

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2007-08

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Opinion on the accounting statements

I have audited the Authority, and Group, accounting statements, West Yorkshire Pension Fund accounts and related notes of City of Bradford Metropolitan District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Collection Fund and the related notes. The West Yorkshire Pension Fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority and Group accounting statements and pension fund accounts 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 Metropolitan District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Strategic Director of Corporate Services and auditor

The Strategic Director of Corporate Services' responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority, and Group, accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year; and
- 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 review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am

aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

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

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements, 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 Authority and Group accounting statements, pension fund accounts and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended;
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Group as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement

of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Signed

Date **26 September 2008**

Paul Lundy
District Auditor

Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

Report of the Independent Auditor: Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, City of Bradford Metropolitan District Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Signed

Date 26 September 2008

Paul Lundy
District Auditor

Audit Commission
Kernel House
Killingbeck Drive
Killingbeck
Leeds LS14 6UF

Introduction to the Council's Accounts

This report sets out the Council's Statement of Accounts for the financial year 2007-8. 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 a new **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 2007-8. 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 Practices (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 the 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 Bradford single entity financial statements.

Authorities are also required to publish **Group Financial Statements** where they have material interests in subsidiaries, associated companies or joint ventures. These follow the main financial statements and include an introductory foreword.

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.

Bradford Metropolitan District Council's Responsibilities

The authority 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 Bradford Metropolitan District Council at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

Signed:

Becky Hellard
Strategic Director, Corporate Services

Date: 26 September 2008

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 26 September 2008

Signed:

Councillor Margaret Eaton
Chair of Corporate Governance and Audit Committee

Date: 26 September 2008

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

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 and properly accounted for, and used economically, efficiently and effectively. Bradford Metropolitan District Council 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, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bradford Metropolitan District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Bradford Metropolitan District Council has an existing approved code of corporate governance containing corporate governance objectives; however it needs to be updated. The updated code of corporate governance, will be consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how Bradford Metropolitan District Council has complied with the principles of the CIPFA/SOLACE Framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework has been in place at Bradford Metropolitan District Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on

an ongoing process designed to identify and prioritise the risks to the achievement of Bradford Metropolitan District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

KEY ELEMENTS OF THE GOVERNANCE FRAMEWORK

• The Constitution of the Council

Bradford MDC has a constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure the Council is efficient, transparent and accountable to local people. The articles of the constitution lay down the basic rules governing conduct of the Council's business. More detailed procedures and codes of practice are provided in separate rules and protocols contained in other parts of the constitution. The constitution was adopted in accordance with the requirements of the Local Government Act 2000 following extensive public consultation.

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

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

• The Executive

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

• Corporate Governance and Audit Committee

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

- approving the Council's 'Statement of Accounts';
- 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 or the internal control environment. A mid year review and progress report on issues reported in the 2006-07 Statement on Internal Control was presented in December 2007.

The membership of the Committee comprises five members. The Chair or Deputy Chair of the Committee shall not be a member of the Executive.

• 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.

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

• **Risk Management Processes**

The Council has continued to progress the development and embedding of risk management, both corporately and across Service areas during 2007-08. The Executive approved the latest of the updated Risk Strategy in October 2007.

The Council maintains corporate and departmental risk registers which contain actions being taken 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 the Integrated Monitoring Report and Performance Management Clinics.

• **Financial and Performance Management**

General overview of Financial Management

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

A review of the 2008-09 budget process is being carried out to improve timeliness, robustness of decisions, and strengthen value for money, and officer and members' engagement. Management has recognised the need to take action to improve financial management throughout the organisation.

Outline of Performance Management

Performance management reporting has, since the introduction of performance clinics, become a regular quarterly monitoring process of the Council. Performance clinics are embedded and demonstrate a clear Corporate Management Team commitment and actions to establish a performance culture corporately. There is significant evidence of an effective performance management culture within departments (departmental clinics are taking place) and consistency across the Council continues to improve. The implementation of the new performance framework provides clarity and accountability for data quality and the role of members.

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

- o Quarterly Performance Clinics by the Corporate Management Team which look

at performance, risk and finance issues in relation to the Council's corporate priorities.

- o The Chief Executive's Corporate Integrated Monitoring Report to the Executive setting out the current position on performance, risk management and finance in relation to the Council's activities. The quarterly report sets out the key areas of progress, the key issues and areas for continued attention in relation to the Council's corporate priorities. The Chief Executive is asked to report back to the Corporate Improvement Committee what action has been taken to ensure progress in the key areas highlighted in the report or identified in the corporate risk register as a strategic risk requiring immediate attention and flagged at red using the traffic light self assessment.
- o The Leader of Council now holds accountability meetings with each Portfolio Holder where the key issues for that portfolio are discussed. These meetings are now part of the Council's Performance Framework and should help the Leader and each Portfolio Holder identify their key priorities for the coming months. These meetings are also attended by the Chief Executive and the relevant Strategic Director(s) in support roles.
- o Portfolio holders also receive regular performance briefings from officers.
- o In addition, the Executive receives detailed quarterly financial monitoring reports through the year.

• **Business Continuity Management**

Bradford Metropolitan District Council is committed to undertaking Business Continuity Management, as detailed in the Civil Contingencies Act 2004 in line with the Council's visions and values to ensure the Council can provide all its key functions in the event of an emergency or disruption so far as is practicable.

The Emergency Management Team has put in place the policy and framework which sets the Council's policy for Business Continuity Management and also on how the process will be integrated within the Council and the Emergency Management response structure. As the process involves service continuity it has been agreed that Assistant Directors will be the officers to lead on Business Continuity Planning within their service areas. The Emergency Management Team has co-ordinated the introduction of Business Continuity Planning 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. The key areas of assurance relate to the work detailed in Internal Audit's monitoring reports on the Council's control environment and are reported on a quarterly basis to Corporate

Governance and Audit Committee. The Principal Audit Manager is also required to prepare and present an annual report.

Internal Audit's opinion on the overall adequacy and effectiveness of the Council's internal control environment is contained within the Annual Report which will be presented to the 26 June 2008 Corporate Governance and Audit Committee meeting.

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

- External Audit and Inspection Work

The work of external audit provides additional assurance through their programme of work as detailed within the Audit and Inspection Plan, regular progress reports, the comprehensive performance assessment, and the publication by the Audit Commission of the Council's Annual Audit and Inspection Letter.

The Audit Commission's annual assessment of the Council's use of resources is an integral part of the Comprehensive Performance Assessment. Overall the Council received a score of 3 for 2007 an improvement from the overall score of 2 for 2006.

This means the Council was judged to be consistently above minimum requirements-performing well. The Council's overall direction of travel was judged to be improving adequately. The scores for the individual themes were stronger as can be seen from the table below:

	Score 2007	Score 2006
Financial reporting	2	2
Financial Management	3	3
Financial Standing	3	3
Internal Control	3	2
Value for Money	2	2

- Group Activities

The Council's total shareholding in Leeds Bradford International Airport Limited was sold in May 2007 so the Council no longer has any interest in the company. Bradford City Centre Urban Regeneration Company Limited is a company in the group and we have obtained assurances concerning their governance arrangements.

REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

Bradford 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 authority who have responsibility for the development and maintenance of the governance environment, the Principal Audit Manager's Annual Report, and also by comments made by the

External Auditors and other review agencies and inspectorates.

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

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

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

- The Council's 2020 Vision - the 20 year vision for the district - sets out the long term broad vision for the district based on future projections and informs strategic planning and ownership amongst all key partners.
- The new Sustainable Community Strategy (SCS) - the Big Plan 2008-11 has been approved by the Executive. The purpose of the Big Plan is to deliver the strategic vision for the district in the medium term. It will inform corporate planning and ownership amongst key partners as well as establishing the critical issues and key priorities for the district over the next three years.
- A review of the Local Strategic Partnership has been completed and reported to the Executive in October 2007. Improvements to the performance management and governance arrangements are progressing well. The intended outcome is to strengthen appropriate performance management and governance arrangements for key partnerships.
- A new Local Area Agreement (LAA) 2008-11 will deliver a three year plan/agreement and will be the delivery mechanism for the SCS. Currently being negotiated, it sets out the agreed improvement outcomes which will be delivered in the district through partnership working. The Council is currently working to the existing LAA 2005-08.
- Citizen's First: the Council's Corporate Plan establishes the direction and key priorities of the Council for the next three years. It informs the Medium Term Financial Strategy, the priority - led budget setting process and service plans.
- Community Pride establishes clear channels of communication with all sections of the community and other stakeholders.
- The Council is currently formulating action plans in response to the recent corporate inspection and in readiness for the implementation of the Comprehensive Area Assessment (CAA).

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

- There has been extensive consultation as part of the development of the new Sustainable Community Strategy. The Council's Corporate Plan is being revised in light of this "Big Plan".
- The Council's Corporate Plan, the three year strategic plan, is reviewed and updated annually. This is influenced by external inspections, and their findings as well as meeting the requirements of the External Auditors Key Lines of Enquiry for corporate assessments, Use of Resources etc and CAA preparations.
- The Council's constitution is reviewed and approved by Council at its annual meeting.

