occasional 53rd week being charged into the accounts.

Costs of Support Services

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

Retirement Benefits

West Yorkshire Pension Fund

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

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

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

In service accounts the cash payments made to the West Yorkshire Pension Fund (WYPF) have been replaced with the current service cost calculated by the actuary. The current service cost which represents the true economic pension cost of employing people in a financial year has been apportioned to services pro rata to employer's cash pension contributions. The 2009-10 current service costs take into account changes to the Local Government Pension Scheme which were introduced with effect from 1 April 2008. In the main these changes only affect benefits accruing and member's contributions from 1 April 2008 onwards.

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

In 2009-10 the appropriate real discount rate used increased from 2.5% (6.1% discount rate less 3.6% price inflation) at 1 April 2008 to 3.8% (7.1% discount rate less 3.3% price inflation) at 1 April 2009. A higher discount rate results in a reduction in the current service cost, which for Bradford decreased from 18.6% in 2008-09 to 13.9% of pensionable pay in 2009-10.

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, as the authority for the period April 2006 to March 2009 calculated the actual experience of the take up option at Bradford to be 48%, the 2009-10 figures have been based on this figure.

In accordance with the 2009 SORP, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid- market value. The estimated value of scheme assets at 31 March 2010 was £1,143m compared to £860m at 31 March 2009, an increase of £283m. However, the estimated value of scheme liabilities at 31 March 2010 was £1,881m, compared to £1,165m at 31 March 2010, an increase of £716m. These two changes explain the increase in the LGPS pension deficit from £305m at 31 March 2009 to £738m at 31 March 2010.

The asset performance of the WYPF has been based on asset splits as at 31 March 2010 and investment returns for the year of 33.3%. See Note 25, on page 38.

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

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

The difference between the value of the pension fund assets calculated by the actuary and the present value of scheme liabilities is shown in the Pensions Reserve. Note 26 on page 40 gives further details.

Teachers Pensions

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

The 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.

Tangible Fixed Assets

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets, above the de minimis level of £10,000 is capitalised on an accruals basis provided that the asset yields benefits to the Authority for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to revenue accounts. Additions are initially included at their cost of acquisition.
Significant capital expenditure commitments to which the Authority is contractually committed at 31 March 2010 are set out in Note 38 page 48 to the main financial statements.

Measurement

The fixed asset values used in the accounts are based on valuations backdated to the 1 April 2009, carried out by officers in the Asset Management service.

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

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

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

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

Net current replacement cost is assessed as:

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

Intangible Fixed Assets

Intangible assets are assets in respect of which the Authority controls access to the economic future benefits either through custody or legal protection. This includes computer software licences and the development of computer software. Expenditure on intangible assets is capitalised on an accruals basis at historic cost. After the year of acquisition they are amortised on a straight-line basis over the period that benefit is received. It is assumed that there will be nil residual value. Intangible assets are amortised over a maximum of 10 years as appropriate. Intangible assets are reviewed annually for impairment.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Depreciation

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

- Operational assets are depreciated over their individually estimated useful economic life.
- Non-operational investment properties have not been depreciated except where they are leased and have

an unexpired term of 20 years or less (these have been depreciated over the unexpired term of the lease on a straight-line basis).

- Infrastructure assets are depreciated on a straight-line basis over 30 years
- Vehicles, plant and equipment are depreciated over 3 to 7 years, as appropriate.

Intangible assets are amortised over a maximum of 10 years as appropriate.

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

Impairment

The Authority has carried out an impairment review of all assets over £10,000. This has been carried out on properties valued in 2006 and 2007, i.e. prior to the property market slump, using as appropriate figures averaged from three main sets of building cost indices. Assets valued after 1 April 2008 reflect the slump in property prices in their new valuation. Different percentages have been applied to land and buildings, and dependent on the basis on which the asset was valued. These are summarised in the table below :

Year Valued	Basis of valuation	Buildings / Land and Buildings	Land only
		%	%
2006-07	Depreciated replacement cost	0	10
	Open market value	5	10
2007-08	Depreciated replacement cost	0	20
	Open market value	10	20

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

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

Capital Receipts

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

Grants and Contributions

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

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

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

Charges to Revenue for Fixed Assets

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

- depreciation
- impairment losses attributable to the clear consumption of economic benefits
- reversal of previous impairment losses which cannot be charged to the revaluation reserve
- amortisation of intangible fixed assets.

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

Repayment of Debt

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

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

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The authority has one scheme which was operational at 31 March 2010, which is PFI Building Schools for the Future Phase 1 (BSF) comprising three new schools. The contract for a second PFI scheme, Building Schools for the Future (BSF) Phase 2, comprising the replacement of seven new schools, has been contractually committed and is explained below.

The authority is required to implement IFRS for Private Finance Initiative (PFI) schemes in 2009-10, one year in advance of the overall implementation of IFRS. The relevant accounting standard is the International Financial Reporting Interpretation Committee's (IFRIC) interpretation on Service Concession Arrangements, which is known as IFRIC 12.

The authority is required under IFRIC 12 to consider if the assets within its PFI schemes should be recognised by the authority, and the assets and liabilities included on the balance sheet. It has applied the following tests required under IFRIC 12 :

- Does the grantor control or regulate the service or price?
- Does the grantor control or regulate the residual interest in the asset?
- Are the assets constructed or acquired for the purpose of the contract?

The main principles of control have been tested to establish who has control of the assets, and the result of the above tests is that the PFI BSF Phase 1 scheme should be included on the authority's balance sheet. Under IFRIC 12 schemes should be included on a fair value basis, and the value at inception of Phase 1, which is the date the asset came into use, has been calculated. In addition, the 2008-09 comparative figures have been restated in the main financial statements and other notes as required by IFRS 1. The effect of the changes is summarised in note 2 to the main financial statements and explained as appropriate in individual notes to the accounts. The original recognition of these fixed assets comprised a gross fixed asset of £85.5m offset by a liability of £84.7m to be paid to the operator over the scheme life, plus a contribution to a reserve of £0.8m for repayment of 2008-09 principal.

Fixed assets recognised on the balance sheet are subject to revaluation, depreciation and impairment in the same way as property, plant and equipment owned by the authority.
The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account.
- Finance cost – an interest charge of 7.24% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment towards liability – applied to write down the balance sheet liability towards the PFI operator.
- Lifecycle replacement costs – recognised as fixed assets on the balance sheet.

The contract for BSF Phase 2 was signed in October 2009 and a payment schedule was agreed. Monies have been paid to the contractor as a contribution towards the contract in 2009-10 in order to reduce future financing charges. As the asset will not be recognised in the balance sheet until the schools are operational, the contribution will be accounted for in the 2009-10 accounts as a prepayment. The asset will be recognised in the Authority balance sheet when it is made available for use. At that point a corresponding PFI liability will be created and the prepaid amounts will be netted off with this amount to show a reduced liability. The Authority will reflect the prepayment in its balance sheet as a short term debtor as the assets are on schedule to become operational in March 2011, in financial year 2010-11. As the authority is not taking any construction risk, it has not recognised any capital assets under construction in its balance sheet at 31 March 2010.

Leases

Rentals paid under operating leases are charged to revenue.

Financial Instruments

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

Financial Liabilities

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

At the 31 March 2010, the authority had six Lender Option Borrower Option (LOBO) loans totalling £42.7m. With the exception of one £7.5m loan, the remaining 5 LOBOs were agreed on a stepped basis. In accordance with the SORP, all LOBO's have been re-measured.

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

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

Financial Assets

Financial assets are classified into two types:

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

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

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

Current Assets

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

Investments

Investments are shown at amortised cost.

Landfill Allowance Trading Scheme (LATS)

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

Allowances issued by the former DEFRA, whose responsibilities for LATS have now been taken over by the

Department for Communities and Local Government, are initially recognised as deferred income in the balance sheet and subsequently recognised on a systematic basis over the compliance year for which allowances were allocated.

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

Provisions

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

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

Contingent Liabilities

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

Revenue Reserves

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

- The general revenue reserves and balances are available for planned future expenditure, subject to minimum balances being preserved.
- The Collection Fund is not available to support spending but realised surpluses may be released from time to time through the authority's budget process as an adjustment to council tax levels. The Collection Fund is no longer included in the balance sheet from 2009-10 onwards in line with the 2009 SORP. It has been replaced by the Collection Fund Adjustment Account which includes only the authority's share of Collection Fund surpluses or deficits. The preceptors share of Collection Fund surpluses or deficits are included in debtors and/or creditors as appropriate.
- The remaining earmarked revenue reserves have been set aside for specific purposes and are supported by spending plans.

Provision for Bad and Doubtful Debts

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

Subsidiary and Associated Companies

The Council has financial relationships with a number of subsidiary and associated companies, in the main to manage the BSF programme. These are shown in the notes to the main financial statements and have been completed based on FRS 2 (Subsidiary Undertakings) and FRS 9 (Associates and Joint Ventures) (see Note 32 on page 44). From 2009-10, onwards, the note includes reference to any organisation over which the authority has the ability to exert significant influence of a material nature, through participation in policy decisions, and covering aspects of policy relevant to the council including decisions on strategic issues.

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

Deferred Liabilities

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

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT.

Partnership Arrangements

Where the authority acts as the accountable body e.g. for Local Area Agreement Grant (LAA), Local Public Sector Agreement (LPSA), or Area Based Grant (ABG) funded schemes they are accounted for on the following basis:

- If the authority controls the grant distribution process, all of the grant money received and the associated expenditure will be included in the authority's accounts. Conversely if the authority does not control the award of grant, only the grant allocated to the authority itself and the associated expenditure is recognised in the authority's accounts.
- Where the authority is the ultimate recipient of grant distributed by the decision making body, the grant receivable is included in the accounts on an accruals basis.
- Where liabilities may arise for the repayment of grant as a result of the authority's status as accountable body these will be recognised in the accounts of the authority in accordance with accounting policies.

Post Balance Sheet Events

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

Exceptional Items

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

Council Tax and National Non Domestic Rates (NNDR)

In the authority'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 2009 SORP requires that only the authority's share of income and expenditure and balance sheet items are included in the financial statements. The authority 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 statements 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. These are significant changes compared to the previous accounting treatment whereby Council tax income included major preceptors, and the authority included NNDR debtors within its own debtors totals. They represent a change in accounting policy, and therefore a prior year adjustment has been effected to restate the 2008-09 comparative figures in the main financial statements and other notes in line with SORP requirements. The effect of the key changes is summarised in Note 2 to the main financial statements and explained as appropriate in individual notes to the accounts, including debtors and creditors Note 42.

This statement reports the net cost for the year of the services provided by the Council. It brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers. The 2008-09 figures have been restated to show the effect of changes required by the SORP 2009 to the Collection Fund, National Non Domestic Rates, to PFI schemes, and accrual of loan interest (See Note 2). The large reduction in net expenditure at net cost of services level in 2009-10 to £373.7m, compared to £527.8m in 2008-09, is mostly due to a one off impairment of assets of £119m in 2008-09, largely on Children's Services, plus extra government grants received in 2009-10.

2008-9 Net Expenditure £000	2008-9 Net Expenditure Restated £000	Income and Expenditure Account	2009-10 Gross Expenditure £000	2009-10 Income £000	2009-10 Net Expenditure £000	*Note 2*
Note 3						
		Expenditure on services				*Note 4*
6,703	6,703	Central Services to the Public	45,453	-40,604	4,849	
204,061	200,814	Children's & Education Services	650,669	-555,252	95,417	
128,017	128,131	Cultural, Environmental, Regulatory & Planning Services	170,944	-71,996	98,948	
49,349	49,349	Highways & Transport Services	57,202	-10,423	46,779	
13,786	13,786	Housing Services	178,331	-172,032	6,299	
112,707	112,707	Adult Social Care	166,187	-45,707	120,480	
394	394	Court Services	1,413	-955	458	
9,071	9,071	Corporate & Democratic Core	10,626	-1,161	9,465	*Note 6*
13,630	13,630	Non Distributed Costs	2,382	-7,766	-5,384	*Note 6*
-6,744	-6,744	Exceptional Items	0	-3,571	-3,571	*Note 5*
530,974	**527,841**	**Net cost of services**	**1,283,207**	**-909,467**	**373,740**	
26,297	26,297	Loss / Gain (-) on disposal of assets			-3,034	*Note 24*
764	764	Parish council precepts			785	
-492	-492	Trading services surpluses (-) / deficits			-581	*Note 10*
29,315	32,942	Interest payable and similar charges			33,982	*Note 11*
50	50	Contribution to housing capital receipts pool			25	*Note 17*
-10,418	-10,418	Interest and investment income			-3,038	
15,269	15,269	Net pension interest cost and expected return on pensions assets			31,636	*Note 25*
591,759	**592,253**	**Net operating expenditure**			**433,515**	
-152,835	-150,887	Demand on the Collection Fund			-159,090	
-78,960	-79,074	General Government grants			-104,155	*Note 7*
-223,291	-223,291	Non-domestic rates redistribution			-214,190	
-2,154	0	Distribution of the Collection Fund deficit(-) / surplus			0	
134,519	**139,001**	**Deficit / Surplus (-) for the year**			**-43,920**	

The Income and Expenditure Account discloses income receivable and expenditure incurred and the resulting surplus or deficit for the year measured in accordance with UK GAAP. The 2008-09 figures have been restated to show the effect of changes required by the SORP 2009 to the Collection Fund and to PFI schemes (See Note 2). The amounts chargeable to a local authority's council tax and its General Fund reserves for the year are controlled by legislation, and include a number of statutory adjustments and transfers to specific reserves. The amounts in addition to the Income and Expenditure Account surplus or deficit that are required to be charged or credited to the General Fund in determining the movement on the General Fund balance for the year are:

2008-9	2008-9 Restated	Statement of Movement on the General Fund Balance	2009-10	*Note 2*
£000	**£000**		**£000**	
134,519	**139,001**	**Deficit / (-) Surplus for the year on the Income and Expenditure Account**	**-43,920**	
		Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year		
-1,672	-1,672	Amortisation of intangible fixed assets	-1,746	*Note 14*
-21,947	-21,947	Depreciation of fixed assets	-23,773	*Note 14*
-119,198	-119,198	Impairment of fixed assets	10,099	*Note 14*
5,291	5,291	Government grants deferred amortisation matching depreciation and impairment	34,375	*Note 14*
-1,016	-1,016	Revenue expenditure funded from capital under statute	-3,258	*Note 14*
-26,247	-26,247	Net gain or loss (-) on the disposal of assets	3,053	*Note 24*
1,164	0	Building Schools for the Future Phase 1 – PFI new assets acquired in the year	0	*Note 36*
800	800	Differences between amounts debited and credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt and stepped interest loans	777	*Note 16*
-59,483	-59,483	Net charge made for retirement benefits in accordance with FRS 17	-59,669	*Note 25*
0	-4,103	Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.	1,465	
		Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund balance for the year		
21,092	21,092	Minimum revenue provision for capital financing	22,452	*Note 14*
10,808	10,808	Capital expenditure charged to the General Fund balance	1,221	*Note 14*
-50	-50	Transfer to or from (-) usable capital receipts equal to the amount payable into the national housing capital receipts pool	-25	*Note 17*
40,037	40,037	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	41,356	*Note 25*
		Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year		
9,831	10,615	Net transfer to earmarked reserves	13,207	*Note 12*
-140,590	**-145,072**	**Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund balance for the year**	**39,534**	
-6,071	**-6,071**	**Increase in the General Fund balance**	**-4,386**	
-36,881	**-36,881**	**General Fund balance brought forward**	**-42,952**	
-42,952	**-42,952**	**General Fund balance carried forward**	**-47,338**	*Note 23*

-30,228	**-30,228**	**Amount of General Fund balance held for schools under local management scheme**	**-32,278**	*Note 23*
-12,724	**-12,724**	**Amount of General Fund balance generally available**	**-15,060**	*Note 23*

Not all gains and losses are reflected in the Income and Expenditure Account. This statement brings together all the recognised gains and losses of the Council for the year. The total is the increase or decrease in the net worth of the authority in the year (movement in total assets less liabilities as shown on the Balance Sheet). The 2008-09 figures have been restated to show the effect of changes required by the SORP 2009 to the Collection Fund and to PFI schemes (See Note 2).