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

- Performance Clinics are embedded and demonstrate a clear Corporate Management Team commitment and actions to establish a performance culture corporately. There is significant evidence of an effective performance management culture within departments (departmental clinics are taking place on a proportionate basis) and consistency across the Council continues to improve.
- The implementation of the new performance framework provides clarity for accountability for data quality and the role of members. The Audit Commission judged our data quality arrangements as satisfactory with steady improvements. Good progress continues to be made against the data quality action plan.
- The Council is currently investing in the development of an observatory to enable partners to share data and improve effective performance management arrangements.
- Customer satisfaction surveys are conducted regularly and action plans developed from the concerns raised by respondents.
- Citizen's panels and customer forums are held.
- Departments carry out their own mini performance clinics.
- The Council has a Value for Money framework and the Government's efficiency targets for local authorities require delivery of 3% cashable efficiency savings.
- Additionally the Council has 7 Improvement Committees which are required to contribute to the better decision making of the council, secure continuous improvement in service delivery as well as review the development of community participation in the council activities. These committees receive and consider quarterly performance clinic reports.

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

- The articles of the Constitution of the Council set out the role and responsibilities of the Executive. The Executive is responsible for all the functions of the Council other than the exceptions detailed in the constitution.
- The terms of reference of members of the Council, Committees and sub Committees, including their roles and functions, are set out in the articles of the Constitution of the Council.
- Overview and Scrutiny Procedure Rules, the arrangements for the scrutiny of matters and the rules governing the conduct of any matter proposed to be subject to scrutiny by a committee are contained in the Constitution of the Council.
- The Council has strengthened and consolidated its governance arrangements by establishing the Corporate Governance and Audit Committee.
- The Constitution of the Council sets out the functions of the Council designated posts, i.e. the Head of Paid Service which is the Chief Executive, the Monitoring Officer which is the Assistant Director, City Solicitor and the S151 responsibilities which are undertaken by the Strategic Director, Corporate Services.
- The articles of the Constitution of the Council set out the delegation of functions to Officers by the Council and the Executive and the rules that officers shall follow in discharging delegated functions.
- Protocols for effective communications of Committee decisions are contained in the Council's Constitution. Similarly the constitution lays out the rules governing decisions taken by officers however there are concerns about awareness and the accuracy of recording these decisions.

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

- The articles of the Constitution of the Council set out that the Standards Committee has the role and function of promoting and maintaining high standards of conduct by members of Council and monitoring the operation of the Members' code of conduct.
- The articles of the Constitution of the Council contain a code of members' conduct which members must observe. Training for all members, on the code of conduct has been offered.
- A protocol on member- officer relations in the articles of the Constitution of the Council provides rules and guidance for members, co-opted members and officers in their working relations with each other.
- There are protocols for members on gifts and hospitality and members use of Council resources including the use of Email and the internet in the Constitution.

- The articles of the Constitution of the Council set out general principles of conduct for employees of the Council.

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

- Council standing orders for contracts and financial regulations are contained in the Constitution of the Council and are subject to an annual review by officers. These are then reviewed, considered and approved by the Corporate Governance and Audit Committee and adopted by the full Council at their annual meeting.
- Key control booklets are maintained by Internal Audit, updated as required and the guides are placed on the Council's intranet.
- Job descriptions and personnel specifications for all key officers detail the key responsibilities for these posts.

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

- The articles of the Constitution of the Council sets out the role and functions of the Corporate Governance and Audit Committee, which in line with CIPFA's guidelines, includes maintaining an overview of the Council's corporate governance framework and the partnership arrangements and considering the effectiveness of risk management and the control environment.

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

- The Monitoring Officer, under the articles of the Constitution, is required to maintain an up to date version of the Constitution and to make amendments to the Constitution to take account of changes in legislation, guidance, Council policy, decisions of the Council and the Executive, and drafting changes and/or improvements.
- The Monitoring Officer, following consultation with the Chief Executive and the Section 151 Officer, is required to report to the Executive if s/he considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. To assist the Monitoring Officer in this role legal services monitor new legislation and disseminate this information to service departments.
- The Section 151 officer, under the articles of the Constitution, following consultation with the Chief Executive and the Monitoring Officer, is required to report to the Executive and the Council's external auditor if s/he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency.

- Each Strategic Director and the Deputy Chief Executive are required, annually to confirm in a signed year end certificate- letter of confirmation for 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 Department. This is underpinned by performing the key control self assessment and levels of non compliance duly considered. An explanation and assessment of the levels of non compliance with key controls are considered as part of assessing the adequacy of the control environment.
- The reports of Internal and External auditors consider and inform compliance with regulations, policies and procedures.
- The Council has recently introduced tighter Executive report clearing arrangements involving consideration by CMT, the Monitoring Officer and the Assistant Director Finance.

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

- The Council has a whistle blowing policy for employees as well as an anti fraud strategy statement. These can be both accessed on BradNet.
- Under the articles of the Council's constitution the Corporate Governance and Audit Committee has a function to consider the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements.
- Internal Audit has dedicated resources to undertake independent investigations and report on allegations of impropriety.
- The Council has a formal complaints, 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 by completing a contact us paper form, by telephone, by letter or speaking to a member of staff.
- Standards Committee has the responsibility to deal with alleged failure by members to comply with the code of conduct, practice or protocol approved by the Council.

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

- The Council provides induction training for new members and also political groups have their own training programmes for members.
- In order to provide members with training and support to allow them to challenge performance effectively discussions are underway with Sheffield University to design a workshop approach to member development for members of Improvement Committees.
- Performance appraisal arrangements specifically include personal development needs and training requirements for officers.

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

- Area Committee arrangements and Neighbourhood Forums. The Council has five Area committees to encourage community engagement and participation. Area committees will make arrangements to secure dialogue with communities within their area by establishing and operating neighbourhood forums.
- The Executive's Forward Plan is published at least 14 days before the start of the four month period covered by the plan. It is available for inspection free of charge during normal office hours and is published on the Council's website. The Forward Plan contains matters which the Leader of the Council believes will be the subject of key decisions, to be taken by Executive.
- Overview and scrutiny arrangements provide that where any matter is proposed to be subject to scrutiny by a committee the rules governing the conduct of that scrutiny provide for meetings to be open to the public, except where confidential information or exempt information is likely to be disclosed.
- The Council's web site provides a communication and wide ranging information link.
- The Annual Statement of Accounts provides an outturn report for the previous financial year showing income and expenditure on both capital and revenue account compared against estimates.
- Publications, Community Pride and other publicity arrangements including specific area community newsletters such as Streets Ahead provide communication channels with the district's citizens.
- Financial and other information is issued with Council Tax bills.

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

- The Constitution of the Council sets out the role and functions of the Corporate Governance and Audit Committee which includes maintaining an overview of the Council's corporate governance framework and the partnership arrangements.
- Good governance principles have been incorporated into partnership contractual relationships such as Bradford i (IBM), Education Bradford (Serco).
- The new revised Local Strategic Partnership will be working to the new Sustainable Community Strategy and Local Agreement 2008-11 and will identify all our partnerships and develop an action plan.

- A partnership delivery team has been established to support the Local Strategic Partnership. This is supported by the Accountable Body Guidance Manual and training on the application of this guidance has been provided to partners.

PROGRAMME OF IMPROVEMENT FOR SIGNIFICANT GOVERNANCE ISSUES

The Corporate Governance Statement has identified areas where further improvements need to be made and where the Council must focus its efforts over the coming year.

The Authority has been advised that the review of the effectiveness of its governance framework including the systems of internal control has identified a number of significant governance issues. Four of these issues were reported as weaknesses in the Statement on Internal Control for 2006-07 and whilst progress has been made during the year to rectify the control issues, concerns still remain outstanding at the end of 2007-08. Further significant concerns have arisen during 2007-08 relating to the new payroll system introduced last year. Concerns have arisen relating to employers and employees contributions to the West Yorkshire Pension Fund.

A number of significant governance issues, areas for continued attention, have been identified by management at the Corporate Management Team's regular performance clinics and their review of the corporate risk register. These include Building Schools for the Future, Supporting People, Disabled Facilities Grants, the implementation of Single Status, the management and improvement of sickness absence, the effective management of resources and performance, a robust approach to project and programme management.

Three significant governance issues arose from the review of the systems and processes that comprise the Council's governance arrangements and how the Council has complied with the principles contained in the CIPFA/Solace framework Delivering Good Governance in Local Government.

The details of these significant governance issues are contained within the Corporate Governance and Audit Committee Report of 26 June 2008 and summarised in the Executive Report of 24 June 2008.

We propose over the coming year 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 provide an update on progress.

We have followed up from various sources of evidence – a review of the Corporate Plan 2007-08 – Outturn Performance Report and by obtaining direct comments from senior management about the latest position regarding the significant governance issues that require attention that appropriate actions are being taken to address the issues and the need for improvement.

Councillor Kris Hopkins, Leader of Council

**Tony Reeves, Chief Executive
30 June 2008**

Report by Becky Hellard, Strategic Director, Corporate Services

On 1 March 2007 the Council set its budget and council tax for 2007-08. Spending of £386,429,200 was approved for the authority. This was to be funded in full from government grants and local taxation totalling £386,429,200.

General Fund spending in 2007-08 was £365.05m, £743,000 above the estimated level. Instead of the planned breakeven, the deficit of £743,000 was charged against the General Fund balance at the year-end.

The net overspending of £743,000 shown below is after the use of departmental and corporate reserves. They do not take account of any action to be taken by Appropriate Officers, under Financial Regulation 15, to carry forward any budgets to 2008-09. The net overspending is the result of:

	£000	£000
Variations in spending by Departments 2007-08		
Adult Services	-1,157	
Corporate Services	1,784	
Environment & Neighbourhoods	1,061	
Other departments (net)	123	1,811
Variations in other costs		
Capital financing costs	-2,193	
Interest and investment income	-3,797	
Contingencies not used	-6,492	
Contribution to equal pay provision	14,000	
Transfer from Corporate Reserves	-1,000	
Other savings	-1,586	-1,068
Net Overspending		743

- **Adult Services.** The underspend of £1.157m was largely due to receipt at the year end of a £1.95m contribution from the Bradford and Airedale NHS Primary Care Trust (PCT) towards a Supporting People overspend in 2007-08 and earlier years. Adults Services also made savings on Purchased Care, staffing and non essential expenditure totalling over £1m to fund an overspend of £1.1m brought forward from 2006-07.
- **Corporate Services.** The overspending of £1.784m largely comprised of a £1.64m overspend on Human Resources, £793k of which was due to extra staff relating to SAP implementation, and approximately £300k due to additional pension and redundancy costs incurred in 2007-08 as part of the Council's restructuring programme. The balance of £600k was due to non achievement of budget savings, and it is proposed to carry this forward to 2008-09.
- **Environment and Neighbourhoods.** The overspend of £1.061m was partly due to a change in accounting treatment of trade waste income, so that income is included in the year it is due, not in the year the annual trade waste bills are raised. This has led to a one off charge of £1.3m. The service also brought

forward an underspend of £762k from 2006-07, most of which was spent to support the street cleansing service.

- **Capital financing costs:** The saving on capital financing costs related to external interest and slippage on the capital programme which has led to a lower borrowing requirement.
- **Interest and investment income:** Despite increasing the budget significantly over the previous year, average cash balances of approximately £180m during 2007-08, combined with current interest rates produced a level of interest nearly £3.8m higher than budgeted.
- **Contingencies:** The underspending of £6.492m relates in part to the transfer back into contingencies of a provision for the costs of waste management capital financing and in part from residual balances on earmarked sums which were not required. A budgeted transfer of £2m to the Single Status Reserve was not made due to the need to fund the equal pay provision.
- **Equal pay provision.** A contribution of £14m was made to the Equal Pay provision to meet the estimated cost of equal pay claims in 2008-09 and later years. This contribution is in addition to the £13m provision made in 2005-06.
- **Other savings:** There was a refund of £1.8m from the Insurance Fund as a result of premiums being at a higher level than required. This saving was partially offset by a reduction of £342k in income received from Bradford Community Housing Trust (BCHT) for the sale of ex council houses.

Schools

There was a net surplus on schools' delegated budgets of £7.057m, and as a result the overall level of school balances increased from £18.85m at 31 March 2007 to £25.907m at 31 March 2008. The net surplus is made up of deficit balances of £2,031m and surplus balances of £27.938m. The number of schools in deficit has been reduced from 13 to 6 over the year. These sums have been carried forward to schools' budgets in 2008-9 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 2008 the General Fund balance totalled £10.974m, compared to £11.717m at 31 March 2007, a reduction of £743,000 which represents the deficit for the year. This is in line with the Council's policy of maintaining a prudent level of reserves of 2.5% of the next financial year's budget.

More Details

The Strategic Director, Corporate Services presented her report "Outturn Position and Statement of Accounts for the Financial Year Ended 31 March 2008" to the meeting of the Council's Executive on 24 June 2008. The report provides more details of the Council's financial performance in 2007-08. 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 2007-8 the gross revenue expenditure on the provision of services was £1,218.7m. This included £19.9m paid to the West Yorkshire Passenger Transport Authority and £0.7m paid in local precepts to Parish Councils. For a further breakdown of the amount spent on individual services see either the chart following or the Income and Expenditure Account (page 21).

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

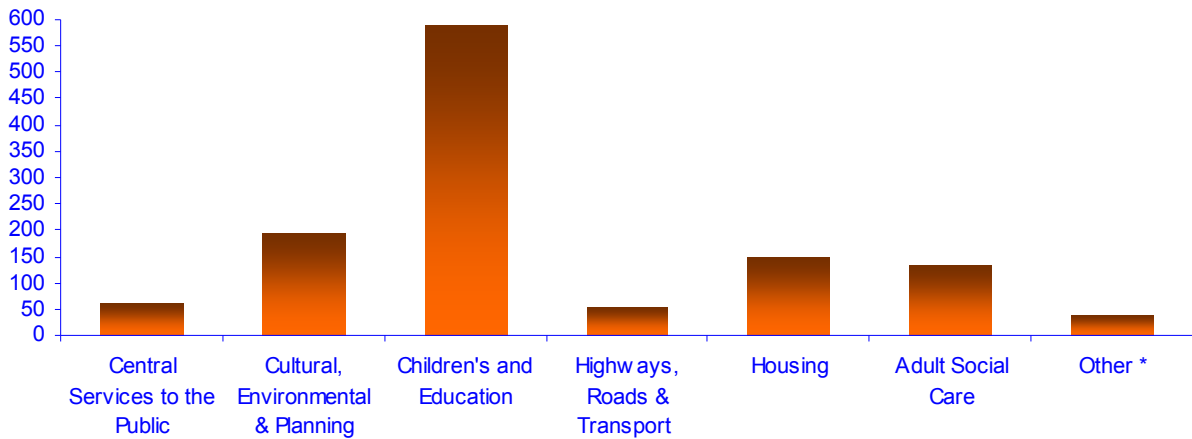
Where Did the Council Get Its Money?

The Council's General Fund revenue spending is funded through general government grants (£38.7m), council tax (£154.6m) and redistributed non-domestic rate income (£199.1m). The government through specific grants provides a further £632.1m of funding, of which £312m is a Dedicated Schools Grant (DSG). The Council itself raises the remaining money (£194.2m) in the form of rents and fees and charges for services provided.

What Is the Money Spent On?

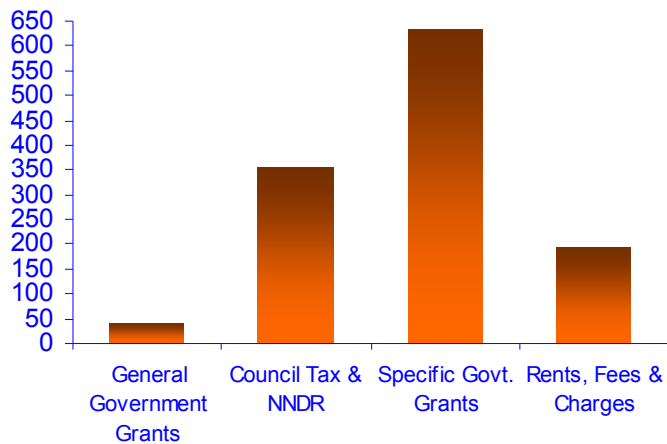
Local authority services are labour intensive with staff direct and indirect costs accounting for £537.4m of revenue expenditure. In 2007-08 spending on other operating costs and capital financing costs was £543.3m and council tax and rent benefits together totalled £138.0m.

Where the money was spent (£m)

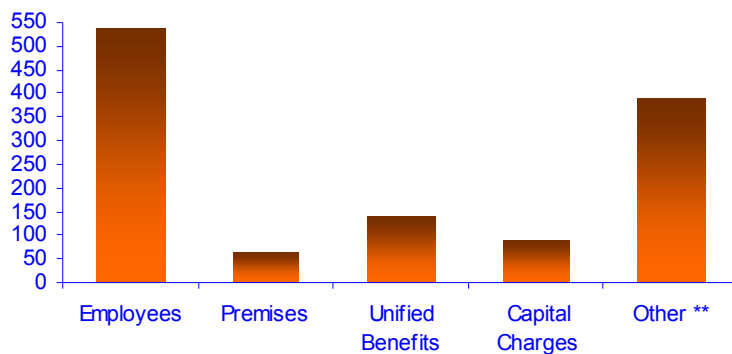


* "Other" includes corporate management, democratic representation and management, non-distributed costs, court and probation services.