2008-9	**2008-9 Restated**	**Statement of Total Recognised Gains and Losses**	**2009-10**	
£000	**£000**		**£000**	
134,519	139,001	Deficit / Surplus (-) for the year on the Income and Expenditure Account	-43,920	
-70,610	-70,610	Surplus arising on revaluation of fixed assets	-64,105	*Note 13*
-40,108	-40,108	Actuarial gains (-) and losses on pension fund assets and liabilities	428,237	*Note 26*
		Other losses:		
4,769	0	Movement on the Collection Fund	0	*Note 22*
	349	Adjusting item due to change in accounting policies on council tax		
28,570	**28,632**	**Total Recognised Gains (-) / Losses**	**320,212**	*Note 45*

The above statement includes in the 2008-09 restated column the following major prior period adjustments for 2008-09, which are explained in more detail in note 2 :

1. A net £380k increase in the Income and Expenditure account to reflect the impact of changes in accounting policies for the PFI BSF Phase 1 scheme.
2. An increase of £4.102m in council tax income, and a reduction of £4.420m in the Collection Fund balance reflecting the changes in accounting policy required by the SORP 2009.

This statement shows the financial position of the Council at the year-end. Balances on all accounts other than Trust Funds and the Pension Fund are brought together and items that reflect internal transactions are eliminated. The balance sheet shows the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The 2008-09 figures have been restated to show the effect of changes required by the SORP 2009 to the Collection Fund, PFI schemes, and accrual of interest on loans (See Note 2).

31 March 2009 £000	31 March 2009 Restated £000	Balance Sheet	31 March 2010 £000	
1,044,892	1,130,392	Tangible fixed assets	1,239,135	*Note 33*
12,304	12,304	Intangible fixed assets	10,795	*Note 34*
11,001	11,001	Long term investment	1	*Note 39*
4,065	2,901	Long term debtors	2,833	*Note 40*
1,072,262	**1,156,598**	**Total long term assets**	**1,252,764**	
		Current assets:		
1,108	1,108	Stocks and work in progress	1,475	*Note 42*
89,187	86,715	Debtors and payments in advance	125,878	*Note 42*
83,772	83,772	Investments	72,109	*Note 42*
59,309	59,309	Cash in hand	84,704	*Note 42*
		Less current liabilities		
142,747	135,186	Creditors and receipts in advance	162,780	*Note 42*
0	6,471	Short term borrowing (repayable within 12 months)	11,620	*Note 58*
7,391	7,391	Cash overdrawn	5,749	*Note 42*
83,238	**81,856**	**Net current assets**	**104,017**	
1,155,500	**1,238,454**	**Total assets**	**1,356,781**	
		Less:		
405,953	405,953	Long term borrowing	411,161	*Note 58*
29,396	29,396	Provisions	26,290	*Note 43*
5,949	88,965	Deferred liabilities	86,839	*Note 44*
203,141	203,141	Government grants deferred	195,340	*Note 52*
602	602	Deferred income	502	*Note 50*
407	407	Deferred capital receipts	321	*Note 51*
377,047	377,047	Liability related to defined benefit pension schemes	823,597	*Note 26*
133,005	**132,943**	**Total assets less liabilities**	**-187,269**	
		Financed by:		
295,474	294,310	Capital adjustment account	334,848	*Note 14*
-9,582	-9,582	Financial Instruments Adjustment Account	-8,805	*Note 16*
0	-1,933	Collection Fund Adjustment Account	-467	*Note 22*
126,610	126,610	Revaluation Reserve	187,589	*Note 13*
69	69	Usable capital receipts reserve	5,054	*Note 17*
-377,047	-377,047	Pensions reserve	-823,597	*Note 26*
97,481	100,516	Revenue reserves	118,109	*Note 12*
133,005	**132,943**	**Total equity**	**-187,269**	*Note 45*

This statement has been drawn up to show where the Council receives cash from and what this cash has been spent on. See Note 2 for explanation of the 2008-09 restatement of the accounts.

2008-09 £000	2008-09 Restated £000	Cash Flow Statement	2009-10 £000
44,417	**60,949**	**Net cash inflow from revenue activities**	**38,248**
		Servicing of Finance	
-29,554	-29,554	Cash outflow –interest paid	-27,443
0	-3,627	Interest element of BSF PFI rental payments	-6,182
10,418	10,418	Cash inflow –interest received	4,048
-19,136	**-22,763**	**Net cash outflow from servicing of finance**	**-29,577**
		Capital activities: cash outflows	
-86,372	-86,372	Purchase of fixed assets	-67,014
0	0	Other payments	-6,296
		Capital activities: cash inflows	
1,975	1,975	Sale of fixed assets	5,681
28,778	28,778	Capital grants and other receipts	62,097
15,000	15,000	Long term investments now less than twelve months	11,000
-40,619	**-40,619**	**Net cash outflow from capital activities**	**5,468**
		Acquisitions and disposals : cash outflows	
0	0	Investments in associates and subsidiary undertakings	0
		Acquisitions and disposals : cash inflows	
0	0	Sales of investments associates and subsidiary	0
0	**0**	**Net cash inflow /outflow (-) from acquisitions and**	**0**
-15,338	**-2,433**	**Total net cash outflow before financing**	**14,139**
		Management of liquid resources :	
58,133	58,133	Net decrease / increase (-) in short-term deposits	11,663
0	-12,121	Net decrease/increase (-) in other liquid resources	-6,856
58,133	**46,012**	**Net decrease / increase (-) in liquid resources**	**4,807**
		Financing	
-41,117	-41,117	Cash outflows – repayments of amounts borrowed	-209
	-784	Capital element of finance lease rental payments	-1,700
0	0	Cash inflows -new loans raised	10,000
-41,117	**-41,901**	**Net cash outflow (-)/inflow from financing**	**8,091**
1,678	**1,678**	**Increase/Decrease (-) in cash**	**27,037**

In the 2008-09 restated accounts, the net cash inflow from revenue activities has changed from £44.417m to £60.949m, an increase of £16.532m. This is due partly to the transfer out of £4.411m revenue expenditure from Children's Services gross expenditure in respect of the restatement of the BSF scheme, which comprises £3.627m of interest included under 'Servicing of Finance' and £784k included under 'Financing' for the capital element of the lease rental payments for the PFI scheme. A total of £12.121m gross expenditure has also been taken out in respect of the net debtors on NNDR (£10.417m) and major preceptors for Council tax (£1.704m), which under the SORP are included in 'Management of Liquid Resources' as a net increase in other liquid resources.

Note 1. Notes to the Main Financial Statements

These notes are provided to give more detailed analysis in support of the main financial statements. They include all the information authorities are required to disclose except that for this authority the following disclosure requirements are not relevant for the 2009-10 Statement of Accounts:

- Acquired or discontinued operations: No significant operations were acquired or discontinued during the year.
- Schemes under the Transport Act 2000 (road user charging and workplace parking levy schemes): The authority has not entered into any such activities.
- Business Improvement District (BID) schemes: No such schemes have been established by the authority.
- Changes in depreciation method: There has been no change to the way fixed assets are depreciated.
- Changes in the basis of amortisation of intangibles: There has been no change to the way in which intangible assets are amortised.
- Analysis of net assets used by General Fund services, Housing Revenue Account (HRA) Services and trading services: The authority has no HRA and none of its trading services uses a material level of the overall net assets.

Note 2. Prior Year Adjustments and Restatement of 2008-9 Figures

The 2008-09 figures have all been restated for the main financial statements and for a large number of individual notes. An extra column has been added so that the difference between the original and the restated 2008-09 figures is clearer. The changes are required due to the SORP 2009 changes for accounting for PFI, Council tax, National Non Domestic rates, and accrual of interest due on loans outstanding at year end. The key changes are summarised below, and have been explained on the relevant amended notes as well as in the explanatory foreword.

Private Finance Initiative (PFI) BSF Phase 1

In accordance with the 2009 SORP the assets and liabilities of PFI schemes must be added to the authority's balance sheet under IFRIC 12 if the authority effectively controls the use of the assets. The IFRIC 12 review has confirmed that the assets are controlled and therefore the adjustments have to be made to the balance sheet. Since this is a change in accounting policy, the 2008-9 comparative figures have been restated. The key change is that the financing charges included in the unitary charge payment of £4.4m to the contractor in 2008-9 must be taken out of Children's Services and included in Interest payable (£3.627m) and a reserve for Minimum Revenue Payment established (£784k, see note 12). In addition, the debtor of £1,164m set up in 2008-09 must be reversed as the assets are now included on the restated balance sheet. The assets valued at £85.5m together with long term liabilities of £83.016m, plus a creditor for the PFI principal repayment of £1.7m at 31 March 2009, have been brought onto the balance sheet.

Prior Year Adjustments to the Financial Statements at 31 March 2009 in respect of PFI BSF Phase 1

	Original Balance	Change	Restated Balance
	£000	**£000**	**£000**
Income and Expenditure Account			
Children's Services	204,061	-3,247	200,814
Interest payable and similar charges	29,315	3,627	32,942
Statement of Movement on General Fund Balance			
Long Term Debtor	1,164	-1,164	0
Transfer to reserve	0	784	784
Balance Sheet			
Tangible fixed assets	1,044,892	85,500	1,130,392
Long Term Debtors	4,065	-1,164	2,901
Creditors & receipts in Advance (PFI only)	0	1,700	1,700
Deferred Liabilities	-5,949	-83,016	-88,965
Capital Adjustment Account	-295,474	1,164	-294,310
PFI reserve for MRP (excludes other reserves)	0	-784	-784

Council tax and National Non Domestic Rates (NNDR)

The 2009 SORP change required billing authorities to only include their share of council tax in their accounts, while for NNDR combine the amount owed from NDR tax payers with the amount owed from the Central Government Pool.

Prior Year Adjustments to the Financial Statements at 31 March 2009 in respect of Council tax and NNDR changes

	Original Balance	Change	Restated Balance
	£000	**£000**	**£000**
Income and Expenditure Account			
Demand on Collection Fund (Council tax)	-152,835	1,948	-150,887
Distribution of Collection Fund surplus (council tax)	-2,154	2,154	0
Statement of Movement on General Fund Balance			
Amount by which council tax included in the I & E is different from the General Fund	0	-4,103	-4,103
Balance Sheet			
Debtors and PIA preceptors – Council tax	1,610	94	1,704
Debtors and PIA – central government re NNDR	12,983	-2,566	10,417
Creditors - RIA Council tax	224	-224	0
Creditors and RIA – NNDR	2,566	-2,566	0
Council Tax adjustment account	0	-1,933	-1,933
Revenue Reserves – Collection Fund	-2,251	2,251	0

NB PIA = payments in advance
RIA = receipts in advance

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

Recent changes in the presentation of Statements of Accounts make authorities' accounts more consistent with

UK GAAP and with the accounts of companies. However, in interpreting the authority's accounts it is important to recognise that:

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

In 2009-10 there was a surplus for the year on the I & E Account of £43.920m. After taking into account those amounts which are required to be charged or credited to the General Fund Balance through the SMGFB, there was an increase of £2.050m in school balances and an increase of £2.336m on the General Fund balance.
The surplus of £43.9m in 2009-10 is a significant change from the deficit of £139m in 2008-09, but it is largely due to technical factors. In 2008-09, there was a one off impairment charge of £119m for assets due to the 'credit crunch'. In 2009-10, £34.4m of grants received in previous years were credited to services income compared to £5.3m in 2008-09. These two changes account for most of the variation in net cost of services net expenditure, and in the movement from deficit of £139m to surplus of £43.9m.

Note 4. Expenditure on Services

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

Note 5. Exceptional Item

In 2009-10, the Authority received a VAT refund of £3.571m in respect of sporting admissions and coaching fees. The refund, which includes a statutory interest payment of £1.67m, has been treated as an exceptional item, in line with the £6.744m received in 2008-9.

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

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

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

Revenue grants that do not relate to the delivery of a specific service are grouped together and shown as income in the Income and Expenditure Account. In 2009-10 the authority received the following:

2008-9 £000	2008-9 Restated £000	Government grants (not attributable to specific services)	2009-10 £000
31,084	31,084	Revenue Support Grant	49,438
46,523	46,523	Area Based Grant	51,338
1,353	1,353	Local Authority Business Growth Incentive (LABGI)	318
0	0	Local Public Service Agreement (LPSA)	2,819
0	114	Housing and Planning Delivery Grant	242
78,960	**79,074**	**Total**	**104,155**

The 2008-09 figures have been restated to include Housing and Planning Delivery grant of £114k, which had originally been included as a grant payable to Planning and Development Services. The net expenditure in 2008-09 in the Income and Expenditure Account has therefore increased by £114k to reflect the reclassification of this income as grant not attributable to a specific service.
Revenue Support Grant (RSG) has increased from £31.084m in 2008-09 to £49.438m in 2009-10. However, the amount of Non Domestic Rates Distribution shown at the foot of the income and Expenditure Account must be added to the RSG figures to see the overall formula government grant given for general services which increased by 3.5% from £254m in 2008-09 to £263m in 2009-10. Most of this increase of £9m is due to inflation, with a small amount for additional service costs.

Area Based Grant (ABG) replaced the Local Area Agreement Grant (LAA). ABG is a non ringfenced general grant made up of a wide range of former specific grants from several government departments, plus a number of new grants. There are no conditions imposed as part of the grant determination, ensuring full local control over how the funding can be used. The grant increase from £46.523m in 2008-09 to £51.338m in 2009-10 is due partly to inflation, but also the inclusion of some new schemes, and the expansion of some existing schemes. An underspend of £8.568m on ABG funded schemes at 31 March 2010 has been carried forward to 2010-11 in a ring fenced earmarked reserve.

The LABGI grant has decreased from £1.353m in 2008-09 to £318k in 2009-10 reflecting the effect of legal challenges to previous distribution methods and reductions in overall funding at the national level.

The LPSA grant of £2.819m is the first instalment in respect of the achievement of certain Local Area Agreement (LAA) targets for the period 2006-09. Following the Government's announcement in June 2010, it is unlikely that the authority will receive the second instalment of this grant which had been expected in 2010-11.

Note 8. Obligations Under Long-Term Contracts

Bradford-i

Bradford-i is a 10 year contract, which started in September 2005, with IBM UK Ltd, and SERCO (which is a subcontractor for the provision of ICT services). The contract provides for the implementation of the following:

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

- ongoing support of other existing corporate and departmental systems.

The estimated contract value is £190.6m with the upfront investment being provided by IBM UK Ltd via IBM Global Financing organisation.

Building Schools for the Future (BSF)

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

Phase 1 of the programme comprised the building of three new schools together with the provision of facilities management and maintenance for the next 25 years under a Private Finance Initiative contract. The schools opened in August 2008 and the total cost of the service over 25 years (including utilities £9m) is £322m. The Council has secured funding support from the former Department for Children, Schools and Families (DCSF), now the Department for Education, 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.

The Primary Schools opened in late 2009 and the Secondary campuses are due to open in March 2011.