Where the money came from (£m)



What the money was spent on (£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 2007-08

The Council spent £76.160m, in the year, an underspending of £12.278m against the planned level. The underspending and the unspent resources have been rolled forward to 2008-09.

Capital resources of £47.783m were carried forward on the authority's balance sheet at 31 March 2008 in the Renewals and Replacement Reserve (£12.828m), as usable capital receipts (£2.664m) and as grants received in advance (£32.291m). The authority is also carrying forward £54.97m spending power from capital receipts used to repay debt and which can be reinstated through prudential borrowing.

Capital Resources Carried Forward to 2008-09

Resources carried forward into 2008-09 total £102.7m. These resources are for the following purposes:

Capital Resources Carried Forward From 2007-08 to 2008-09	£m
Specific resources received in advance by services and to be used in future years	64.9
Corporate resources to fund slippage from 2007-08 and planned support for the capital investment plan in future years	36.4
Working balance on the Renewal and Replacement Reserve	1.4
Total	102.7

Where the Money Came From

The spending of £76.160m was funded as follows:

- £21.244m (28%) by external borrowing generating capital financing charges which will form part of future revenue spending.
- £41.169m (54%) from government and other grants.
- £1.925m (3%) from revenue contributions and the use of the Renewal and Replacements Reserve and other revenue reserves.
- £11.822m (15%) from capital receipts from the sale of land and buildings.

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

Major Capital Schemes in 2007-08

The table below shows the expenditure in 2007-08 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes Expenditure 2007-08	Main Schemes £000	Total Spend £000
Adult Services		1,960
Extra Care Housing	559	
Improving Care Homes for Older People	745	
Children's Services		26,715
Devolved Formula Capital	6,869	
Parkside school and Challenge College	463	
Additional Places	2,901	
Children's Centres	5,817	
Modernisation Grant	4,585	
Special Schools		
Reorganisation	1,234	
Corporate Services		1,965
Cleaner Safer Greener environmental improvements	991	
Forensic Science Centre	265	
Culture Tourism & Sport		2,991
Keighley Library	791	
Eccleshill Pool, Refurbishment	366	
City Centre Art Gallery	863	
Environment and Neighbourhood		4,296
Replacement of Vehicles/Winter Maintenance Vehicles	1,815	
Manywells Landfill Remediation	782	
Customer Services		1,241
Bradford-I	1,165	
Asset Management		1,199
Ilkley Town Hall Boiler Replacement	364	
City Hall Boiler Replacement	294	
Housing		9,766
Disabled Housing Facilities Grant	2,479	
Slum Clearance	1,775	
Renewal Areas	1,417	
Housing Market Renewal	2,700	
Regeneration		5,276
Regeneration 2000	1,264	
Integrated development plan	1,343	
Trident	1,011	
Local Enterprise Growth Initiative (LEGI)	1,069	
Transportation Design and Planning		20,751
Bridge Strengthening	1,638	
Highways Maintenance	2,338	
Area Committees, Minor Works and Road Safety	1,165	
Connecting the City	8,029	
Integrated Transport	2,177	
Total		76,160

Capital Borrowing

The Prudential Code defines the Capital Financing Requirement (CFR) as the measure of an authority's borrowing for capital purposes. It is one of the indicators an authority must set and monitor against each year to ensure capital spending and borrowing are affordable. The Council's CFR at 31 March 2008 is £400.773m, which is within the indicator it set for the year of £489.7m.

Capital Financing Requirement 2007-08	
	£000
Balance at 1 April 2007	460,363
Capital spending in the year financed from borrowing	21,244
Provision made in the year for the repayment of capital borrowing	-20,802
Use of capital receipts in year to notionally pay off debt	-60,032
Balance at 31 March 2008	400,773

Council Tax Collection

At 31 March 2008, the Council had collected over 93.3% of the value of council tax bills sent out for 2007-8, the comparative percentage for 2006-7 was 91.8%. 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 2008 the deficit on the pensions reserve calculated by the actuary was £395m an increase of £115m when compared to the figure at 31 March 2007.

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

Building Schools for the Future

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

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

In December 2006 a contract was awarded for Phase 1 of the programme which will see three new schools built at Buttershaw, Salt and Tong. The total cost of the contract (excluding utilities) which will commence 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 at these sites for 25 years. The Council has secured funding support from the Department for Children, Schools and Families (DCSF) via PFI Credits which total £225m over the 25 year contract.

In 2007-08 the Council was successful in securing further PFI credits in support of Phase 2 of the local programme which will result in £385m over 25 years, subject to DCSF acceptance of the final business case. The final business

case and contract is anticipated to be awarded in the late summer 2008, with the PFI schools scheduled to open in September 2010.

BSF development costs of £1,367,309 have been charged in 2007-08 to Children's Services.

Sale of Leeds Bradford International Airport Ltd (LBIA Ltd)

On 4 April 2007 the authority's Executive recommended to Council that the authority dispose of its 40% share capital in LBIA Ltd as part of a 100% share disposal of the airport company to the preferred bidder. The sale to Bridgepoint Capital was completed on 3 May 2007.

The authority received £51.525m for its 40% stake in the company. This was made up of the following:

Proceeds from sale of LBIA Ltd	
	£000
Capital receipt from disposal	51,152
Repayment of debenture	525
Debenture interest	5
Reimbursement of Bradford's costs	11
Payment to Leeds City Council re costs	-17
VAT on expenses	-158
Interest from Leeds City Council	7
Total	51,525

As the scale of any shortfall on the final pension fund liability of LBIA Ltd could not be determined for sometime after the sale was completed, £7.5m of the total proceeds of the sale were placed in an escrow account. In April 2008 the final pension deficit was calculated at £1.994m, leaving an additional receipt of £5.506m to be distributed amongst the five West Yorkshire Districts. Bradford's share totalling £2.202m has been accrued as a capital receipt in 2007-08.

Accounting Developments

Authorities are required to comply with the Statement of Recommended Practice on Local Authority Accounting in the UK 2007 (the 2007 SORP) when preparing their 2007-08 Statements of Accounts. For 2007-08 the following substantive changes, introduced in the 2007 SORP have required the authority to:

- reclassify and where necessary remeasure any financial instruments it has on its balance sheet in accordance with FRS 25, Financial Instruments: Presentation and Disclosures, FRS 26 Financial Instruments: Recognition and Measurement and more recently FRS 29 Financial Disclosures, which has replaced the disclosure requirements of FRS 25 but not the presentation requirements.
- replace its Fixed Asset Revaluation Account (FARA) and the Capital Financing Account (CFA) with a Revaluation Reserve and a Capital Adjustment Account. The Revaluation Reserve has been included in the 2007-08 balance sheet with an opening balance of zero. It will only contain revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account;
- review its accounting arrangements for Local Area Agreement Grant; these are largely presentational changes and have already been implemented.
- include additional disclosures about charitable trusts consolidated into group accounts.

General Principles

The accounts have been prepared in accordance with;

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

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

Fundamental Accounting Concepts

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

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

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

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

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

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

Accounting Policies

Income and Expenditure (Debtors and Creditors)

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

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- There remain a small number of loans taken out before April 1988 for which, in accordance with previous practice, interest is not accrued. Non accrual of interest amounted to £139,710 at 31 March 2008.
- 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.

Pension Costs

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

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

In service accounts the cash payments made to the West Yorkshire Pension Fund (WYPF) have been replaced with the current service cost calculated by the actuary. The current service cost which represents the true economic pension cost of employing people in a financial year has been apportioned to services pro rata to employer's cash pension contributions.

In a change from the approach adopted in the past, in 2007-08, the discount rate chosen by the Actuary to discount post retirement benefit obligations is no longer based on the yield on the iBoxx Sterling AA corporate bond over 15 years index. Instead the Actuary has used a more sophisticated approach, by calculating the discount rate as a weighted average of "spot yield" on AA related corporate bonds.

In 2007-08 the appropriate real discount rate used increased from 2.0% (4.9% discount rate less 2.9% price inflation) at 1 April 2006 to 2.3% (5.4% discount rate less 3.1% price inflation) at 1 April 2007. As a result of the higher real discount rate used for 2007-08 the current service cost measured as a percentage of pensionable pay decreased from 19.8% in 2006-07 to 16.8% in 2007-08.

In addition to the financial assumptions, changes have also been made in 2007-08 to take account of the trends of increasing life expectancy. The effect of making this change is less than 10% of the liabilities.

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. As 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. An initial allowance was made for this in 2005-6 based on the assumption that 50% of members will take up the option to increase their lump sum to the maximum available. The one off saving was included within Non Distributed Costs. In 2007-8 based on the actual experience of various Funds, the Actuary has found the actual take up rate to be slightly lower, on average than the assumed 50% rate. However having considered the position, the Actuary proposed that the 50% assumption be retained for the time being.

The attributable assets of the WYPF have been measured at fair value. The performance has been based on asset splits as at 31 December 2007 and an investment return for the year of -0.39%. See Note 51, on page 41.

Additional pension costs such as added years benefits, 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 33 gives further details.

Tangible Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets, above the de minimis level of £10,000 is capitalised on an accruals basis provided that the asset yields benefits to the Council for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts. Additions are initially included at their cost of acquisition.

The fixed asset values used in the accounts are based on valuations backdated to the 1 April 2007, 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.

Intangible Fixed Assets

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

Deferred Charges

Where the authority incurs capital expenditure but does not control the economic benefits of that spending it is treated as a deferred charge. This includes grants and other assistance given to outside bodies and individuals for capital purposes. Deferred charges create no lasting economic benefit for the authority and are written off to revenue in the year they are incurred.

Depreciation

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

- Operational buildings, which were previously depreciated over 50 years, have each been reviewed and are now depreciated over their individually estimated useful economic life.
- Non-operational investment properties have not been depreciated except where they are leased and have an unexpired term of 20 years or less (these have been depreciated over the unexpired term of the lease on a straight-line basis).
- Infrastructure assets are depreciated on a straight-line basis over 30 years
- Vehicles, plant and equipment are depreciated over 3 to 7 years, as appropriate.

Assets are not depreciated in their year of acquisition.

Impairment

During 2007-08 the Council's Asset Management service has undertaken an impairment review of fixed assets. 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.

In 2007-08 as a consequence of creating the Revaluation Reserve with a zero balance all impairment losses have been charged to the appropriate service within the Income and Expenditure Account.

Capital Receipts

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

Grants and Contributions

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

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

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

Charges to Revenue for Fixed Assets

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

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

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

Repayment of Debt

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

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

Leases

Rentals paid under operating leases are charged to revenue.

Financial Instruments

With effect from 1 April 2007 the authority has adopted a change in accounting policy in order to comply with the new financial instrument requirements of Financial Reporting Standard (FRS) 25, FRS 26 and FRS 29. 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.

The adjustment between the closing balance sheet for 2006-7 and the restated balance sheet at 1 April 2007 has been treated as a prior year adjustment. However in accordance with the 2007 SORP, comparative information has not been adjusted.

Transition to the new arrangements has required the authority to review which financial instruments should be included or excluded from its balance sheet at 1 April 2007. With the exception of any overhanging premiums and discounts arising from the early repayment of loans, any transaction entered into before 1 April 2006 does not need to be considered.

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 and the interest charged to the I & E is the amount payable for the year in loan agreement.

At the 31 March 2008, the authority had six Lender Option Borrower Option (LOBO) loans totalling £41.4m. With the exception of one £7.5m loan, the remaining 5 LOBOs were agreed on a stepped basis. In accordance with the SORP all LOBO's have been remeasured at 1 April 2007 and the carrying cost of the loans increased by £627k. To neutralise the impact on the general fund, the authority has applied the regulation contained in Statutory Instrument 2008 Number 414 to appropriate £627k to the Financial Instrument Adjustment Account.

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

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

Financial Assets

Financial assets are classified into two types:

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

determinable payments. E.g. equity shares in companies

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

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

Current Assets

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

Investments

Investments are shown at amortised cost.

Landfill Allowance Trading Scheme (LATS)

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

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

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

Provisions

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

Contingent Liabilities

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

Revenue Reserves

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

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

Provision for Bad and Doubtful Debts

Provisions have been made for bad and doubtful debts. Known 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. These are shown in the notes to the main financial statements (see Note 36 on page 36).

Where material, those companies have been included in the authority's Group Financial Statements.

Deferred Liabilities

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

Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT.

Partnership Arrangements

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

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

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.

Income and Expenditure Account

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 2006-7 figures have been restated to take into account firstly the introduction of a new service expenditure analysis heading Children's and Education Services, see Note 4 on Page 26, and secondly to include capital receipts not arising from asset disposals, see Note 24 on Page 32. The overall impact is to increase the surplus on the I & E Account in 2006-7 by £1.295m. This gain has been reversed in the Statement of Movement on the General Fund Balance, leaving the general fund balance at 31 March 2007 unchanged.

2006-7 Restated Net Expenditure £000	Income and Expenditure Account	2007-8 Gross Expenditure £000	2007-8 Income £000	2007-8 Net Expenditure £000	
	<i>Note 3</i>				
	Expenditure on services				<i>Note 4</i>
98,206	Children's and Education Services	590,133	484,315	105,818	
92,777	Adult Social Care	134,089	42,329	91,760	
40,574	Environmental Services	69,746	25,494	44,252	
28,700	Cultural and Related Services	60,610	21,430	39,180	
19,920	Planning and Development Services	63,779	32,610	31,169	
39,581	Highways, Roads and Transport Services	52,082	9,943	42,139	
10,196	General Fund Housing	147,367	135,907	11,460	
6,642	Central Services to the Public	61,253	36,196	25,057	
3,204	Corporate Management	4,500	4,072	428	<i>Note 6</i>
4,717	Democratic Representation and Management	5,154	23	5,131	<i>Note 6</i>
-25	Non distributed costs	14,278	4,944	9,334	<i>Note 6</i>
376	Court and Probation Services	1,010	612	398	
0	Exceptional items – provision for equal pay claims	14,000	0	14,000	<i>Note 5 & Note 46</i>
344,868	Net cost of services	1,218,001	797,875	420,126	
1,440	Gain (-) / Loss on disposal of assets			-1,265	<i>Note 24</i>
0	Gain on the disposal of long term investment			-47,355	<i>Note 1</i>
579	Parish council precepts			707	
92	Trading services surpluses (-) / deficits			-447	<i>Note 11</i>
31,703	Interest payable and similar charges			28,263	<i>Note 12</i>
-166	Contribution from (-) to housing capital receipts national pool			63	<i>Note 18</i>
-6,596	Interest and investment income			-11,299	
2,314	Net pension interest cost and expected return on pensions assets			-1,031	<i>Note 25</i>
374,234	Net operating expenditure			387,762	
-139,341	Demand on the Collection Fund			-148,809	
-44,514	General Government grants			-38,691	<i>Note 7</i>
-189,095	Non-domestic rates redistribution			-199,137	
-4,272	Distribution of the Collection Fund surplus			-5,771	
-2,988	Surplus for the year			-4,646	

Statement of Movement on the General Fund Balance

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

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

2006-7	Statement of Movement on the General Fund Balance	2007-8	
Restated £000		£000	
-2,988	Surplus for the year on the Income and Expenditure Account	-4,646	
	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		
-867	Amortisation of intangible fixed assets	-1,567	<i>Note 15</i>
-17,689	Depreciation of fixed assets	-20,145	<i>Note 15</i>
0	Impairment of fixed assets	-47,358	<i>Note 15</i>
7,227	Government grants deferred amortisation matching depreciation and impairment	4,812	<i>Note 15</i>
-7,724	Deferred charges treated as revenue expenditure but which are classified as capital expenditure by statute	-2,895	<i>Note 15</i>
-1,440	Net gain or loss (-) on the disposal of assets	1,265	<i>Note 24</i>
0	Net gain on the disposal of long term investment	47,355	<i>Note 1</i>
0	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	2,260	<i>Note 17</i>
-45,115	Net charge made for retirement benefits in accordance with FRS 17	-45,885	<i>Note 25</i>
	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		
17,604	Minimum revenue provision for capital financing	18,414	<i>Note 15</i>
5,577	Capital expenditure charged to the General Fund balance	1,925	<i>Note 15</i>
166	Transfer to or from (-) usable capital receipts equal to the amount payable into the national housing capital receipts pool	-63	<i>Note 18</i>
32,192	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	36,843	<i>Note 25</i>
	Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year		
2,718	Voluntary revenue provision for capital financing	2,386	<i>Note 15</i>
8,777	Net transfer to earmarked reserves	985	<i>Note 13</i>
1,426	Net additional amount required by statute and non-statutory proper practices to be charged to the General Fund balance for the year	-1,668	
-1,562	Increase in the General Fund balance	-6,314	
-29,005	General Fund balance brought forward	-30,567	
-30,567	General Fund balance carried forward	-36,881	<i>Note 23</i>
-18,850	Amount of General Fund balance held for schools under local management scheme	-25,907	<i>Note 23</i>
-11,717	Amount of General Fund balance generally available	-10,974	<i>Note 23</i>

Statement of Total Recognised Gains and Losses

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).