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

Education Bradford

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

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

Note 9. Leasing

Operating Leases

Vehicles, Plant, Furniture and Equipment – the Council makes use of certain vehicles, equipment and wheeled and recycling bins financed under operating leases. The amounts paid under these arrangements in 2009-10 were £2.3m (£2.5m in 2008-9).
Land and Buildings – The total of rents payable in 2009-10 accounted for as operating leases was £2.1m (£2.1m in 2008-9).
Authority as Lessor – Rentals receivable by the authority in respect of operating leases in 2009-10 were £4.5m (£4.7m in 2008-9).
Commitments under Operating Leases –The Council was committed at 31 March 2010 to make total payments of £3.357m under operating leases, comprising the following elements:

Analysis of Operating Leases

Leases Expiring:	**Other Land & Buildings**	**Vehicles, Plant & Equipment**
	£000	**£000**
In 2010-11	745	199
Between 2011-12 and 2014-15	621	1,295
After 2014-15	478	19
Total Commitments at 31 March 2010	**1,844**	**1,513**

Authority as Lessor – With regard to the authority's activities as a lessor, the gross value of assets held for use in operating leases was £155m at 31 March 2010 (£112.1m at 31 March 2009) and subject to accumulated depreciation and impairment of £8.7m to 31 March 2010 (£14.5m to 31 March 2009).

Note 10. 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 2009-10.

Trading Services Surplus (-) / Deficit

2008-9 Surplus (-) /Deficit		**2009-10 Turnover**	**2009-10 Surplus (-) /Deficit**
£000		**£000**	**£000**
-567	School & welfare catering	14,046	-871
-17	Non-Bradford school catering	200	-17
58	Other catering	528	532
34	Building cleaning	2,831	-225
-492	**Total**	**17,605**	**-581**

Trading Services Included in Net Cost of Services

2008-9 Surplus (-) /Deficit		**2009-10 Turnover**	**2009-10 Surplus (-) /Deficit**
£000		**£000**	**£000**
370	Markets	2,837	-251
1,332	Car parks	3,627	-644
286	Trade refuse	3,372	211
1,988	**Total**	**9,836**	**-684**

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

The significant trading improvement between 2008-09 and 2009-10 in the trading services included in the net cost of services table above is largely due to the one off impairment charges included in the 2008-09 figures.

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

Note 11. Interest Payable

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

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

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

The 2008-09 interest figures have been restated to include the interest of £3.627m payable to the PFI contractor for the BSF phase 1 finance lease. This restatement is in accordance with the required SORP changes and IFRIC 12 for treatment of private finance initiative schemes from 2009-10. This requires restatement of 2008-09 comparative figures since the change is fundamental in nature and involves a change in accounting policies.

2008-9	2008-9 Restated	Interest Payable and Similar Charges	2009-10
£000	£000		£000
		External interest charges	
27,212	27,212	PWLB	25,643
0	3,627	Interest on finance lease rentals (PFI)	6,182
1,743	1,743	LOBO's	1,849
71	71	Short term interest	0
313	313	Transferred debt	308
-24	-24	Net premiums and discounts	0
29,315	**32,942**	**Total**	**33,982**

Note 12. Movements on Reserves

The Council keeps a number of reserves. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up to earmark resources for future spending plans. The 2008-09 figures have been restated to include the effect of the SORP 2009 changes which involve a change in accounting policies and therefore require previous year comparatives to be restated. The changes comprise a £1.164m reduction to the Capital Adjustment Account in respect of the elimination of the long term debtor on BSF Phase 1, plus the establishment of a reserve of £784k for the PFI principal repayment made in 2008-09 (see note 2 for more detail). In addition, the deficit balance on the Collection Fund of £2.251m at 31 March 2009, has now been transferred to the Income and Expenditure Account. The Collection Fund has been replaced in the balance sheet by the Collection Fund Adjustment Account, which includes only the council's element of collection fund surpluses and deficits, and excludes the major preceptors (The Police Authority and Fire and Rescue Authority) share.

Balance 31 March 2009	Balance 31 March 2009 Restated	Analysis of Movements on Reserves	Gains or Losses(-) 2009-10	Other Transfers 2009-10	Balance 31 March 2010	
£	£		£	£	£	
126,610	**126,610**	**Revaluation Reserve**	**64,105**	**-3,126**	**187,589**	*Note 13*
295,474	**294,310**	**Capital Adjustment Account**	**0**	**40,538**	**334,848**	*Note 14*
-9,582	**-9,582**	**Financial Instruments Adjustment Account**	**0**	**777**	**-8,805**	*Note 16*
69	**69**	**Usable Capital Receipts Reserve**	**0**	**4,985**	**5,054**	*Note 17*
-377,047	**-377,047**	**Pensions Reserve**	**-428,237**	**-18,313**	**-823,597**	*Note 26*
0	**-1,933**	**Collection Fund Adjustment Account**	**0**	**1,466**	**-467**	***Note 22***
		Revenue Reserves				
		Earmarked Reserves				
9,226	9,226	Renewal and Replacement Reserve		6,289	15,515	*Note 18*
36,772	36,772	Other Earmarked (Corporate)		2,475	39,247	*Note 19*
4,673	4,673	Other Earmarked (Better Use of Budgets)		1,976	6,649	*Note 20*
0	784	PFI BSF Phase 1		-784	0	
6,109	6,109	Other Earmarked (Service)		3,251	9,360	*Note 21*
56,780	**57,564**	Total Earmarked Reserves		**13,207**	**70,771**	
-2,251	0	Collection Fund		0	0	*Note 22*
30,228	30,228	School Balances		2,050	32,278	*Note 23*
12,724	12,724	General Fund Balance		2,336	15,060	*Note 23*
97,481	**100,516**	**Total Revenue Reserves**		**17,593**	**118,109**	

Note 13. Revaluation Reserve

The Revaluation Reserve was included in the Consolidated Balance Sheet at 1 April 2007 with a zero opening balance. The closing position on the Reserve at 31 March 2010 therefore only shows revaluation gains accumulated since 1 April 2007.

The unrealised gains resulting from the revaluation of fixed assets are reflected in the Statement of Total Recognised Gains and Losses (see page 28).

2008-9 £000	Revaluation Reserve	2009-10 £000
59,452	Balance at 1 April	**126,610**
93,679	Unrealised gains from revaluation of fixed assets	66,012
-23,069	Impairment of previous years revaluation gains	-1,903
-2,946	Write down of revaluation gains on disposal of assets	-1,051
-506	Write down of revaluation gains in respect of depreciation	-2,079
126,610	**Balance at 31 March**	**187,589**

Note 14. Capital Adjustment Account

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

The 2008-09 figures have been restated in line with SORP 2009 and reflect the inclusion of the BSF Phase 1 scheme in the council's balance sheet.

2008-9 £000	2008-9 Restated £000	Capital Adjustment Account	2009-10 £000
421,203	**421,203**	Balance at 1 April	**294,310**
4,910	4,910	Capital receipts applied to fund capital investment	5,120
-28,618	-28,618	Value of assets sold	-2,720
1,164	0	PFI – long term debtor	0
		Transfer from the Revaluation Reserve of	
2,946	2,946	- gains on disposal of assets	1,051
506	506	- depreciation	2,079
10,808	10,808	Charge to General Fund for the funding of capital expenditure	1,221
-117,450	-117,450	Transfer from to(-) General Fund re capital charges and the repayment of external loans	38,149
5	5	Repayment of capital loans	-4,362
295,474	**294,310**	**Balance at 31 March**	**334,848**

Capital Receipts

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

Capital Expenditure Charged to General Fund Balance

Authorities are allowed to finance capital expenditure through their revenue accounts. The expenditure of £1.221m in 2009-10 (£10.808m in 2008-9) is not shown in the Income and Expenditure Account but is charged to the General Fund and is therefore shown in the Statement of Movement on the General Fund Balance on page 27.

Capital Charges and the Repayment of External Loans

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

- The depreciation and impairment of fixed assets.
- The amortisation of grants used on the acquisition of assets (government grants deferred).
- Expenditure on Revenue Expenditure Funded from Capital under Statute (REFCUS) (see Note 37 on page 48).

In line with the 2009 SORP changes, PFI schemes must be brought onto the balance sheet, together with the associated liabilities, subject to meeting the necessary criteria. The authority's BSF Phase 1 scheme meets the criteria and capital charges must therefore be separately identified for it. As this is a change in accounting policies, the 2008-09 comparative figures must also be restated. However, since MRP cannot be retrospectively restated, the charge of £784k principal for PFI has been transferred to a reserve in 2008-09, and then used in 2009-10 to fund the required MRP charge.

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

In their place, the authority is required to make a statutory minimum revenue provision for the repayment of debt. The Council has based the 2009-10 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 2009-10 of £22.452m includes £2.484m for BSF Phase 1 PFI scheme, comprising £784,000 for 2008-9 and £1.7m for 2009-10.

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

2008-9 £000	2008-9 Restated £000	Capital Charges and the Repayment of External Loans	2009-10 £000
		Charges to services removed	
21,947	21,947	Depreciation of fixed assets	23,773
1,672	1,672	Amortisation of intangible fixed assets	1,746
119,198	119,198	Impairment	-10,099
-5,291	-5,291	Amortisation of capital grants	-34,375
1,016	1,016	Revenue Expenditure Financed From Capital Under Statute	3,258
138,542	**138,542**	**Total Charges to services**	**-15,697**
		Charges re provision for repayment of external loans	
-21,092	-21,092	Minimum revenue provision	-19,968
0	0	PFI BSF Phase 1 finance lease principal repayment	-2,484
-21,092	**-21,092**	**Total charges re provision for repayment of external loans**	**-22,452**
-117,450	**-117,450**	**Net Effect: Increase/ Decrease(-) in General Fund Balance**	**-38,149**

Note 15. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve records revaluation gains arising from holding available for sale investments. There were no revaluation gains at 31 March 2010.

Note 16. Financial Instruments Adjustment Account

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

Financial Instrument Adjustment Account	2009-10 £000
Balance brought forward 1 April	9,582
Spreading of 2009-10 net premiums	0
Net premiums on loans rescheduled prior to 1 April 2009	-987
Removal 2008-9 EIR on stepped interest loans, LOBO's	210
Amount charged to the general fund through the Statement of Movement on the General Fund Balance	**-777**
Balance at 31 March 2010	**8,805**

Note 17. Usable Capital Receipts Reserve

Authorities are required to pay 75% of their housing capital receipts into a national pool. The authority was required to pay £25,477 to the pool in 2009-10 (£49,702 in 2008-9).

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

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

2008-9 £000	Usable Capital Receipts Reserve	2009-10 £000
2,664	Balance at 1 April	69
	Usable receipts in the year :	
1,789	Disposal of assets	5,681
576	Other capital receipts	4,449
-50	Appropriation to (–) from Revenue Account re pooled housing receipts	-25
-4,910	Used to finance capital spending	-5,120
0	Used for debt repayment	0
69	**Balance at 31 March**	**5,054**

Whilst most capital receipts arise from the disposal of assets, other capital receipts may arise, mainly where the authority has given a loan or other assistance for capital purposes. The receipts of £4.449m in 2009-10 include principal repayments of £4.357m towards a loan of £6.083m made in 2009-10 to support regeneration (see Note 42 on page 49 and explanation below debtors table.)

Note 18. Renewal and Replacement Reserve

This provides funds to finance capital expenditure and to manage and optimise capital resources. In 2009-10 due to slippage on the capital programme an amount of £6.289m was transferred to this reserve to finance future capital expenditure leaving a balance in the reserve at 31 March 2010 of £15.515m.

Note 19. Other Earmarked Reserves (Corporate)

The level of earmarked Corporate Reserves increased by a net £2.475m, from £36.772m at 31 March 2009 to £39.247m at 31 March 2010. The amount is significantly higher than was forecasted when the 2009-10 budget was approved in February 2009. This is largely due to the increase of £5.686m in the underspend on ABG and WNF schemes compared to 2008-09. A number of corporate reserves were used in full in 2009-10 to support the overall council budget as approved during the budget process, including the Interest on Airport Sale Receipts (£2.9m), LABGI balance of 2007-08 grant (£3.636m), and Insurance (£1.124m). Some other reserves were partially used to support the overall budget including the VAT Refund (£3.2m used), and Single Status (£138k) (see below). Further details about each of the major corporate earmarked reserves held are set out below:

- VAT "Fleming" Refund Reserve (£3.612m): In 2008-9 the authority successfully claimed back from HMRC £6.744m of overpaid VAT dating back to 1973. Approximately £3.2m was used in 2009-10 to support the overall budget as explained above, which left a balance of £3.612m at 31 March 2010.
- 2009-10 Budget carried forward (£4.9m): A saving of £3m was made in the 2009-10 revenue budget due to the delayed introduction of Single Status, plus

£1.9m due to lower than budgeted pay rises in 2009-10. It is anticipated that this reserve will be used to support the overall 2010-11 council budget as approved during the 2010-11 budget process.

- Single Status Reserve (£4.512m): During 2009-10 £138k was used to support the overall council budget. This left a balance of £4.512m at 31 March 2010, compared to a balance of £4.650m at 31 March 2009.
- Change Programme and Change Management Reserves (£0.854m): A total of £0.97m was used in 2009-10 to assist in funding the Children's Trust Board in line with the approved programme, leaving a balance of £0.854m at 31 March 2010.
- Markets Reserve (£0.517m): This reserve was created from the annual market surplus. Following a decision of the Executive in September 2003 it is currently used to fund capital investment in markets. The balance at 31 March 2010 is £0.517m.
- Exempt VAT Reserve (£2m): This is an amount set aside to meet the estimated cost of VAT that the Council would not be able to recover should it exceed its partial exemption limit. The balance has not changed during 2009-10 and at 31 March 2010 is £2m.
- Managed Severance Reserve: (£0.81m): This reserve had a deficit balance of £47,549 at 31 March 2009. The deficit has been changed to a surplus by departmental repayments in 2009-10, partially offset by a number of further advances in year. The reserve has a balance of £0.81m at 31 March 2010.
- Executive Initiatives and Priorities £4.355m: The opening balance on these reserves at 1 April 2009 was £4.867m. A total of £0.512m was used to fund several specific one off initiatives in 2009-10, leaving a balance at 31 March 2010 in these two reserves of £4.355m.
- In 2009-10 Bradford received further £318k Local Authority Business Growth (LABGI) monies, leaving a balance of £1.338m in a corporate reserve at 31 March 2010.
- PFI IT Equipment Reserve (£3.575m): Funding in advance for the BSF Phase 2 IT project has been provided to the authority through Revenue Support Grant. This money has been set aside in a Corporate Reserve until the time the authority is required to pay for the new IT equipment.
- Area Based Grant (ABG) (including WNF) £8.568m In 2008-9 ABG replaced Local Area Agreement Grant (LAA). ABG is a non-ring fenced general grant with no conditions imposed upon how the funding can be used. At 31 March 2009, the underspend on the 2008-09 ABG and WNF schemes totalled £2.882m. At 31 March 2010, the underspend on the authority's 2009-10 ABG allocation had increased to £8.568m, an increase of £5.686m compared to 31 March 2009. The £8.568m has been carried forward in a ring fenced earmarked reserve.
- LPSA (Local Public Service Agreement) £1.819m: A new reserve has been set up in 2009-10 comprising the unspent balance of the grant of £2.819m received in 2009-10.

Note 20. Better Use of Budgets

The Better Use of Budgets reserve of £4.673m at 31 March 2009 was fully used to support service delivery in 2009-10. An amount of £6.649m was paid into this reserve in 2009-10 due to revenue budget net underspending in 2009-10, and it therefore has a balance of £6.649m at 31 March 2010.

Note 21. Other Earmarked Reserves (Service)

The total Other Service Earmarked Reserves have increased by a net £3.251m during 2009-10 from £6.109m at 31 March 2009 to £9.360m at 31 March 2010. This increase is largely accounted for by the creation of several new reserves in 2009-10 totalling £3.503m explained below.

Other Earmarked Reserves are held for service specific purposes. In 2009-10 a review of these reserves was undertaken to determine future requirements and it identified that a net £0.778m was no longer required and could therefore be used to support the overall council budget in 2010-11. In 2009-10 a number of new reserves were set up, including one for a £2.393m underspend on Supporting People grant, and one for a £0.25m underspend on Safer and Stronger grant. Both of these reserves are expected to be used in 2010-11. Two further new reserves were also set up from 2009-10, the first to assist in funding future district elections (£0.256m), and the second for additional rent allowance and council tax benefit subsidy entitlement in 2009-10 (£0.6m) .

Whilst a number of other service earmarked reserves were fully or largely utilised in 2009-10, the balance at 31 March 2010 includes building works £0.357m, and earmarked amounts of £0.845m in respect of schools non-domestic rate refunds, and £0.239m for Waste Disposal Procurement.

Note 22. Collection Fund

The treatment of the Collection Fund has been significantly affected by the SORP 2009 changes and the 2008-09 figures have accordingly been restated. When the 2008-09 accounts were originally prepared, the deficit on the Collection Fund at 31 March 2009 of £2.251m could not be met from general fund income, but had to be carried forward on the balance sheet. However, following the SORP 2009 changes, the council's share of the Collection Fund deficit (£1.933m) has been transferred to the Income and Expenditure account in the restated 2008-09 accounts, while the contra entry is to the newly created Council Tax Adjustment Account on the balance sheet. The amount of the Collection Fund deficit which relates to the preceptors (£318k) has now been included in debtors at 31 March 2009. In 2009-10 a surplus of £1.705m was achieved on the Collection Fund, of which £1.465m was due to the council, and £240k to the preceptors. The surplus of £1.465m has been added in to the Collection Fund income on the face of the Income and Expenditure Account in 2009-10, and it has also enabled the Collection Fund Adjustment Account deficit to be reduced from £1.933m at 31 March 2009 to £467m at 31 March 2010. In 2010-11 no distribution was budgeted to be made from the Collection Fund and into the Income and Expenditure Account. The Collection Fund Statement is shown on page 60.

Note 23. General Fund Balance

A net £47.338m balance has been carried forward to 2010-11. This includes £32.278m carried forward for schools under delegated budgets.

The balance of £15.060m is set aside to provide for unforeseen events and to assist cash flow management. All authorities are expected to maintain such a balance at a prudent level.

Note 24. Profit or Loss on the Disposal of Assets

Profits or losses arising on the disposal of assets are charged to the Income and Expenditure Account. It also includes income defined as capital receipts but not arising from asset disposals. The profit of £3.034m in 2009-10 largely relates to a compensation order and the sale of the lease for Myrtle Walk Bingley. (In 2008-09 the loss of £26.297m in the I & E account in 2008-9 related largely to the three old schools, Buttershaw, Salts and Tong which have been demolished and replaced by three new BSF Phase 1 schools). See Note 36 on page 47.

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

Note 25. Participation in Pension Schemes

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

The Local Government Pension Scheme is a funded scheme for staff. The scheme is administered through a number of separate regional funds. Bradford is a member of the West Yorkshire Pension Fund. The authority and employees pay contributions into the fund, at a level determined by the fund's professionally qualified actuary at 31 March 2007 for the three years 1 April 2008 to 31 March 2011. The contribution rates set by the actuary are intended to balance the fund's liabilities with the investment assets over the period. The employer contribution rate for the year 2009-10 in respect of Bradford members of the West Yorkshire Pension Fund was 13.9%. A total of 48% of members are assumed to take the maximum amount permitted of their pension entitlement, and the remaining 52% of members are assumed to take cash based on 3/80ths accrual.

The total capitalised cost of early retirement charged direct to services in 2009-10 was £1.037m (£2.799m in 2008-9). There were 21 (72 in 2008-9) early retirements (excluding ill-health early retirements) in 2009-10.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 are £39.03m.

The Teachers Pension Scheme is an unfunded scheme administered by the Department for Education, formerly the Department for Children, Schools and Families (DCSF). The contribution rate is set by the Department for Education on the basis of a notional fund. The employer contribution rate for 2009-10 was 14.1% (14.1% in 2008-09).

The total contributions expected to be made to the Teachers Pension Scheme by the Council in the year to 31 March 2011 are £5.594m.

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

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

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

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

31 March 2009	Local Government Pension Scheme	31 March 2010
	Financial assumptions	
3.3%	Rate of inflation	3.9%
5.05%	Rate of increase in salaries	5.65%
3.3%	Rate of increase in pensions	3.9%
7.1%	Discount rate	5.5%
	Expected rate of return on assets	
7.5%	Equities	8.0%
4.0%	Government bonds	4.5%
6.0%	Other bonds	5.5%
6.5%	Property	8.5%
0.5%	Cash/ liquidity	0.7%
7.5%	Other	8.0%
	Mortality Assumptions	
	Longevity at 65 for future pensioners (currently aged 45) :	
21.3 years	Men	24.1 years
25.0 years	Women	27.9 years
	Longevity at 65 for current pensioners:	
20.3 years	Men	21.8 years
24.0 years	Women	25.4 years

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

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

1 April 2009			31 March 2010	
£m	**%**		**£m**	**%**
533	62.0	Equities	818	71.6
106	12.3	Government bonds	139	12.2
52	6.0	Other bonds	39	3.4
36	4.2	Property	39	3.4
43	5.0	Cash/liquidity	39	3.4
90	10.5	Other	69	6.0
860.0	**100.00**	**Total**	**1,143**	**100.0**

The increase in total investments from £860m at 31 March 2009 to £1.143bn at 31 March 2010 represents a 33.3% increase.

2008-9 Local Government Pension Scheme £000	2008-9 Teachers Voluntary Early Retirement £000	2008-9 Total £000	Pension Costs Reported Under FRS17	2009-10 Local Government Pension Scheme £000	2009-10 Teachers Voluntary Early Retirement £000	2009-10 Total £000
			Income and expenditure account			
39,458	0	39,458	Current service cost	27,016	0	27,016
3,512	1,244	4,756	Past service cost / gain (-)	1,017	0	1,017
42,970	**1,244**	**44,214**	**Charged to net cost of services**	**28,033**	**0**	**28,033**
83,592	4,848	88,440	Interest cost	82,432	4,888	87,320
-73,171	0	-73,171	Expected return on assets in the scheme	-55,684	0	-55,684
10,421	**4,848**	**15,269**	**Charge to net operating expenditure**	**26,748**	**4,888**	**31,636**
53,391	**6,092**	**59,483**	**Total costs included in Income and Expenditure Account surplus or deficit**	**54,781**	**4,888**	**59,669**
			Statement of Movement on General Fund Balance			
-18,935	**-511**	**-19,446**	Reversal of net charges made for retirement benefits in accordance with FRS 17	**-19,019**	**706**	**-18,313**
34,456	**5,581**	**40,037**	**Employers contributions payable to the scheme**	**35,762**	**5,594**	**41,356**

2008-9 Local Government Pension Scheme £000	2008-9 Teachers Voluntary Early Retirement £000	2008-9 Total £000	Reconciliation of the present value of pension scheme liabilities	2009-10 Local Government Pension Scheme £000	2009-10 Teachers Voluntary Early Retirement £000	2009-10 Total £000
1,368,914	**82,271**	**1,451,185**	**Balance at 1 April**	**1,165,405**	**71,589**	**1,236,994**
39,458	0	39,458	Current service cost	27,016	0	27,016
83,592	4,848	88,440	Interest cost	82,431	4.888	87,319
14,449	0	14,449	Contributions made by scheme participants	14,181	0	14,181
-293,522	-11,193	-304,715	Actuarial gains (-) and losses	641,826	15,430	657,256
3,512	1,244	4,756	Curtailment/Settlements	0	0	0
-50,998	-5,581	-56,579	Benefits Paid	-51,190	-5,594	-56,784
0	0	0	Past service costs	1,017	0	1,017
1,165,405	**71,589**	**1,236,994**	**Balance at 31 March**	**1,880,686**	**86,313**	**1,966,999**

2008-9 Local Government Pension Scheme £000	2008-9 Teachers Voluntary Early Retirement £000	2008-9 Total £000	Reconciliation of the present value of pension scheme assets	2009-10 Local Government Pension Scheme £000	2009-10 Teachers Voluntary Early Retirement £000	2009-10 Total £000
1,053,476	**0**	**1,053,476**	**Balance at 1 April**	**859,947**	**0**	**859,947**
73,171	0	73,171	Expected rate of return	55,684	0	55,684
-264,607	0	-264,607	Actuarial gain and losses (-)	229,019	0	229,019
34,456	5,581	40,037	Employer contributions	32,214	5,594	37,808
14,449	0	14,449	Contributions made to scheme participants	14,181	0	14,181
-50,998	-5,581	-56,579	Benefits paid	-47,642	-5,594	-53,236
859,947	**0**	**859,947**	**Balance at 31 March**	**1,143,403**	**0**	**1,143,403**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £428.237m (compared to gains of £40.108m in 2008-09) were included in the Statement of Total Recognised Gains and Losses.

Note 26. Pensions Reserve: Underlying Assets and Liabilities

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

	2005-06	2006-07	2007-08 Restated	2008-09	2009-10
	£m	£m	£m	£m	£m
Present value of Liabilities :					
Local Government Pension Scheme	(1,236)	(1,245)	(1,369)	(1,165)	(1,881)
Teachers Voluntary Early Retirement	(75)	(73)	(82)	(72)	(86)
Fair value of assets in the Local Government Pension Scheme	968	1,038	1,053	860	1,143
Surplus/(deficit) in the scheme :					
Local Government Pension Scheme	(268)	(207)	(316)	(305)	(738)
Teachers Voluntary Early Retirement	(75)	(73)	(82)	(72)	(86)
Total	**(343)**	**(280)**	**(398)**	**(377)**	**(824)**

The assets and liabilities for retirement benefits attributable to the Local Government Pension Scheme have been assessed by the scheme's actuary, Hewitt Associates Limited, who replaced the previous actuary, Mercer Human Resource Consulting Limited, during 2009-10. The deficits represent the extent to which the scheme is unfunded. The impact on the authority of the need to make good the deficit by increasing contributions over the working life of employees was built into the latest full triennial valuation as at 31 March 2007.

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

The estimated pension net liability was £377m at 31 March 2009 and £824m at 31 March 2010, and the liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Of the net increase in liability of £447m, £428m reflects the impact of actuarial gains and losses. The table below sets out the changes and expresses each as a percentage of the overall level of assets or liabilities at 31 March each financial year.

	2005-6		2006-7		2007-8		2008-9		2009-10	
	£000	%	£000	%	£000	%	£000	%	£000	%
Local Government Pension Scheme			**Restated**		**Restated**					
Difference between expected and actual return on assets	141,301	14.6	11,344	1.1	-51,228	4.9	-264,607	-30.8	229,019	20.0
Experience gains and losses on liabilities	-120,692	-9.7	62,614	5.0	-44,729	3.3	293,522	-25.2	-641,826	-34.1
Total	**20,609**		**73,958**		**-95,957**		**28,915**		**-412,807**	
Teacher's Voluntary Early Retirement Benefits										
Difference between expected and actual return on assets	0		0		0		0		0	
Experience gains and losses on liabilities	-3,507	-4.7	2,082	2.9	-10,253	2.0	11,193	15.6	-15,430	17.9
Total	**-3,507**		**2,082**		**-10,253**		**11,193**		**-15,430**	
Total Gain / Loss (-)	**17,102**		**76,040**		**-106,210**		**40,108**		**-428,237**	

Note 27. Members' Allowances

The total amount paid in respect of members' allowances in 2009-10 was £2,053,696 (2,035,265 in 2008-9). These allowances are published in the Telegraph and Argus and can be viewed on the Council's web site.

Note 28. Employees' Emoluments

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

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

Number of Employees 2008-9	Number of Employees 2008-9 restated	Employees Emoluments	Number of Employees 2009-10
264	187	£50,000 - £54,999	186
	78	£55,000 - £59,999	102
82	54	£60,000 - £64,999	57
	27	£65,000 - £69,999	44
37	24	£70,000 - £74,999	20
	14	£75,000 - £79,999	13
21	14	£80,000 - £84,999	21
	7	£85,000 - £89,999	3
10	8	£90,000 - £94,999	9
	3	£95,000 - £99,999	5
3	1	£100,000 - £104,999	3
	3	£105,000 - £109,999	2
3	2	£110,000 - £114,999	0
	1	£115,000 - £119,999	1
1	1	£120,000 - £124,999	5
	1	£125,000 - £129,999	0
0	0	£130,000 - £134,999	0
	0	£135,000 - £139,999	0
1	1	£140,000 - £144,999	1
	0	£145,000 - £149,999	1
1	1	£150,000 - £154,999	0
	0	£155,000 - £159,999	0
0	0	£160,000 - £164,999	0
	0	£165,000 - £169,999	0
0	0	£170,000 - £174,999	0
	0	£175,000 - £179,999	0
1	1	£180,000 - £184,999	0
0	0	£185,000 - £189,999	0
0	0	£190,000 - £194,999	0
0	0	£195,000 - £199,999	1
424	428	Total	474

The above figures include 97 (87 in 2008-9) teachers.

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to more than £50,000 per year.

A Senior Officer is defined as an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

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

2008-09 Senior Officers with a salary less than £150k per annum

Post Title	Note	Salary including fees & Allowances 2008-09	Expense Allowances 2008-09	Comp'n for loss of Office 2008-09	Benefits in kind 2008-09	Total Remuneration excluding pension contributions 2008-09	Pension contributions 2008-09	Total remuneration including pension contributions 2008-09
		£	£	£	£	£	£	£
Strategic Director - Corporate Services	E	140,308	1,092	0	0	141,400	17,713	159,113
Strategic Director - Children and Young People	E	129,890	1,092	0	0	130,982	16,498	147,480
Strategic Director - Adult and Community Services	E	114,967	1,092	0	0	116,059	14,444	130,503
Strategic Director - Culture , Tourism and Sport	E	114,392	1,092	0	0	115,484	14,291	129,775
Strategic Director - Regeneration	E	119,495	1,092	0	0	120,587	15,028	135,615
Strategic Director - Environment & Neighbourhoods	E	95,005	846	0	0	95,851	11,967	107,818
Assistant Director - Corporate Services (City Solicitor)	E,F	92,573	1,092	0	0	93,665	11,684	105,349
Director - West Yorkshire Pension Fund	E	90,900	1,092	0	0	91,992	11,468	103,460

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

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

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

2008-09 Senior Officers with salary more than £150k per annum

Post Title and Holder	Note	Salary including Fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		2008-09	**2008-09**	**2008-09**	**2008-09**	**2008-09**	**2008-09**	**2008-09**
		£	£	£	£	£	£	£
Chief Executive - Tony Reeves	E,F	181,483	1,095	0	0	182,578	23,023	205,601
Deputy Chief Executive - Johanna Miller	D	154,569	1,092	0	0	155,661	19,540	175,201

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

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

Notes:

A. The Strategic Director of Performance and Commissioning joined the Authority on 01.10.2009 and has an annualised salary of £109,186.

B. The former Director of West Yorkshire Pension Fund left the Authority on 25.10.2009 and had an annualised salary of £89,238.

C. The new Director of West Yorkshire Pension Fund joined the Authority on 07.12.2009 and has an annualised salary of £89,238.

D. The former Deputy Chief Executive left the Authority on 31.03.2009 and had an annualised salary of £151,179.

E. An adjustment is included in the 2009-10 salaries of those senior officers who opted to move from being paid four weekly to monthly. The contracted annualised salaries of the Senior Officers posts are as follows:

Annualised Salary for 2008-09

Chief Executive – Tony Reeves - £178,476
Strategic Director Corporate Services - £131, 233 (up to 27.07.08) - £141,617 (from 28.07.08)
Strategic Director Children and Young People - £131,441
Strategic Director Adult and Community Services - £111,283
Strategic Director Culture, Tourism and Sport - £111,283
Strategic Director Regeneration - £115,486 (up to 06.07.08) - £117,583 (from 07.07.08)
Strategic Director Environment and Neighbourhoods - £70,340 (up to 17.12.08) - £107,086 (from 18.12.08)
Assistant Director Corporate Services (City Solicitor) – £90,988
The Director of West Yorkshire Pension Fund - £89,238

Annualised Salary for 2009-10

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

F. The following amounts were paid in 2009-10 for election duties

Chief Executive – Tony Reeves- £14,316
Assistant Director Corporate Services (City Solicitor) - £8,080

Note 29. External Audit Costs

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

2008-9 £000	External Audit Costs	2009-10 £000
441	General audit services	429
82	Certification of grant claims and returns	80
67	West Yorkshire Pension Fund	71
590	**Total**	**580**

Note 30. Agency Services

In previous years the Council has undertaken revenue and capital works for the Highways Agency for which it is fully reimbursed. The expenditure is not included in the accounts since it is not part of the Council's normal responsibilities. The Council did not undertake such work in 2008-9 or 2009-10.