2006-7	Statement of Total Recognised Gains and Losses	2007-8
Restated		
£000		£000
-2,988	Surplus for the year on the Income and Expenditure Account	-4,646
-38,762	Surplus arising on revaluation of fixed assets	-62,755 <i>Note 14</i>
-76,068	Actuarial gains (-) and losses on pension fund assets and liabilities	106,339 <i>Note 26</i>
	Other losses:	
3,356	Movement on the Collection Fund	8,936 <i>Note 13</i>
-114,462	Total Recognised Gains (-) / Losses	47,874 <i>Note 48</i>
0	Cumulative effect on reserves of a prior period adjustment on the Financial Instruments Adjustment Account	12,642 <i>Note 17</i>
-114,462	Total Recognised Gains / Losses (-) for the year after accounting for a prior period adjustment on the Financial Instruments Adjustment Account	60,516

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

The 31 March 2007 figures have been restated to reflect the introduction of two new capital reserves, the Revaluation Reserve with a zero opening balance and the Capital Financing Account. For further information see Note 14 on page 29 and Note 15 on page 29.

Restated 31 March 2007 £000	Balance Sheet	31 March 2008 £000	
1,015,282	Tangible fixed assets	1,050,243	<i>Note 37</i>
14,186	Intangible fixed assets	13,461	<i>Note 38</i>
6,001	Long term investment	1	<i>Note 42</i>
4,977	Long term debtors	2,988	<i>Note 43</i>
11,967	Deferred premiums	0	<i>Note 44</i>
1,052,413	Total long term assets	1,066,693	
	Current assets:		
1,457	Stocks and work in progress	1,335	<i>Note 45</i>
3,219	Landfill usage allowance	0	<i>Note 45</i>
75,989	Debtors and payments in advance	91,397	<i>Note 45</i>
101,700	Investments	167,905	<i>Note 45</i>
47,450	Cash in hand	58,546	<i>Note 45</i>
	Less current liabilities		
125,337	Creditors and receipts in advance	154,476	<i>Note 45</i>
20,526	Short term borrowing (repayable within 12 months)	10,374	<i>Note 60</i>
19,454	Cash overdrawn	8,306	<i>Note 45</i>
64,498	Net current assets	146,027	
1,116,911	Total assets	1,212,720	
	Less:		
424,292	Long term borrowing	436,696	<i>Note 60</i>
24,037	Provisions	32,886	<i>Note 46</i>
6,673	Deferred liabilities	6,341	<i>Note 47</i>
155,961	Government grants deferred	176,579	<i>Note 54</i>
803	Deferred income	703	<i>Note 52</i>
725	Deferred capital receipts	230	<i>Note 53</i>
279,682	Liability related to defined benefit pension schemes	395,063	<i>Note 26</i>
224,738	Total assets less liabilities	164,222	
	Financed by:		
413,771	Capital adjustment account	421,203	<i>Note 15</i>
0	Financial Instruments Adjustment Account	-10,382	<i>Note 17</i>
0	Revaluation Reserve	59,452	<i>Note 2 & Note 14</i>
2,664	Usable capital receipts reserve	2,664	<i>Note 18</i>
-279,682	Pensions reserve	-395,063	<i>Note 26</i>
87,985	Revenue reserves	86,348	<i>Note 13</i>
224,738	Total equity	164,222	<i>Note 48</i>

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

2006-7 £000	Cash Flow Statement	2007-8 £000
	Revenue activities: cash outflows	
-496,471	Cash paid to and on behalf of employees	-526,779
-393,644	Other operating cash payments	-437,146
-99,774	Housing benefit paid out	-108,280
-22,217	Precept paid to Police and Fire Authorities	-23,750
-672	Distribution of council tax surplus	-903
-112,766	Non-domestic rates paid to national pool	-114,935
166	Net payments to the capital receipts pool	-63
-1,125,378	Total cash outflows	-1,211,856
	Revenue activities: cash inflows	
129,386	Council tax receipts	139,019
112,889	Non-domestic rate receipts from ratepayers	116,414
189,095	Non-domestic rate receipts from national pool	198,313
36,663	Revenue Support Grant	38,691 <i>Note 7</i>
100,024	Department for Work and Pensions (DWP) grants for benefits	117,224
510,284	Other government grants	545,897 <i>Note 58</i>
117,168	Other operating cash	119,165
1	Disbursement from the Collection Fund and other cash	0
1,195,510	Total cash inflows	1,274,723
70,132	Net cash inflow from revenue activities	62,867
	Servicing of Finance	
-31,703	Cash outflow –interest paid	-28,017
6,596	Cash inflow –interest received	11,299
-25,107	Net cash outflow from servicing of finance	-16,718
	Capital activities: cash outflows	
-98,640	Purchase of fixed assets	-76,974
-94	Purchase of long term investments	0
	Capital activities: cash inflows	
8,449	Sale of fixed assets	21,013
53,155	Capital grants and other receipts	45,778
-37,130	Net cash outflow from capital activities	-10,183
	Acquisitions and disposals : cash outflows	
-1	Investments in associates and subsidiary undertakings	0
	Acquisitions and disposals : cash inflows	
0	Sales of investments associates and subsidiary undertakings	51,152
-1	Net cash inflow /outflow (-) from acquisitions and disposals	51,152
7,894	Total net cash inflow before financing	87,118
3,600	Management of liquid resources: Net decrease / increase (-) in short-term deposits	-66,205
	Financing	
-18,874	Cash outflows – repayments of amounts borrowed	-50,169
6,500	Cash inflows -new loans raised	51,500
-12,374	Net cash outflow (-) / inflow from financing	1,331
-880	Increase / Decrease (-) in cash	22,244 <i>Note 56</i>

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 2007-08 Statement of Accounts:

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

Note 2. Changes in Authorities' Reporting Requirements, Prior Year Adjustments and Restatement of 2006-7 Figures

Revaluation Reserve

In accordance with the 2007 SORP adjustments have been made to the Balance Sheet as at 31 March 2007 to reflect the introduction of a Revaluation Reserve with a zero opening balance (See Note 14, page 29). The credit balance of £290.182m on the Fixed Asset Revaluation Account (FARA) at 31 March 2007 has been written off to the Capital Financing Account (£703.953m debit balance at 31 March 2007) to form the new Capital Adjustment Account with a debit balance of £413.771m at 31 March 2007 (See Note 15, page 29).

Financial Instrument Requirements

Transition to the new FRS 25, FRS 26 and FRS 29 based financial instrument requirements is a change in accounting policy from 1 April 2007. Normally such a change in accounting policy would require comparative figures for the previous year and opening balances to be restated as if the policy had always been applied. However in this instance, given the complexity of unravelling the consequences of some of the transactions, such a treatment is unrealistic. Instead the new accounting policies have been applied in full to new transactions arising in 2007-08. The 2006-07 comparative figures have been brought forward unchanged from the 2006-07 Statement of Accounts and all adjustments resulting from the recognition/ derecognition and remeasurement of financial instruments have been made as at 1 April 2007 on the opening balance for 2007-08.

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 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 2007-08 there was a surplus for the year on the I & E Account of £4.646m. The net increase on the General Fund balance was £6.314m. This included £7.057m increase in school balances and a decrease of £743,000 on the General Fund balance.

Note 4. Expenditure on Services

Spending on services is analysed as prescribed in the Best Value Accounting Code of Practice (BVACOP). BVACOP 2007 introduced a new service expenditure analysis heading (SEA) for Children's and Education Services, consisting of the old Education and Children's Social Services SEA's. The previous SEA titled Social Services has been renamed Adult Social Care. Of the £150.550m that was classified as Social Services net expenditure in 2006-7 Statement of Accounts, £57.773m has now been included within the new Children's and Education SEA, leaving £92.777m to be accounted for as Adult Social Care.

BVACOP analysis does not match the current management structure and financial monitoring framework of the Council.

The significant increase in both gross and net expenditure for some services for 2007-08 in comparison to 2006-07 is due largely to the inclusion of £47.3m (nil in 2006-07) of impairment charges in 2007-08. This follows an impairment review and the implementation of new accounting changes referred to in note 2 and in the Financial Summary on page 13. Impairment charges account for most of the net expenditure increases from 2006-07 to 2007-08 for services including £12.1m for Children's Services, £10.3m for Cultural and Related Services, £5.5m for Planning and Development Services, £3m for Environmental Services and £14.8m for Central Services to the Public.

The additional £9.3m on Non Distributed Costs is largely due to an additional £9.1m FRS 17 notional pension curtailment cost arising from the Council's restructuring programme which has led to a large number of early retirement and severance payments in 2007-08.

Note 5. Exceptional Item

A review of equal pay claims undertaken in 2007-08 identified an estimated liability of £14m for lump sum payments due at 31 March 2008. In line with appropriate accounting practice, a provision has therefore been

created for this amount. The Council has applied to the Department for Communities and Local Government (DCLG) for approval to capitalise £10m out of the £14m provision, although a decision will not be confirmed by DCLG until September 2008. This is in addition to a £13m provision for equal pay made in 2005-06.

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 performance of a specific service are grouped together and shown as income in the Income and Expenditure Account. In 2007-08 the authority received the following:

2006-7 £000	Government grants (not attributable to specific services)	2007-8 £000
36,663	Revenue Support Grant	33,419
6,809	Local Authority Business Growth Incentive (LABGI)	4,230
1,042	Public Service Agreement (PSA)	1,042
44,514	Total	38,691

The LABGI grant income has been reduced from £6.8m in 2006-07 to £4.23m in 2007-08 following a successful court appeal which increased the number of local authorities eligible to receive LABGI grant. However, since the overall national funding for LABGI was not increased to take account of the new recipients, the amount paid to existing recipients was reduced.