Note 31. 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.

2008-9 £000	Pooled Fund Memorandum Account	2009-10 £000
	Funding	
1,132	Bradford Metropolitan District Council	1,556
1,133	Bradford & Airedale Primary Care Trust	1,556
2,265	**Total Funding**	**3,112**
	Expenditure	
1,490	Community equipment	2,309
645	Staffing	691
130	Infrastructure and running costs	112
2,265	**Total Expenditure**	**3,112**

Mental Health and Learning Disability Services

The agreement that established the Bradford District Care Trust (BDCT) was set up under Section 31 of the Health Act 1999. BDCT is responsible under the agreement for the provision of the defined services on behalf of the Council as its agent and within the funding provided. Following changes to the original arrangements, the agreement now falls under Section 75 of the Health Act 2006. The total operating expenses of the BDCT in 2009-10 were £127.267m (£130.765m in 2008-9). The cost of services delivered on behalf of the Council was £18.464m (£24.867m in 2008-9) plus a further £10.4m in relation to the estimated value of the Valuing People transfer for Learning Disability Services. This represents expenditure that was previously funded via the PCT which will be transferred directly to the Council from central government in future.

Note 32. 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 Note 7 which identifies the cash grants received in the year for inclusion in the Cash Flow Statement (page 30).

Members and Chief Officers

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

West Yorkshire Pension Fund

The Council administers the West Yorkshire Pension Fund. In 2009-10 it charged the Fund £568,356 in respect of support services provided (£565,306 in 2008-9). The charge includes accommodation, financial, legal and information technology services. The Assistant Director of Finance, Corporate Services currently represents the West Yorkshire Districts on the West Yorkshire Advisory Panel.

Other Public Bodies

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

2008-9 £000	Other Public Bodies	2009-10 £000
	Payment of precepts & distribution of collection fund surplus:	
7,273	West Yorkshire Fire and Rescue Authority	7,431
18,012	West Yorkshire Police Authority	18,412
764	Parish Councils	785
22,998	Payments to joint committees, joint services and other bodies	23,560
27	Parish Councils (running expenses and allotment grants)	28

Subsidiary and Associated Companies

The Council had financial relationships in 2009-10 with the following companies. Their assets and liabilities are not included in the Council's accounts. Transactions with the companies in 2009-10 were:

2008-09 £000	Subsidiary and Associated Companies	2009-10 £000
	.	
376	Bradford City Centre URC Limited	276
0	Building Schools for the Future Ltd Phase 2	213
94	Building Schools for the Future Ltd Phase 1	90
1	Integrated Bradford LEP Ltd	1

Details of the authority's long term investment in Integrated Bradford LEP Ltd, is shown in Note 39, page 48.

Bradford City Centre URC Limited (BCR) is a company limited by guarantee that was incorporated in February 2003, and registered with Companies House No 04654938. The company is a government designated Urban Regeneration Company with the aim of facilitating the regeneration of Bradford City Centre. The company is funded equally by the Council, Yorkshire Forward and English Partnerships. The financial accounts of BCR can be obtained from Financial Services, Britannia House, Hall Ings Bradford BD1 1HX. For eighteen months to September 2009 they show a net surplus before and after tax of £363k. (Net deficit of £18,912 before and after tax for the year to 31.03.09).

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

BMDC Building Schools for the Future Ltd, (6015434) is a wholly owned subsidiary of Bradford Council. It was incorporated in December 2006 with the sole purpose to loan on a back to back basis £94,080 to Integrated Bradford LEP Finco One Ltd (5797779). The company's financial accounts are available from Financial Services, Britannia House, Hall Ings Bradford BD1 1HX. In 2009-10 a further loan of £213,000 for Phase 2 was made to Integrated Bradford LEP Finco One Ltd (5797779).
In addition to the above, the Council is involved in a number of other partnerships and companies limited by guarantee. The authority does not have significant influence over these organisations.

JANES (Joint Arrangement which is not an Entity)

The Council has identified that it is involved in eight JANES the most significant of which is West Yorkshire Joint Services Committee. In 2009-10 the Council included its contribution of £1.6m to the arrangement (£1.6m in 2008-9) in the Income & Expenditure Account but has not included its share of the assets and liabilities on the grounds of materiality.

Note 33. Tangible Fixed Assets

Valuations

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

OPERATIONAL ASSETS	Other Land & Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Total Operational Assets
	£000	£000	£000	£000	£000
Gross Book Value at 1 April 2009	729,313	33,920	209,896	27,156	1,000,285
Add restatement re PFI	85,500	0	0	0	85,500
Restated 1 April 2009	**814,813**	**33,920**	**209,896**	**27,156**	**1,085,785**
Accumulated depreciation and impairment	-27,936	-14,857	-46,789	-13,856	-103,438
Net Book Value at 1 April 2009	**786,877**	**19,063**	**163,107**	**13,300**	**982,347**
Additions	23,889	4,862	15,676	3,812	48,239
Disposals	-1,305	0	0	-23	-1,328
Reclassifications	4,846	0	0	-14	4,832
Revaluations	58,787	0	0	323	59,110
Depreciation	-11,105	-5,951	-6,551	-2	-23,609
Impairment and reversals	4,659	0	0	1,150	5,809
Net Book Value at 31 March 2010	**866,648**	**17,974**	**172,232**	**18,546**	**1,075,400**
Nature of Asset Holding					
Owned	**769,406**	**17,974**	**172,232**	**18,546**	**978,158**
Finance lease	**0**	**0**	**0**	**0**	**0**
PFI	**97,242**	**0**	**0**	**0**	**97,242**
	866,648	**17,974**	**172,232**	**18,546**	**1,075,400**

In December 2006, the Council entered into a Local Education Partnership (LEP) with Integrated Bradford LEP Ltd, to replace a number of existing schools with new schools provided under the Building Schools for the Future (BSF) PFI contract. See Note 8 on page 32. The new schools will be owned by the PFI contractor until the end of the contract at which time they will transfer back to the local authority. In September 2008, the first three new schools, Buttershaw Business and Enterprise College, Salt Grammar School and Tong High School opened. The old Buttershaw, Salts and Tong schools have been demolished and a license to occupy the land granted to the contractor. The authority will receive no consideration for this agreement and the old school's buildings valued at a depreciated replacement cost of £19m and with an estimated useful life of 25 years at 31 March 2008 have been removed from the authority's balance sheet in 2008-9. The 2009 SORP requires councils to include the capital value and associated liabilities of PFI schemes on the balance sheet, subject to meeting certain conditions. The scheme has been reviewed and as the conditions have been met, the capital value of £85.5m has been included under fixed assets, and the 2008-09 accounts restated accordingly.

NON-OPERATIONAL ASSETS	Assets Under Construction	Investments	Surplus Assets Held for Disposal	Total Non-Operational Assets	Total Tangible Fixed Assets
	£000	£000	£000	£000	£000
Gross Book Value at 1 April 2009	41,002	83,314	36,158	160,474	**1,160,759**
Add restatement re PFI	0	0	0	0	**85,500**
Restated 1 April 2009	**41,002**	**83,314**	**36,158**	**160,474**	**1,246,259**
Accumulated depreciation and impairment	0	-8,562	-3,867	-12,429	**-115,867**
Net Book Value at 1 April 2009	**41,002**	**74,752**	**32,291**	**148,045**	**1,130,392**
Additions	12,216	555	11	12,782	**61,021**
Disposals	0	-1,125	-267	-1,392	**-2,720**
Reclassifications	-4,241	-1,026	435	-4,832	**0**
Revaluations	0	5,695	1,214	6,909	**66,019**
Depreciation	0	-3	-161	-164	**-23,773**
Impairment and reversals	0	2,590	-203	2,387	**8,196**
Net Book Value at 31 March 2010	**48,977**	**81,438**	**33,320**	**163,735**	**1,239,135**
Nature of Asset Holding					
Owned	**48,977**	**81,438**	**33,320**	**163,735**	**1,141,893**
PFI	**0**	**0**	**0**	**0**	**97,242**
	48,977	**81,438**	**33,320**	**163,735**	**1,239,135**

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Investment and Non-Operational	Total
	£000	£000	£000	£000	£000	£000
Valued at Historical Cost	61,185	17,974	172,232	17,997	35,264	304,652
Valued at Current Value in:						
2005/06	308,654	0	0	0	5,746	314,400
2006/07	42,137	0	0	0	1,291	43,428
2007/08	57,033	0	0	0	61,679	118,712
2008/09	278,627	0	0	0	49,208	327,835
2009/10	119,013	0	0	549	10,546	130,108
	866,649	17,974	172,232	18,546	163,734	1,239,135
Total	**866,649**	**17,974**	**172,232**	**18,546**	**163,734**	**1,239,135**

Information on Assets Held

The 31 March 2009 figures shown below have been restated to take account of the three new secondary schools provided under BSF Phase 1, which increased the number from 25 to 28. The number of assets at 31 March includes the following

31 March 2009 Restated		31 March 2010	31 March 2009 Restated		31 March 2010
	Other land and buildings			**Other land and buildings cont**	
7	Nursery schools	7	3	Theatres	3
158	Primary schools	157	16	Youth centres	16
28	Secondary schools	30	9	Children's homes	9
11	Special schools	11	11	Elderly persons' homes	11
55	Car parks	55			
28	Cemeteries and crematoria	28		**Infrastructure assets**	
28	Libraries	28	1,911km	Roads	1,917km
6	Museums	6		**Community assets**	
10	Public halls	10	108	Parks and open spaces	108
201	Recreation grounds	201			
17	Recreation centres (including swimming pools)	17			

Note 34. Intangible Fixed Assets

Intangible fixed assets are assets over which the Council controls access to future economic benefits, whether through custody or legal protection. The £10.795m of Intangible Assets at 31 March 2010 consists of software licences and IT systems development and is amortised on a straight-line basis for each individual asset.

2008-9 £000	Intangible Fixed Assets	2009-10 £000
	Value at 1 April	
15,895	Assets at cost	16,410
-2,434	Accumulated amortisation	-4,106
515	Additions in year	237
-1,672	Amortisation in year	-1,746
12,304	**Net book value at 31 March**	**10,795**

Note 35. Capital Expenditure and Financing

The 2008-09 figures have been restated in line with the 2009-10 SORP requirements and the capital value of the PFI BSF Phase 1 scheme of £85.5m included. In addition, an adjustment has been made to add £6m in 2008-09 in respect of the sale of Authority's investment in Leeds Bradford Airport shares.

2008-9 £000	2008-9 Restated £000		2009-10 £000
400,773	**400,773**	**Opening Capital Financing Requirement**	**518,729**
0	6,000	Adjustment re investment in Leeds Bradford airport shares	0
	-478	Other	
		Capital Investment:	
93,802	93,802	Tangible fixed assets	61,020
0	85,500	PFI BSF Phase 1 capital expenditure	0
515	515	Intangible assets	237
18,993	18,993	Revenue expenditure funded from capital under statute	20,591
0	0	BSF Long term debtor	213
0	0	Short term Loan	6,083
		Sources of Finance:	
-4,910	-4,910	Capital receipts	-5,120
-49,566	-49,566	Grants and other contributions	-43,890
-31,900	-31,900	Revenue provision	-23,673
427,707	**518,729**	**Closing Capital Financing Requirement**	**534,190**

Note 36. Private Finance Initiative (PFI)

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

2008-9 £000	2008-9 Restated £000	BSF Private Financing Initiative	2009-10 £000
		Charges to the Revenue Account	
7,286	2,875	Unitary Payments to the Contractor for services provided	4,247
-1,164	0	Notional Acquisition of Residual Value	0
6,122	**2,875**	**Total charges to the revenue account**	**4,247**
		Net Operating Expenditure	
0	3,627	Interest element of finance lease payments	6,182
		Statement of Movement on the General Fund Balance	
0	0	Capital element of finance lease	2,484
0	784	Contribution to / from(-) PFI MRP Reserve	-784

6,122	**7,286**	**Total PFI charges Financed By**	**12,129**
5,628	5,628	Government PFI Revenue Grant	9,005
2,111	2,111	Education	3,794
-1,164	0	Transfer to long term debtors re assets	0
6,575	**7,739**	**Total Financing**	**12,799**
453	**453**	**Transfer to BSF PFI Reserve**	**670**

The Council is required under the SORP 2009 and IFRIC 12 to consider whether the assets of the PFI arrangements above should be included as part of the Councils assets on the balance sheet (See the Statement of Accounting Policies for more details of the tests). The Council has undertaken the tests and can confirm that the assets and liabilities of BSF Phase 1 should be included on the authority's balance sheet. The unitary charge has also been reviewed as required to enable the interest and principal repayments to be separated.
The SORP change represents a change in accounting policy and since the changes are material in nature, a prior year adjustment has been made to restate the 2008-9 figures on a comparative basis in line with the SORP. The transfer to long term debtors of £1.164m to build up a long term asset has been eliminated in the restated accounts since the assets are now on the balance sheet.

The following table sets out the payments due to be made under PFI contracts. The figures are the estimated cash amounts due to be paid at the agreed dates.

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	£000	£000	£000
Within 1 yr	11,208	1,917	6,090	3,201
2-5	45,919	8,783	23,143	13,993
6-10	60,057	13,054	25,148	21,855
11-15	63,373	15,444	18,984	28,945
16-20	67,125	22,561	12,557	32,007
21-24	47,802	21,254	3,617	22,931
Total	**295,484**	**83,013**	**89,539**	**122,932**

The closing value of assets held under PFI schemes at 31 March 2010 was £97.242m (£85.5m at 31 March 2009) in respect of the BSF Phase 1 scheme, which is the Council's only operational PFI scheme at 31 March 2010. All of the increase of £11.742m was due to the revaluation of the assets in 2009-10. The liabilities (i.e the total principal repayments due over the life of the scheme) due on these assets at 31 March 2010 were £83.016m, compared to £84.716m at 31 March 2009. The decrease of £1.7m is due to the principal repayment of £1.7m made in 2009-10.

The total opening value of liabilities held under the BSF Phase 1 PFI scheme was £295,484m as at 31.03.10 (£306,545m as 31.03.09) as shown in the table above.

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

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

There was no balance brought forward at the start of the year. The cost of revenue expenditure funded from capital under statute (REFCUS) (previously known as deferred charges) in the year was £20.591m (£18.993m in 2008-09) and grants of £17.333m (£17.976m in 2008-09) were received to fund the REFCUS charges. The net cost of £3.258m (£1.017m in 2008-09) was written off to revenue in the year and charged to the net cost of services. The net amount charged to revenue in respect of REFCUS charges forms part of the provision for the repayment of external loans (see Note 35 above). No balance was carried forward in respect of REFCUS.

Note 38. Capital Commitments

The Council's Executive has an approved Capital investment Plan for the period 2010-17. The legally binding contractual commitments at 31 March 2010 are set out below. Major schemes (over £1m) are separately identified.