Note 8. Obligations Under Long-Term Contracts

Bradford-i

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

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

The contract value is £187.9m with the upfront investment being provided by IBM UK Ltd via IBM Global Financing organisation. This is a significant increase on the total cost of £158.5m included in the 2006-07 Statement of Accounts. It reflects the ongoing development of Bradford -i, including an Enterprise Resource Planning (ERP) and SAP accounting system, approved by Executive Committee on 11 July 2006. The additional costs are approximately £3.5m per annum for the remaining eight years of the contract, i.e. £28m in total, and are estimated to be largely offset by efficiencies within service

departments arising from the developments. The costs relating to the financing are included within the annual service charge and only upon termination of the contract will early debt repayment fall due.

Building Schools for the Future (BSF)

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

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

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

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

The Primary Schools have an anticipated opening date of 2009 and the Secondary campuses 2010.

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

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 2007-08 were £2.6m (£3.2m in 2006-07).

Land and Buildings – The total of rents payable in 2007-08 accounted for as operating leases was £2.3m (£1.9m in 2006-07).

Authority as Lessor – Rentals receivable by the authority in respect of operating leases in 2007-08 were £4.7m (£4.5m in 2006-07).

Commitments under Operating Leases –The Council was committed at 31 March 2008 to make payments of £4.4m under operating leases in 2008-09, comprising the following elements:

Leases Expiring:	Other Land & Buildings	Vehicles, Plant & Equipment
	£000	£000
In 2008-9	156	184
Between 2009-10 and 2012-3	1,048	1,945
After 2012-3	1,074	22
Total payment due in 2008-9	2,278	2,151

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 £128.8m at 31 March 2008 (£114.2m at 31 March 2007) and subject to accumulated depreciation of £4.5m to 31 March 2008 (£3.3m to 31 March 2007).

Note 10. Building Control Trading Account

The Local Authority Building Control Regulations require authorities to provide information on the setting of charges for building control administration and require that income be not less than expenditure over a three-year period. Certain building control functions cannot be charged for e.g. general advice and liaising with other statutory authorities. The table below shows that over the last three years the building regulations account made a deficit of £182,000. The authority will be undertaking a review of the account in 2008-9.

Building Regulations 2005-06 to 2007-08				
	2005-6	2006-7	2007-8	Total
	£000	£000	£000	£000
Expenditure	1,473	1,455	1,428	4,356
Income	1,437	1,414	1,323	4,174
Deficit	36	41	105	182

Note 11. Trading Services

Trading services are mainly activities of a commercial nature, which are financed substantially by charges made to recipients of the service. The tables below show the financial performance of trading services in 2007-08.

Trading Services Surplus (-) / Deficit			
2006-7		2007-8	2007-8
Surplus (-)		Turnover	Surplus (-)
/Deficit			/Deficit
£000		£000	£000
187	School and welfare catering	13,258	-366
-80	Non Bradford school catering	874	-42
-20	Other catering	571	-1
5	Building cleaning	2,991	-38
92	Total	17,694	-447

Trading Services Included in Net Cost of Services			
2006-7		2007-8	2007-8
Surplus (-)		Turnover	Surplus (-)
/Deficit			/Deficit
£000		£000	£000
-506	Markets	2,754	-92
-932	Car parks	2,122	-866
55	Trade refuse	2,385	1,322
41	Building control charges	1,323	105
-1,342	Total	8,584	469

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

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

The increase in the trade refuse deficit from £55k to £1.322m was largely due to a change in accounting practice for trade refuse income. Trade refuse income is billed yearly in advance and the income had been accounted for in the year the bill was raised, rather than the year in which the income was due. The change has necessitated a one off reduction in income of £1.3m.

Note 12. Interest Payable

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

From time to time the authority undertakes debt rescheduling, making early repayments of long-term loans and replacing them with lower rate borrowing. In accordance with the 2007 SORP premiums paid and discounts received resulting from the extinguishment of an existing loan have been charged or credited to the I & E in full, in the year of the transaction.

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

Likewise the interest charged to the I & E account for any loan with a stepped interest feature e.g. LOBOs, must under the new arrangements be based on the effective interest rate method rather than the contractual interest rate inherent within the loan agreement. To protect authorities from the retrospective impact of this change, a new regulation has been passed. This regulation allows the Council to reverse out the effective interest calculation to the Financial Instrument Adjustment Account (see Note 17, Page 30) and charge into the General Fund Balance an amount equal to the amount of interest payable on the loan in the year.

Interest Payable and Similar		
2006-7		2007-8
Charges		£000
£000		£000
	External interest charges	
28,036	PWLB	28,267
2,084	LOBO's	1,107
50	Short term interest	45
367	Transferred debt	336
1,164	Net premiums and discounts	-1,492
31,703	Total	28,263

Note 13. Movements on Reserves

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

Balance 31 March 2007 £	Analysis of Movements on Reserves	Gains or Losses(-) 2007-8 £	Other Transfers 2007-8 £	Balance 31 March 2008 £	
0	Revaluation Reserve	62,755	-3,303	59,452	Note 2 & Note 14
413,770	Capital Adjustment Account		7,433	421,203	Note 2 & Note 15
0	Available for Sale Financial Instrument Reserve			0	Note 16
0	Financial Instruments Adjustment Account		-10,382	-10,382	Note 17
2,664	Usable Capital Receipts Reserve		0	2,664	Note 18
-279,682	Pensions Reserve	-106,339	-9,042	-395,063	Note 26
	Revenue Reserves				
	Earmarked Reserves				
12,828	Renewal and Replacement Reserve		0	12,828	Note 19
18,371	Other Earmarked (Corporate)		6,732	25,103	Note 20
14,765	Other Earmarked (Service)		-5,747	9,018	Note 21
45,964	Total Earmarked Reserves		985	46,949	
11,454	Collection Fund		-8,936	2,518	Note 22
18,850	School Balances		7,057	25,907	Note 23
11,717	General Fund Balance		-743	10,974	Note 23
87,985	Total Revenue Reserves		-1,637	86,348	

Note 14. Revaluation Reserve

The Consolidated Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006-07 to accommodate the implementation of the Revaluation Reserve (See Note 2, page 26). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £290.182m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£703.953m debit balance) to form the new Capital Adjustment Account with a debit balance of £413.771m. The Revaluation Reserve has been included in the Consolidated Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 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 23).

2006-7 £000	Revaluation Reserve	2007-8 £000
-319,140	Restated balance on Fixed Asset Restatement Account / Revaluation Reserve at 1 April	0
38,762	Unrealised gains from revaluation of fixed assets	62,755
-9,804	Value of assets sold	0
0	Write-out of gains on disposal of assets	-3,303
-290,182	Balance at 31 March	59,452
290,182	Transfer of balance to Capital Adjustment Account	0
0	Restated balance at 31 March	59,452

Note 15. Capital Adjustment Account

The Capital Adjustment Account (CAA) is maintained as a capital accounting requirement and is not a usable cash balance. It provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital control system. The balance on the account is affected by the decision to implement the Revaluation Reserve with a zero balance at 31 March 2007 (See Note 2, Page 26) 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.

2006-7 £000	Capital Adjustment Account	2007-8 £000
689,246	Restated balance at 1 April	413,771
0	Capital receipts set aside as provision for credit liabilities	60,032
7,946	Capital receipts applied to fund capital investment	11,822
0	Value of assets sold	-22,766
0	Transfer from the Revaluation Reserve of gains on disposal of assets	3,303
5,577	Charge to General Fund for the funding of capital expenditure	1,925
1,269	Transfer from to(-) General Fund re capital charges and the repayment of external loans	-46,353
-85	Write-down of long-term debtors	-531
703,953	Balance at 31 March	421,203
-290,182	Transfer of balance from FARA	0
413,771	Restated balance at 31 March	421,203

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 £1.925m in 2007-08 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 23.

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 deferred charges (see Note 40 on page 38).

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 2007-08 statutory general fund minimum revenue provision (MRP) on 4% of the opening capital financing requirement of £460.363m (see Capital Financing Requirement note on page 15). This is in line with regulations implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. The authority will review this charge in 2008-09 to determine whether the new DCLG guidance issued in 2007-08 will have any impact on this provision. Any changes will be implemented in 2008-09. The authority has also observed good practice in making an additional voluntary provision in respect of prudential borrowing. These charges are shown in the Statement of Movement on the General Fund Balance.