31 March 2009	Capital Commitments	31 March 2010
£000		£000
9,500	City Centre Public Realm	6,423
5,200	BSF Special Schools (Phase 2)	0
	BSF (Phase 2)	8,517
1,800	Facelift Programme – Manningham & Girlingham	3,600
1,500	Block repair of privately owned properties as part of regeneration schemes	0
0	Building of new council houses	4,699
18,000	**Total**	**23,239**

Note 39. Long Term Investment

The Council's long term investment at 31 March 2010 is made up of £1,000 interest in Integrated Bradford LEP Ltd (31 March 2009 £1,000).

Integrated Bradford LEP Ltd – Company no. 5797774

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

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

Note 40. Long Term Debtors

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

The £502,000 due from Wakefield MDC in respect of the former Waste Management arrangements is being repaid at £100,000 per annum over an original period of 15 years (starting in 2000-1). (See also Note 50 on page 52).

The amount owed by other local authorities at 31 March 2010 of £427,000 is in respect of transferred debt for

Probation Service and Magistrates Courts services owed by other West Yorkshire authorities.

The 2008-09 figures have been restated to reflect the SORP 2009 changes to PFI schemes. The BSF Phase 1 scheme covers the three new Building Schools for the Future, Phase 1 schools, Buttershaw Business and Enterprise College, Salt Grammar School and Tong High School, and the schools will be returned to the Council at the end of the contract at no cost. The long term debtor was originally set up in 2008-09 in order to build up an amount over the length of the contract which would equate to the value of the schools when they transfer back to the Council after twenty five years. This treatment has been reversed since the council is required under SORP 2009 to include the capital value of the assets on the balance sheet from inception, and therefore a debtor is no longer required.

31 March 2009 £000	31 March 2009 Restated £000	Analysis of Long Term Debtors	31 March 2010 £000
374	374	Former council house tenants	288
602	602	Waste Management SSA	502
480	480	Other local authorities re joint services	427
1,311	1,311	Car loans	1,273
94	94	Building Schools for the Future Ltd (Note 32)	303
1,164	0	BSF Phase 1 PFI – value of assets acquired	0
7	7	Housing Advances	7
33	33	Other	33
4,065	**2,901**	**Total**	**2,833**

Note 41. Premiums and Discounts

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

Whilst the I & E must reflect the SORP requirements, premiums and discounts are covered by the Local Authorities (Capital Financing and Accounting) (Amendment) Regulations 2007. The effect of this is to allow authorities to continue spreading the cost of premiums over the life of the replacement loan and premiums over the outstanding term on the replaced loan or ten years (if shorter). The reconciling adjustment to ensure that the General Fund is charged or credited with the amount that accords with the regulations is through the Statement of Movement on the General Fund Balance (SMGFB) to the Financial Instruments Adjustment Account. (See Note 16 on Page 36). No premiums or discounts have accrued in 2009-10

Note 42. Net Current Assets

31 March 2009 £000	Stocks and Work in Progress	31 March 2010 £000
70	Trading services	48
1,038	Other	1,427
1,108	**Total**	**1,475**

Landfill Usage Allowance

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. Allowances are allocated each year by the former Department for Environment, Food and Rural Affairs (DEFRA) and recognised in the balance sheet as current assets. At 31 March 2010 the allowances held by the authority are 104,251 tonnes (153,152 tonnes at 31 March 2009). These have been measured at a market value of zero (£ zero at 31 March 2009). The zero value is due to the fact that there has only been a limited trade in Landfill Allowance Trading Scheme (LATS) and any unused allocations at 31 March 2010 cannot be carried forward after this date.
The Council contracted to buy 16,000t of LATS allowances from four other West Yorkshire District Councils. This was to ensure that it had sufficient allowances to cover the amount of biodegradable municipal waste landfill in 2009-10.

Debtors and Payments In Advance

The debtors figures for 2008-09 have been restated to account for the 2009 SORP changes. The changes below comprise firstly the separation of National Non Domestic Rates (NNDR) from council tax, and secondly the separation of the council tax debtors due to the council and its preceptors. The restated council tax figure of £19.921m at 31 March 2009 is the amount owing only to the council, while a net amount (including bad debt provision and receipts in advance) of £1.704m is owed by the preceptors (The West Yorkshire Fire and Rescue Authority and the West Yorkshire Police Authority). Central Government owed the authority £10.417m (net of bad debts provision and receipts in advance) for NNDR. The £8.651m gross debtors for NNDR have now been separated out from other amounts due from Government Departments, which is therefore reduced from £16.236m to £7.585m. The provision for bad debts for the Collection Fund has been reduced from £8.705m to £7.474m since £1.231m of the provision is in respect of preceptors debtors. The provision for other bad debts has been reduced from £5.829m to £4.526m since £1.303m is in respect of NNDR owed to the Government, and that is now included in the £10.417m referred to above.
General payments in advance have been separated out from sundry debtors since they are a significant amount. The bulk of the payments in advance figures comprise approximately £13m each year for the Education Bradford contract, which must be paid quarterly in advance.

31 March 2009 £000	31 March 2009 Restated £000	Analysis of Debtors and Payments in Advance	31 March 2010 £000
		Amounts falling due within one year	
16,236	7,585	Government departments	11,124
0	10,417	National Non Domestic rates owed	17,067

		by Government and business ratepayers	
239	239	Other local authorities	406
5,081	5,081	HMRC - VAT	9,853
21	21	Inland revenue	29
28,791	19,921	Council tax and community charge	24,128
0	1,704	Preceptors re Council tax	1,910
0	0	Short term loan	1,726
0	0	Payment in advance BSF Phase 2	15,343
0	15,395	General payments in advance	17,439
53,353	38,352	Sundry	41,526
103,721	**98,715**	**Total**	**140,551**
		Less provision for bad and doubtful debts	
8,705	7,474	Collection Fund	8,669
5,829	4,526	Other	6,004
89,187	**86,715**	**Net Total**	**125,878**

The net debtors have increased considerably from a restated total of £86.715m at 31 March 2009 to £125.878m at 31 March 2010, an increase of £39.163m. This is partly due to a short term loan and PFI Phase 2, both of which are explained below. In addition, amounts due from government departments have increased from £7.585m to £11.124m, while the net amount of NNDR owed by government and business ratepayers has increased from £10.4m to £17m.

In 2009-10, a short term loan of £6.083m was made to a commercial organisation to assist in the district's overall regeneration. A total of £4.357m was paid off during 2009-10 and the balance of £1.726m at 31 March 2010 is due to be paid off in full in 2010-11.

Construction of the BSF Phase 2 schools scheme commenced during 2009-10 and a total of £15.343m was incurred on the PFI scheme in 2009-10. This amount, along with payments in advance in future years, will be treated as a payment in advance until the schools are completed and handed over. At this point the estimated capital value of the schools will be included on the balance sheet and the matching finance lease liability will also be recognised. The prepayment at this point will be applied to reduce the finance lease liability.

Investments

At any point in time the cash flow of the authority can result in temporary cash balances which are put into short-term investments. At the 31 March 2010 £72.109m was invested in short term deposits with the government, banks and building societies (£83.772m at 31 March 2009).

Cash

The balance sheet shows cash in hand of £84.7m and cash overdrawn of £5.75m giving a net cash figure of £78.95m in hand at 31 March 2010 (£51.9m at 31 March 2009). This takes account of the value of cheques and BACS issued but not cleared.

As part of its management of cash balances the authority has made arrangements to invest surplus cash with ready access. At 31 March 2010 the authority had invested £41.3m on this basis (£18.817m at 31 March 2009).

Creditors and Receipts in Advance

The creditors figures for 2008-09 have been restated to account for the 2009 SORP changes on Council tax and NNDR. The change comprises a reduction of £2.79m in sundry receipts in advance from £41.336m to £38.546m in respect of sums owing to preceptors for council tax (£224k) or central government for NNDR (£2.566m) paid in advance. These sums have now been netted off the net amounts due to the authority from the preceptors and central government and are shown in debtors.

A further SORP change is the requirement to add interest owing on loans outstanding at 31 March each year to short term borrowing. As a result, the £6.471m owing on council loans at 31 March 2009 has been transferred out of sundry creditors in 2008-09, which have decreased from £66.463m to £59.992 in the 2008-09 restated accounts.

31 March 2009 £000	31 March 2009 Restated £000	Analysis of Creditors and Receipts in Advance	31 March 2010 £000
		Amounts falling due within one year	
3,511	3,511	Government departments	3,368
460	460	Other local authorities	604
7,736	7,736	HMRC - (tax, national insurance)	9,128
71	71	HMRC - VAT	364
0	1,700	PFI BSF Phase 1 principal payment	1,917
9,041	9,041	Staff payroll	9,421
66,463	59,992	Sundry	50,985
87,282	**82,511**	**Total**	**75,787**
		Receipts in advance	
41,336	38,546	Sundry	70,879
14,129	14,129	Developer's contributions	16,114
55,465	**52,675**	**Total**	**86,993**
142,747	**135,186**	**Total Creditors and Receipts in Advance**	**162,780**

Total creditors have increased from a restated total of £135.186m in 2008-09 to £162.780m in 2009-10. Sundry creditors have decreased from £59.992m at 31 March 2009 to £50.985m at 31 March 2010. There has been an increase in receipts of advance of £34.3m largely due to increased government grants receivable in 2009-10. An amount of £1.917m has been added for financing charges (principal) due in 2010-11 on the BSF Phase 1 scheme (and £1.7m in the 2008-09 restated for PFI principal payable in 2009-10).

Note 43. Provisions

31 March 2009 £000	Movements in Provision Balances	Transfers 2009-10 £000	31 March 2010 £000
20,153	Equal Pay Claims	-3,877	16,276
9,243	Insurance	771	10,014
0	Landfill Allowances	0	0
29,396	**Total**	**-3,106**	**26,290**

Equal Pay claims (Single Status) - Implementation of the 1997 Single Status Agreement between local authority employers and unions involves the review, job evaluation and harmonisation of former officer and former manual worker terms and conditions. It will lead to compensation claims under equal pay legislation (claims can cover a period of up to six years). In accordance with Financial Reporting Standard 12, the authority has set aside £27m for the cost of claims. At 31 March 2010, claims and legal costs totalling £10.724m have been paid out leaving £16.276m in the provision as at 31 March 2010.

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

31 March 2009 £000	Analysis of Insurance Provision	31 March 2010 £000
95	Property	175
8,632	Liability	9,212
513	Motor	627
3	Other	0
9,243	**Total**	**10,014**

Landfill allowances - Under the terms of the Landfill Allowances Trading Scheme (LATS), landfill usage is verified and the liability settled after the year end. The estimated biodegradable municipal waste (BMW) landfill usage for 2009-10 is 104,251 tonnes (123,546 tonnes restated 2008-09 compared to estimate of 128,200 for 2008-09). As the market price of 2009-10 allowances at 31 March 2010 has been deemed to be nil, as at 31 March 2009, the provision at 31 March 2010 remains zero.

Note 44. Deferred Liabilities

The total deferred liabilities is £86.839m at 31 March 2010 compared to a restated total of £88.965m at 31 March 2009. The main liability is the PFI principal repayments due within the remaining life of the contract. The total outstanding PFI liability as at 31 March 2010 was £83.016m, of which £81.099m is in deferred liabilities and £1.917m is in creditors in respect of the 2010-11 principal repayment. The 2008-09 deferred liabilities have been restated to add £83.016m for the PFI liability as at 31.03.09.

Other deferred liabilities include former West Yorkshire Waste Management Joint Committee debt. This is managed on the authority's behalf by Wakefield MDC. The deferred liability outstanding at 31 March 2010 was £4,836,807 (£5,436,033 at 31 March 2009).

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

Note 45. Total Equity

The total assets less liabilities of the authority are financed by movements in reserves and balances, or equity. There was a decrease in total equity of £320.212m, from a surplus of £132.943m (restated) at 31 March 2009 to a deficit of £187.269m at 31 March 2010. The main reason for the large change is the increase of £447m in the notional pension reserve deficit, from £377m at 31 March 2009 to £824m at 31 March 2010. This is partially offset by an increase in the net value of the council's fixed assets. The 31 March 2009 balance has been restated from the former figure of £133.005m to £132.943m due to the SORP 2009 changes in respect of council tax, National Non Domestic Rates and PFI schemes explained in other notes. This movement is explained in the Statement of Total Recognised Gains and Losses on page 28.

Note 46. Contingent Liabilities

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

Equal Pay Claims

Single Status is the process of job evaluation and harmonisation of former officer and manual worker terms and conditions, which dates from the 1997 Single Status agreement. In 2005-06 the Council estimated the costs at £13m and capitalised these under direction from the Secretary of State under Section 16(2) (b) of the Local Government Action 2003. A further £14m was added to this provision in 2007-8 (See Note 43 on page 50). The process of making compensation payments is still ongoing and until all of the claims have been settled and the emerging risk of claims under equal value legislation is known the adequacy of this resource will not be known.

Pension Cases

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

Municipal Mutual Insurance (MMI)

MMI is running down its business, whilst paying agreed claims in full. It has however, entered into a Scheme of Arrangement, in case of insolvency, which would involve a levy against claims paid and future payments. In the unlikely event that the scheme comes into effect, the Council may be liable to clawback of up to £2.597m.

Pension Fund Guarantee

The Council acts as guarantor for the following admission bodies of the West Yorkshire Pension Fund should they cease to exist or the contract with the Council ends, Bradford Trident, and Education Bradford. In addition the Council agreed subject to limitations to guarantee the pension fund deficit of the Bradford District Care Trust at 31 March 2010 should it cease to exist. The pension deficit of BDCT was £10.796m at 31 March 2010 compared to £2.387m at 31 March 2009. The large increase was primarily due to the changes in the discount rate on major companies (classed as 'AA rated') corporate bonds, which are used to assess the future returns required to fund the estimated pension commitments, plus the effect of other actuarial assumptions.

PFI BSF Phase 1 Asbestos Compensation Claim

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

Note 47. Contingent Assets

Nursing Care Cases – Continuing Health Care

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

Note 48. Authorisation for the Issue of the Statement of Accounts

The Strategic Director, Corporate Services authorised the issue of the Statement of Accounts on 30 June 2010 after consideration by the Executive, to Corporate Governance and Audit Committee on 30 June 2010 for approval.

Note 49. Post Balance Sheet Events

There were no adjusting or non adjusting events after 31 March 2010 which have affected the fair presentation of the financial statements. However, further claims for equal pay have been made between April and September 2010 which are expected to impact on the Provision for Equal Pay in 2010-11.
In the summer of 2010, the Government confirmed that future inflation rises for public sector pensioners would be based on the Consumer Price Index (CPI), instead of the Retail Price Index (RPI), which has traditionally been a higher figure. The council's pension fund actuary has estimated that the decrease in inflation going forward will lead to a reduction of 8.5% in the Local Government and Teachers Early Retirement Pension Funds liabilities, which is a total reduction of approximately £167m. However, as this change occurred after the balance sheet date, this is not be an adjusting item and therefore the accounts will not be changed. The amendment will be included in the 2010-11 accounts.

Note 50. Deferred Income

This is income due from Wakefield MDC in respect of the former West Yorkshire Waste Management arrangements. Under an agreement that started in 2000-1, the balance due is being repaid at £100,000 per annum over 15 years. The sum outstanding at 31 March 2010 was £501,900 (£602,352 at 31 March 2009). (See also Note 40 on page 48).

Note 51. Deferred Capital Receipts

£320,988 is the amount outstanding on Council property sales which falls due in future years (£407,012 at 31 March 2009).

Note 52. Government Grants and Contributions Deferred

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

2008-9 £000	Government Grants Deferred	2009-10 £000
176,579	Balance brought forward	**203,141**
31,853	Grants deferred in the year	26,574
0	Grant amortised and credited to services re impairment and other items in 2008-09 and earlier.	-27,254
-5,291	Grant amortised and credited to services in the year	-7,121
203,141	**Balance at the year end**	**195,340**

Note 53. Reconciliation of the Surplus on Revenue Accounts to Revenue Activities Net Cash Flow

The 2008-09 figures have been restated to show the effects of the 2009 SORP changes to PFI, council tax and National Non Domestic Rates explained elsewhere in the Statement of Accounts.

2008-9 £000	2008-9 Restated £000	Reconciliation of the Surplus on Revenue to Revenue Activities Net Cash Flow	2009-10 £000
134,519	139,001	Net deficit / surplus (-) for year on the Income and Expenditure Account (I & E)	-43,920
		Add back non cash I & E items:	
-142,817	-142,817	Depreciation and impairment	-15,420
-19,446	-19,446	FRS 17 Pension adjustments	-18,313
5,291	5,291	Amortisation of government grants	34,375
		Items on accruals basis:	
-227	-227	Decrease (-) / Increase in stocks	367
-1,133	-16,890	Decrease (-) / increase in amounts due to Council	28,511
11,729	14,519	Decrease / increase (-) in amounts due from Council	-714
		Items classified elsewhere on the cash flow statement:	
-29,554	-33,181	Interest paid	-33,982
10,418	10,418	Interest received	4,708
4,841	4,841	Non revenue accruals	0
-26,297	-26,297	Gain/(loss) - on disposal of assets	3,034
		Non cash items:	
8,259	3,839	Movement on the Collection Fund and provisions	3,106
-44,417	**-60,949**	**Revenue activities - net cash flow**	**-38,248**

Note 54. Reconciliation of Net Cash Flow to the Movement in Net Debt

2008-09 £000	2008-09 Restated £000	Reconciliation of Net Cash Flow to the Movement in Net Debt	2009-10 £000
1,678	1,678	Increase in net cash in the period	27,037
		Cash flow changes	
41,117	41,901	Cash inflow from a decrease in debt	1,700
0	0	Cash outflow from new loans raised	-10,000
0	-6,471	Accrued interest on loans	6,471
0	-5,949	Inclusion of deferred liabilities	209
-58,133	-58,133	Decrease in liquid resources – short term deposits	-11,663
0	12,121	Increase in liquid resources – agency accounts	6,856
-15,338	**-14,853**	**Movement in net debt in the period – cash flow items**	**20,610**
		Non cash flow movements	
0	-85,500	Non cash item : PFI BSF Phase 1 gross finance lease	0
0	0	Adjustment to LOBO loans re effective Interest rate calculation	-209
0	0	Interest due at 31 March payable in 2010-11	-6,620
-15,338	**-100,353**	**Movement in net debt in the period**	**13,781**

Note 55. Analysis of Changes in Net Debt

Balance 31 March 2009 £000	Balance 31 March 2009 Restated £000	Analysis of Changes in Net Debt	Change 2009-10 £000	Balance 31 March 2010 £000
		Cash Flow Items		
59,309	59,309	Cash in hand	25,395	84,704
-7,391	-7,391	Cash overdrawn	1,642	-5,749
0	-1,700	Debt due within one year	-5,217	-6,917
-405,953	-405,953	Debt due after more than one year	-5,000	-410,953
0	-6,471	Interest accrued on loans	6,471	0
0	-83,016	Deferred liabilities BSF PFI scheme	1,917	-81,099
0	-5,949	Other deferred liabilities	209	-5,740
83,772	83,772	Management of liquid resources - short term investments	-11,663	72,109
0	12,121	Management of liquid resources - agency accounts	6,856	18,977
-270,263	**-355,278**	**Total Cash Flow Items**	**20,610**	**-334,668**
		Non Cash Flow Items		
0	0	Debt due within one year	-6,620	-6,620
		Adjustment to LOBO (EIR)	-209	-209
-270,263	**-355,278**	**Net Debt including non cash flow items**	**13,781**	**-341,497**

Note 56. Dedicated Schools Grant (DSG)

The Council is allocated the Designated Schools Grant (DSG) from the Department for Education, formerly the Department for Children, Families and Schools (DCSF) to be used in support of expenditure relating to the schools budget. The DSG must be allocated between the Individual Schools Budget (ISB) and the Central Schools Budget, and over or underspends on the two elements need to be shown separately.

Bradford was allocated £336.624m DSG for the financial year 2009-10. The allocation of this grant between the Individual Schools Budget and the Central Schools Budgets is shown in the table below:

Dedicated Schools Grant	**2008-9**	**2008-9**	**2008-9**	**2009-10**	**2009-10**	**2009-10**
	Total	Central Expenditure	Individual Schools Budget (ISB)	Total	Central Expenditure	Individual Schools Budget (ISB)
	£000	£000	£000	£000	£000	£000
Final DSG	326,808			336,624		
Plus DSG b/f from previous year	124			378		
Less carried forward to next year	-378			-412		
Agreed DSG budget distribution	326,554	28,357	298,197	336,590	31,758	304,832
Actual Expenditure	324,880	26,507	298,373	335,808	31,429	304,379
Carry Forward Over / Underspend (-)	**-1,674**	**-1,850**	**176**	**-782**	**-329**	**-453**

The Schools Forum, which determines the allocation of the DSG, agreed on 30 September 2009 to carry forward £412,000 of unallocated DSG into 2010-11.

Note 57. Revenue Government Grants

The revenue government grants shown in the table below represent the cash received by the council and may differ from the amounts included in other published accounts, which are prepared on an accruals basis.
ABG is a non ring fenced general grant largely made up of a wide range of former specific grants from six government departments, plus a number of new small grants announced in 2009-10 and earlier years.

2008-9 £000	Other Revenue Government Grants	2009-10 £000
326,808	Dedicated Schools Grant (DSG)	336,624
109,596	Rent Allowance Subsidy	139,738
99,392	Education and schools	106,456
38,708	Council tax benefit and benefits administration	40,317
46,523	ABG	51,338
20,829	Early years	25,188
19,220	Supporting People	19,220
6,452	European Union	9,991
5,628	PFI Revenue Support	9,005
803	LPSA	2,819
2,474	Arts, Heritage & Leisure	2,081
683	Local Area Agreement (LAA)	1,750
-263	Social services carers	1,646
864	Personal social services	1,165
1,955	Drug Intervention Programme	1,115
624	Health education	904
737	Safer communities	811
0	DWP	748
1,056	Asylum accommodation	553
376	Employment	372
4,989	LABGI	318
429	Single Regeneration Budget	296
365	Youth training	261
0	Citizenship Ceremonies	218
71	Neighbourhood renewal	211
0	Health Policy & Partnerships	127
0	Dementia Demonstrator	61
0	DEFRA	6
341	Mental illness	0
180	Environment	0
313	Big Lottery Funding	0
491	Other	182
689,644	**Total**	**753,521**

Note 58. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the authority.
With effect from 1 April 2007 local authorities were required to adopt the accounting standards for financial instruments FRS 25, 26 and 29. This means that most financial instruments (whether borrowing or investments) have to be valued in the balance sheet on an amortised cost basis using the effective interest rate (EIR) method.
In addition to help identify, quantify and inform on the exposure to and management of risk, financial instruments are required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. In the following tables and notes the significance of financial instruments for the authority's financial position and performance will be explained.

Types of Financial Instruments

The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of financial instruments. Interest receivable has been restated as short term debtors and not added to the carrying value of the investments.

Long term	**2008-9 £000**	**Restated 2008-9 £000**	**2009-10 £000**
Financial liabilities at amortised cost			
PWLB Loans	363,453	363,453	368,452
Lender Option Borrower Option (Lobo's) loans	42,500	42,500	42,709
PFI – BSF Phase 1	0	83,016	81,100
Other local authorities re joint services	5,665	5,665	5,437
Other	284	284	284
Total Borrowings	**411,902**	**494,918**	**497,982**
Loans and receivables at amortised cost			
Investments	11,000	11,000	0
Car loans	1,311	1,311	1,273
Other local authorities re joint services	480	480	427
BSF Phase 1	94	94	90
BSF Phase 2	0	0	213
Other	1,016	1,016	829
Unquoted equity investment at cost			
Integrated Bradford LEP Ltd	1	1	1
Total Investments	**13,902**	**13,902**	**2,833**

Current	**2008-9 £000**	**Restated 2008-9 £000**	**2009-10 £000**
Financial liabilities at amortised cost			
PWLB Loans	0	0	5,000
Short term borrowing	0	6,471	6,620
Cash overdrawn	7,391	7,391	5,749
PFI – BSF Phase 1	0	1,700	1,916
Trade Payables	60,757	54,464	44,778
Other local authorities re. joint services	235	235	227
Total Borrowings	**68,383**	**70,261**	**64,290**
Loans and receivables			
Cash in hand	59,309	59,309	84,704
Investments	83,772	83,772	72,109
Trade Receivables less impairment	49,476	49,476	51,193
Other local authorities re joint services	53	53	53
Total Investments	**192,610**	**192,610**	**208,059**

The Authority does not hold any material collateral.

Fair value of liabilities and assets carried at amortised cost

The fair values of liabilities and assets carried at amortised costs at 31 March 2009 and 2010 are as follows:

2009 Carrying value £000	2009 Carrying value Restated £000	2010 Carrying value £000	Fair value of liabilities carried at amortised cost at 31 March 2010	2009 Fair value £000	2009 Fair value Restated £000	2010 Fair value £000
363,453	363,453	373,452	PWLB maturity	463,572	463,572	448,738
42,500	42,500	42,709	LOBO's	42,486	42,486	46,600
0	1,700	1,917	PFI principal repayments	0	1,700	1,917
0	6,471	6,620	Short term borrowing	0	6,471	6,620
7,391	7,391	5,749	Cash overdrawn	7,391	7,391	5,749
5,900	5,900	5,664	Other local authorities re joint services	6,490	6,490	6,930
0	83,016	81,099	Deferred liabilities	0	83,016	81,099
60,757	54,286	44,778	Trade creditors	60,757	54,286	44,778
284	284	284	Other	284	284	284
480,285	**565,001**	**562,272**	**Total Financial Liabilities**	**580,980**	**665,696**	**642,715**

2009 Carrying value £000	2010 Carrying value £000	Fair value of assets carried at amortised cost at 31 March 2010	2009 Fair value £000	2010 Fair value £000
59,309	84,704	Cash	59,309	84,704
94,772	72,109	Deposits with banks and building societies	95,445	72,109
49,476	51,193	Current trade receivables	49,476	51,193
1,311	1,273	Car loans	1,311	1,273
533	480	Other local authorities re joint services	687	604
94	303	Building Schools for the Future Ltd	94	303
1	1	Integrated Bradford LEP Ltd	1	1
1,016	829	Other	1,016	829
206,512	**210,892**	**Total Financial Assets**	**207,339**	**211,016**

The 2008-09 figures for liabilities have been restated to include deferred liabilities of £83.016m in respect of the BSF Phase 1 scheme. The principal repayments due on the BSF scheme of £1.7m at 31 March 2009 and £1.917m at 31 March 2010 are now separately identified to provide greater clarity.

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

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

The rates quoted in this valuation were obtained by SECTOR Treasury Services Ltd from their treasury management consultants using bid prices on 31 March 2010.

The calculations are made with the following assumptions:

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

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

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

Gains and losses on financial instruments

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

2008-9 £000	Restated 2008-9 £000	Recognised gains and losses	2009-10 £000
		Recognised in the Income and Expenditure Account	
		Financial assets	
-10,418	-10,418	Interest receivable on loans & disposals	-3,038
		Financial Liabilities	
29,315	29,315	Interest payable	27,800
0	3,627	**Interest Payable on PFI Finance lease**	6,182
0	0	**Recognised in the Statement of Total Recognised Gains and Losses**	0

Nature and extent of risks arising from financial instruments

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

Key risks

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

a. Credit Risk - the possibility that other parties might fail to pay amounts due to the council.
b. Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
c. Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movement.

a. Credit Risk

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

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

Investment limits

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

1. The Government through debt management office including deposits, treasury bills and bank government guarantee certificate of deposits – Maximum Investment with any one counter party – no limit
2. Local Authorities : Maximum Investment with any one counter party – £20 million
3. Money Market funds including government funds with a Moody's rating of AAA and MR1+ or Fitch AAA MMF : Maximum Investment with any one counter party – £20 million
4. Royal Bank of Scotland, HSBC, Lloyds and Barclays with a Moody's rating of A1 or better , Fitch short-term rating of at least F1 with a support rating of 2 or above and S+P rating of A-1 or better : Maximum Investment with any one counter party – £40 million
5. Any other Bank or Building Society with a credit criteria as above: Maximum Investment with any one counter party – £20million
6. Any Bank or Building Society nationalised by the UK Government with a Fitch short term rating of F1 and support rating of 1 : Maximum Investment with any one counter party – £20million
7. Lower limit with any bank or building society with a moody rating of A2 or better and a Fitch rating of at least F1 and support rating of 3 or better : Maximum Investment with any one counter party – £7million

One investment is outside of these criteria. This is due to the high number of credit ratings that have changed within the financial year 2008-09 due to the economic downturn and banking crisis. The investment was placed at a point when the investment criteria for the institution were included within the investment criteria. This investment is Britannia Building Society £6m.

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

Geographical split of the Council's Investments

The Council has investments based in the following countries.

Country	Amount £000	%
UK	59,102	82
Sweden	13,007	18
	72,109	100%

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

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

The Council does not allow credit for customers.

b. Liquidity Risk

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

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

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

c. Market Risk

Interest rate risk

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

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

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

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

If interest rates had been 1% higher it has been assessed that the Council would have received an additional £975k interest in 2009-10 on its investments. With reference to interest payable on the Council's borrowings, based on variable loans totalling £41.4m an additional 1% in interest charges would have added £415k to total borrowing costs.

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

Note 59. Trust Funds and Custodial Money

The Strategic Director, Corporate Services acts as treasurer to approximately 60 funds (inclusive of 17 sole trustee charities), held in trust for such purposes as maintenance grants, travel scholarships and book prizes, or for the benefit and care of particular client groups. The fund balances are invested in managed funds, local authority bonds, gilt edged securities and deposit accounts. £170,000 is also held on behalf of clients who are in residential care. The assets shown below are not owned by the Council and are not included in the Balance Sheet.

Balance 31 March 2009 £	Analysis of Trust Funds and Custodial Money Balances	Expenditure 2009-10 £	Income 2009-10 £	Balance 31 March 2010 £
	Education charities:			
513,405	Charles Semon Educational Foundation	2,333	16,026	527,098
474,824	Bradford area	3,290	20,735	492,269
394,423	Keighley area	63,440	29,652	360,635
40,542	Housing charities	10,736	22,281	52,087
246,086	Blind Charities	2,142	116	244,060
1,669,280		**81,941**	**88,810**	**1,676,149**

For those Trust Funds where the authority acts as sole trustee and which at 31 March 2010 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 2009-10 £	Balance at 31 March 2010 £
Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	13,507	526,912
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	-41,572	320,486
Royd House Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	5,934	135,267
Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	2,446	61,945

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. The 2008-09 figures have been restated to take account of the 2009 SORP changes which require 2008-09 comparative figures to be restated. The key changes are that any deficit or surplus at year end which is due to or from the Council must be included in the Income and Expenditure Account. 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.

2008-9 £000	2008-9 Restated £000	Collection Fund	2009-10 £000	
		Income		
146,947	146,947	Due from council tax payers (excluding benefits)	150,352	*Note 1*
32,804	32,804	Due in respect of council tax benefits	36,468	
124,617	124,617	Due from business ratepayers	123,854	*Note 2*
304,368	**304,368**	**Total income**	**310,674**	
		Expenditure		
		Precepts		
152,071	152,071	Bradford Council	156,840	
7,173	7,173	West Yorkshire Fire and Rescue Authority	7,431	
17,767	17,767	West Yorkshire Police Authority	18,412	
		Business rate		
123,867	123,867	Payment to national pool	123,106	*Note 2*
750	750	Costs of collection	748	
3,627	3,627	Council tax write-offs	1,020	
2,500	2,500	Council tax support from council tax surplus	0	
0	0	Council tax support from community charge surplus	0	
1,382	1,382	Contribution to / -from provision for losses on collection	1,412	*Note 3*
309,137	**309,137**	**Total Expenditure**	**308,969**	
-4,769	**-4,769**	**Net movement deficit (-)/ surplus in the fund balance**	**1,705**	
2,518	2,518	Balance at beginning of year	0	
0	1,933	Transfer to Collection Fund Adjustment Account	-1,465	
0	318	Preceptor's share of deficit/ surplus (-) at 31 March	-240	
-2,251	**0**	**Collection Fund deficit (-) / surplus at end of year**	**0**	*Note 4*

Note 1. Council Tax

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

Properties in the middle band D, were charged at £1,263.27 in 2009-10 (£1,231.66 in 2008-9) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

2008-9 Band D Equivalent	Band	2009-10 Number of chargeable dwellings	Multiplier	2009-10 Band D Equivalent
58	A*	110	5/9	61
47,092	A	71,121	6/9	47,414
28,001	B	36,824	7/9	28,641
29,143	C	33,231	8/9	29,538
14,589	D	14,944	9/9	14,944
12,619	E	10,463	11/9	12,788
7,191	F	5,044	13/9	7,287
5,328	G	3,204	15/9	5,340
419	H	214	18/9	428
144,440	Total Band D equivalent			146,441
-722	Adjustment for estimated losses on collection			-1,831
143,718	**Council Tax Base**			**144,610**

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 48.1p (45.8p in 2008-9) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 48.5p (46.2p in 2008-9) 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 2009-10 was £214.2m (£223.3m in 2008-9).

The business rates income, after reliefs and provisions, was based on a total rateable value for the Council's area of £320,004,528 for 2009-10 (£320,025,838 for 2008-9).

Note 3. Provision for Council Tax Bad Debts

Following the SORP changes in 2009-10, the bad debt provision will only include the element of council tax owed to the council and will exclude amounts owed to preceptors (approximately 14% of total council tax). Since this represents a change in accounting policies, the 2008-09 figures have been restated to reflect this change, in the debtors note Note 42 on page 49. The bad debt provision for council tax at 31 March 2009 has therefore been restated from £8.705m to £7.474m. The bad debt provision at 31 March 2010 for council tax owed to the council is £8.669m

Note 4. Fund Balance

The accumulated surplus on the Collection Fund is attributable to amounts which are deemed to be collectable but of which a substantial amount has not yet been collected. In line with the 2009 SORP changes to the accounting practice for council tax and the Collection Fund, the 2008-09 figures have been restated to reflect the key change which is that the previous deficit of £2.251m at 31 March 2009 has now been allocated in year to the authority and the preceptors in the required proportions. However, in order to reflect the fact that the authority cannot either fund deficits or use surpluses in year, the distribution is offset by an entry to the newly created Council Tax Adjustment Account in the authority's balance sheet. This change does not therefore affect the statutory position which is that any surplus or deficit on the Collection Fund must be used as an adjustment to the council tax in future years.

An overall surplus of £1.705m was achieved in 2009-10, of which the council share was £1.465m and the preceptors share was £240k. The council's share was used to reduce the deficit on the Collection Fund Adjustment Account from £1.933m in the 2008-09 restated accounts to £468k at 31 March 2010.

2008-9 £000	2008-9 Restated £000	Collection Fund Balance	2009-10 £000
		Council Tax	
2,517	2,517	Surplus b/fwd 1 April	0
-4,769	-4,769	Surplus /Deficit(-) in year	1,705
	2,251	Transfer to Council and preceptors	-1,705
-2,252	**-1**	**Accumulated deficit (-) / surplus c/fwd**	**0**
-2,251	**0**	**Accumulated deficit (-) / surplus on Fund at 31 March**	**0**

2008-9 £000	Fund Account	2009-10 £000	
	Contributions and Benefits		
327,820	Contributions receivable	357,738	*Note 4*
35,292	Transfers in	38,629	*Note 5*
68	Other income	1	
18,681	Non-statutory pensions and pensions increases recharged	19,058	
381,861	**Income total**	**415,426**	
302,964	Benefits payable	342,398	*Note 6*
18,681	Non-statutory pensions and pensions increase	19,058	
78	Refund of contributions	44	
24,136	Transfers out	32,140	*Note 7*
5,214	Administrative and other expenses borne by the scheme	5,095	*Note 9*
351,073	**Expenditure Total**	**398,735**	
30,788	**Net additions from dealings with members**	**16,691**	
	Returns on investments		
226,365	Investment income	198,308	*Note 10*
-1,535,923	Change in market value of investments (realised and unrealised)	1,770,493	*Note 8*
1,509	Stock Lending	1,641	*Note 11*
1	Underwriting Commission	24	
-1,585	Investment management expenses	-1,733	
-1,309,633	**Net return on investments**	**1,968,733**	
-1,278,845	**Net increase in the fund during the year**	**1,985,424**	
7,210,331	**Opening net assets of the scheme**	**5,931,486**	
5,931,486	**Closing net assets of the scheme**	**7,916,910**	

31 March 2009 £000	Net Assets Statement	31 March 2010 £000	
	Investments		*Note 8*
643,160	Fixed interest securities	711,601	
3,497,591	Equities	5,154,025	
483,530	Index-linked securities	498,100	
936,180	Managed and Unitised funds	1,235,760	
320,289	Cash Deposits	265,889	
23,870	Other investment balances	24,682	
5,904,620	**Investments at market value 31 March**	**7,890,057**	
	Current assets and liabilities		
29,966	Debtors	45,484	*Note 12*
5,404	Cash balance (repayable within 12 months) *	-9,286	
-8,504	Creditors	-9,345	*Note 12*
26,866	**Net current assets and liabilities**	**26,853**	
5,931,486	**Net assets of the scheme at 31 March**	**7,916,910**	

* This figure takes account of cheques drawn but not presented, the balance on the bank account at 31 March 2010 was £2,924,806

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2010.

Note 1. Operations and Membership

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

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

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

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

Participating Employers – There were 205 participating employers at 31 March 2010 whose employees were entitled to be contributors to the Fund.

Membership

2008-9	Profile of Membership	2009-10
95,115	Active members	96,912
60,278	Pensioner members	63,084
60,603	Members with preserved pensions	63,917
215,996	**Total Members**	**223,913**

Note 2. Actuary's Report

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

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

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

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

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

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

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

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

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

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

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

Note 3. Statement of Accounting Policies

The accounts are prepared in accordance with the Statement of Recommended Practice (Revised May 2007) "The Financial Reports of Pension Schemes." Disclosures are limited to those required by the Local Authority Statement of Recommended Practice 2009.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of West Yorkshire Pension Fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the statement by the Actuary in the West Yorkshire Pension Fund's own Report and Accounts, and these financial statements should be read in conjunction with it.

Investments

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

Property Funds are valued at closing bid price. 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).

The values of investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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

Investments in Currency Funds are valued using net asset values provided by fund managers as at 31 March 2010. 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.

Additional Voluntary Contributions

In line with Regulation 5(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, Additional Voluntary Contribution (AVC) investments are not shown in the Fund Account and Net Assets Statement (see Note 14).

Currency Translation

Assets and liabilities in foreign currency are translated into Sterling at exchange rates ruling at the financial year end.

Any gains or loses arising are treated as part of the change in market value of investments.

Transfers

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

Investment Income

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

Contributions

Contributions are accounted for when due.

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

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

Expenditure

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

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

Note 4. Contributions Receivable

2008-9 £000	Analysis of Contributions Receivable	2009-10 £000
	Employers' contributions	
163,895	Normal	182,789
35,862	Deficit Funding	38,276
1,270	Augmentation	854
21,995	Other	26,691
223,022	**Employers' contributions**	**248,610**
104,798	Employees' contributions	109,128
327,820	**Total Contributions Receivable**	**357,738**

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

2008-9 £000	Contributions Receivable by Type of Member Body	2009-10 £000
44,401	Administering authority	46,072
237,037	Scheduled bodies	266,195
46,374	Admitted bodies	45,230
8	Bodies with no further interest	241
327,820	**Total Contributions Receivable**	**357,738**

Note 5. Transfers In

2008-9 £000	Transfers In	2009-10 £000
27,281	Individual transfers in from other schemes	38,629
8,011	Bulk transfers in from other schemes	0
35,292	**Total Transfers In**	**38,629**

Note 6. Benefits Payable

2008-9 £000	Analysis of Benefits Payable	2009-10 £000
	Funded pensions	
206,113	Retired employees	223,847
19,783	Dependants	20,930
	Funded lump sums	
70,503	On retirement	90,331
6,565	On death	7,290
302,964	**Total Benefits Payable**	**342,398**

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

2008-9 £000	Analysis of Benefits Payable by Member Body	2009-10 £000
46,985	Administering authority	50,452
216,619	Scheduled bodies	246,754
35,208	Admitted bodies	42,099
4,152	Other interested bodies with no pensionable employees	3,093
302,964	**Total Benefits Payable**	**342,398**

Note 7. Transfers Out

2008-9 £000	Transfers Out to other schemes	2009-10 £000
24,136	Individual transfers out to other schemes	29,746
0	Bulk transfers out to other schemes	2,394
24,136	**Total Transfers Out**	**32,140**

Note 8. Investments at Market Value

Investments	Opening Value at 1 April 2009 £000	Purchases at Cost £000	Sale Proceeds £000	Change in Market Value £000	Closing Value at 31 March 2010 £000
Fixed Interest Securities	643,160	276,791	-246,858	38,508	711,601
Equities	3,497,591	471,275	-274,693	1,459,852	5,154,025
Index-linked Securities	483,530	82,173	-92,750	25,147	498,100
Managed & Unitised Funds	936,180	107,434	-54,840	246,986	1,235,760
Cash Deposits	320,289	0	-54,400	0	265,889
Other Investment Debtors	33,017	0	-3,195	0	29,822
Other Investment Creditors	-9,147	4,007	0	0	-5,140
Total Investments	**5,904,620**	**941,680**	**-726,736**	**1,770,493**	**7,890,057**

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.

2008-9 £000	Analysis of Investments Closing Market Values	2009-10 £000
	Fixed Interest Securities:	
412,928	UK Public Sector quoted	359,404
94,313	UK Other quoted	162,700
95,985	Overseas Public Sector quoted	136,605
39,934	Overseas Other quoted	52,892
643,160		**711,601**
	Equities:	
1,869,462	UK quoted	2,828,259
72,250	UK unquoted	76,396
1,341,833	Overseas quoted	2,029,532
214,046	Overseas unquoted	219,838
3,497,591		**5,154,025**
	Index Linked Securities:	
352,040	UK Public Sector quoted	386,593
28,001	UK Other quoted	42,710
102,919	Overseas Public Sector Quoted	67,775
570	Overseas other quoted	1,022
483,530		**498,100**
	Managed and Unitised Funds:	
90,031	Currency Funds	128,132
292,198	Hedge Funds	344,275
232,885	Property	269,215
321,066	Other	494,138
936,180		**1,235,760**
	Cash Deposits:	
320,289	Sterling	**265,889**

Note 9. Administrative Expenses

2008-9 £000	Administrative Expenses	2009-10 £000
4,936	Administration and processing	4,761
209	Actuarial fees	257
69	Audit fee	71
0	Legal and other professional fees	6
5,214	**Total Administrative Expenses**	**5,095**

Note 10. Investment Income

2008-9 £000	Investment Income	2009-10 £000
33,432	Income from fixed interest securities	34,751
158,087	Dividends from equities	142,167
9,893	Income from index-linked securities	8,728
12,979	Income from managed and unitised funds	12,506
15,577	Interest on cash deposits	2,893
229,968		**201,045**
-3,603	Irrecoverable withholding tax	-2,737
226,365	**Total Investment Income**	**198,308**

Note 11. Other Income

2008-9 £000	Analysis of Other Income		2009-10 £000
	Stock Lending		
105	Income	- Fixed Interest	134
418		- UK Equities	475
1,164		- International Equities	1,240
-178	Expenditure		-208
1,509	**Total**		**1,641**

As at 31 March 2010, £1,028m of stock was on loan to market makers, and this was covered by collateral totalling £1,081m (which includes an appropriate margin), comprising bonds (£196m), government bonds (£257m), stocks and shares (£628m).

Note 12. Current Assets and Liabilities

2008-9 £000	Current Assets and Liabilities	2009-10 £000
	Debtors	
24,002	Contributions due from employees and employers	25,935
5,964	Other debtors	19,549
29,966	**Total Assets**	**45,484**
	Creditors	
2,178	PAYE	2,438
6,326	Other creditors	6,907
8,504	**Total Creditors**	**9,345**

Note 13. Related Party Transactions

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

In 2009-10, City of Bradford Metropolitan District Council charged the West Yorkshire Pension Fund £568,356 in respect of support services provided (£565,306 in 2008-9). The charge included accommodation, financial, legal and information technology services.

Under legislation, introduced in 2003/04, 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 the Council, for the supply of goods or services to the Fund.

The Fund has an investment in Montanaro European Smaller Companies Fund Plc, which at 31 March 2010 was valued at £12.1m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2009/10. 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 14. Additional Voluntary Contributions (AVC)

The Fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Equitable Life Assurance, Scottish Widows and Prudential (which became a provider in 2009-10). 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:

2008-9 £000	Additional Voluntary Contributions	2009-10 £000
18,613	Value of funds at 1 April	16,446
896	Contributions received	860
239	Transfers and withdrawals	103
0	Internal Transfers	0
-1,235	Interest and bonuses / Change in market value of assets	3,004
-2,067	Sale of investments to settle benefits due to members	-2,275
16,446	**Value of fund at 31 March**	**18,138**

Note 15. Contingent Liabilities and Contractual Commitments

At 31 March 2010 the West Yorkshire Pension Fund had investments in private equity funds valued at £296.2m; however the Fund has un-drawn commitments to invest in private equity amounting to £301.6m.

Note 16. 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 17. List of Scheduled Bodies Contributing to the Fund

Major Scheduled Bodies

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

Other Scheduled Bodies

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

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

Accruals

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

Associated Company

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

Best Value Accounting Code of Practice (BVACOP)

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

Capital Adjustment Account

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

Capital Charges

Charges to services for the use of assets. They comprise depreciation, based on the current value of the assets used in the provision of services.

Capital Expenditure

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

Capital Financing Requirement

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

Capital Receipts

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

Collection Fund

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

Community Assets

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

Consistency

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

Contingent Liabilities

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

Creditors

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

Debtors

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

Deferred Charges

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

Depreciation

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

Finance Lease

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

Fixed Assets

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

Financial Instruments

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

Financial Reporting Standards (FRS)

Practice to be followed in the preparation of accounting statements. For example FRS17 governs the way in which pension liabilities must be presented in the accounts. From 2010-11 onwards FRS will be fully replaced by IFRS (international Financial Reporting Standards), see below.

General Fund

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

General Reserves and Balances

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

Government Grants Deferred Account

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

Group Accounts

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

Impairment

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

Income and Expenditure Account

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

Infrastructure Assets

These are assets such as highways and footpaths.

Investments

These may be long-term investments whose purpose is to produce capital gain and rental income, or the short-term investment of cash balances that may arise from day to day management of the authority's cash flow.

Investment Properties

Land and buildings that are held for capital gain and rental income and not for the provision of services.

Joint Venture

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

Liabilities

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

Local Area Agreement (LAA)

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

Materiality

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

Minimum Revenue Provision (MRP)

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

Non-Domestic Rates (NDR)

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

Net Book Value

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

Operating Leases

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

Precept

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

Prior Year Adjustments

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

Private Finance Initiative (PFI)

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

Provisions

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

Prudence

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

Prudential Code

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

Related Parties

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

Revenue Expenditure

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

Revenue Reserve

Any sum set aside for a specific revenue purpose.

Revenue Support Grant (RSG)

A general government grant towards the cost of providing services.

Subsidiary

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

UKGAAP

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