These changes are reflected in a transfer to or from the Capital Adjustment Account (which replaced the capital Financing Account) as set out below:

Capital Charges and the 2006-7 Repayment of External Loans	2007-8
£000	£000
Charges to services removed	
17,689 Depreciation of fixed assets	20,145
867 Amortisation of intangible fixed assets	1,567
0 Impairment	47,358
-7,227 Amortisation of capital grants	-4,812
7,724 Deferred charges	2,895
19,053 Total Charges to services	67,153
Charges re provision for repayment of external loans	
-17,604 Statutory minimum	-18,414
-2,718 Additional voluntary amount	-2,386
-20,322 Total charges re provision for repayment of external loans	-20,800
Net Effect: Increase/ Decrease(-) in General Fund Balance	46,353

Note 16. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve records revaluation gains arising from holding available for sale investments. There were no revaluation gains at 31 March 2008.

Note 17. Financial Instruments Adjustment Account

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

Financial Instrument Adjustment Account	2007-8
	£000
Balance brought forward 1 April 2007	0
Transition to the 2007 SORP requirements for financial instruments	
Post 1 April 2006 net premiums & discounts	12,261
Discount on loan extinguished in 2006-07	-246
EIR stepped interest on LOBO's	627
Restated 1 April 2007 balance	12,642
Spreading of 2007-8 net premiums	-1,349
Net premiums on loans rescheduled prior to 1 April 2007	-1,157
Removal 2007-8 EIR on stepped interest loans, LOBO's	246
Amount charged to the general fund through the Statement of Movement on the General Fund Balance	-2,260
Balance at 31 March 2008	10,382

Note 18. Usable Capital Receipts Reserve

Authorities are required to pay 75% of their housing capital receipts into a national pool. The authority was required to pay £62,743 to the pool in 2007-08 (compared to a net refund of £166,000 in 2006-07).

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

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

The large increase in disposal of assets from £7.069m in 2006-07 to £62.186m is largely due to the sale of the Council's shareholding in Leeds Bradford International Airport for a total of £53.4m. This increase in capital receipts allowed the Council to make a notional repayment of debt of £60.032m.

Usable Capital Receipts Reserve		
2006-7		2007-8
£000		£000
1,995	Balance at 1 April	2,664
	Usable receipts in the year	
7,069	Disposal of assets	70,646
1,380	Other capital receipts	1,271
166	Appropriation to (-) from Revenue Account re pooled housing receipts	-63
-7,946	Used to finance capital spending	-11,822
0	Used for debt repayment	-60,032
2,664	Balance at 31 March	2,664

Whilst most capital receipts arise from the disposal of assets, other capital receipts may arise, mainly where the authority has given a loan or other assistance for capital purposes. These receipts are accounted for in the Income and Expenditure Account as part of any gains or losses on disposal of fixed assets. (See Note 24 on page 32 and the Income and Expenditure Account on Page 21).

Capital Receipts Not Arising From Asset Disposals		
2006-7		2007-8
£000		£000
1,295	Receipts in the year	1,265
1,295	Total	1,265

Note 19. Renewal and Replacement Reserve

This provides funds to finance capital expenditure and to manage and optimise capital resources. The balance at 31 March 2008 is £12.828m. Of this £1,460,000 is a working balance, the rest being held for specific purposes. The working balance acts as a contingency supporting the capital investment plan (in the same way that the General Fund balance supports revenue spending).

Note 20. Other Earmarked Reserves (Corporate)

The following major corporate earmarked reserves are held:

- **Change Programme Reserve:** The opening balance on this reserve at 1 April 2007 was £3.519m. During 2007-08 a further £0.2m contribution was made to the reserve, however an amount of £3m was transferred to the Managed Severance Reserve to support the extra costs of severance and restructuring (see Managed Severance Reserve below). The balance at 31 March 2008 is £740,000.
- **Single Status Reserve:** A decision to create a Single Status Reserve was taken as part of the 2007-8 budget process and a total of £6.875m was put into the reserve. A further £1.775m was added to the reserve during 2007-08 and the balance at 31 March 2008 is £8.650m
- **Markets Reserve:** 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 2008 is £238,000.
- **Exempt VAT Reserve:** This is an amount set aside to meet the cost of VAT that the Council would not be able to recover should it exceed its partial exemption limit. The balance has not changed during 2007-08 and at 31 March 2008 is £2m.
- **Managed Severance Reserve:** £2.085m was set aside in 2006-07 to establish this reserve. During 2007-08, £3m was transferred to the reserve from the Change Programme reserve in recognition of the estimated extra costs of severance and restructuring.

Departments wishing to access this reserve to assist in funding severance costs must repay the reserve 20% of the amount borrowed, each year for five years starting in the year the loan is made. In 2007-08 departments borrowed a gross amount of £4.24m and repaid £847,000. The balance of the reserve at 31 March 2008 is £1.69m.

- **Executive Initiatives:** The opening balance on this reserve at 1 April 2007 was £2m. A total of £133,000 was used to fund specific regeneration initiatives, and the balance at 31 March 2008 is £1.867m.
- **Local Authority Business Growth Incentive Reserve (LABGI):** This reserve was set up to enable balances of LABGI grant to be carried forward to support the overall Council budget as appropriate. The LABGI grant received for 2007-08, including a small amount for earlier years, was £3.636m. This will be used to support the 2008-09 budget in line with the approved February 2008 budget resolution.
- **Interest on Airport Sale Receipts:** In May 2007 the Council received £51.5m from the sale of LBIA. The £2.9m interest earned on the receipt has been transferred to a reserve. In line with the 2008 budget approval this will be used to support the 2008-09 budget.
- **Other Corporate Reserves:** Following a review of reserves during 2007-08, £1.21m of earmarked service reserves were transferred to a new Change Management Reserve, of which £1m was used to support overall net expenditure in 2007-08. In addition, the reserves for unspent LAA and former NRF government grants totalling £1.68m have been transferred to Corporate Reserves.

Note 21. Other Earmarked Reserves (Service)

The total earmarked reserves have fallen by a net £5.75m during 2007-08 from £14.765m at 1 April 2007 to £9.017m at 31 March 2008. This reduction comprises a net amount of £4m used to support services in 2007-8, with the balance of £1.7m for LAA and former NRF grants transferred to Corporate Reserves (See Note 20 above).

Other Earmarked reserves are held for services for specific purposes. Whilst a number of these were fully utilised in 2007-08, new reserves set up in 2007-08 include, £300,000 to support the Gilpin Street Leisure Development, £900,000 for Bradford-i upgrade and £100,000 for computers for the bereavement service.

The balance at 31 March 2008 includes building works £1,226m, and earmarked amounts of £845,000 in respect of schools non-domestic rate refunds, £950,000 for Insurance and £830,000 for Waste Disposal Procurement.

Note 22. Collection Fund

The surplus cannot be used to fund expenditure and can only be used to reduce council tax. Where it has been so used, a distribution is made from the Collection Fund and credited to the Income and Expenditure Account. The Collection Fund Statement is shown on page 46.

Note 23. General Fund Balance

A net £36,881,872 balance has been carried forward to 2008-09. This includes £25,907,417 carried forward for schools under delegated budgets.

The balance of £10,974,455 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. Profits or losses arise where the authority has either achieved a sale price above the market value or disposed of assets at below market value. In 2007-8 all assets disposed off were sold at their market value. The gain of £1.265m in the I & E account in 2007-8 relates to capital receipts not arising from the disposal of fixed assets. See Note 18 on page 30.

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. Pension Costs

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 2004 for the three years 1 April 2005 to 31 March 2008. The contribution rates set by the actuary are intended to balance the pension's liabilities with the investment asset over the period. With effect from 1 April 2005 an allowance of 1%, equivalent to £5.3m has been built into the employer's rate to meet the capitalised costs of early retirement for an average of 100 employees each year. The employer contribution rate for the year 2007-8 in respect of Bradford members of the West Yorkshire Pension Fund was 12.9%.

Part way through 2007-8 the provision set aside to meet the capitalised cost of early retirement was exceeded. Early retirement costs are now charged direct to the employing service. The capitalised cost of early retirement

in 2007-08 absorbed within the employer contribution rate of 12.9% was £22,996 (£2.756m in 2006-07) and the amount charged direct to services £3.101m (nil in 2006-07). There were 55 early retirements (excluding ill-health early retirements) in 2007-08.

The Teachers Pension Scheme is an unfunded scheme administered by the Department for Children, Schools and Families (DCSF). The contribution rate is set by the DCSF on the basis of a notional fund. The employer contribution rate for 2007-8 was 14.1%.

Pension Costs as a Percentage of Pensionable Pay					
2006-7 Costs			2007-8 Costs		
£000	%		£000	%	
		Local Government Pension Scheme			
23,572	11.9	Employer contributions	26,319	12.9	
3,465	1.75	Added years costs	5,217	2.56	
		Teachers Pension Scheme:			
16,073	14.1	Employer contributions	18,600	14.1	
5,155	4.5	Added years costs	5,307	4.0	

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:

2006-7			Pension Costs Reported Under FRS17			2007-8		
Local Government Pension Scheme	Teachers Voluntary Early Retirement	Total		Local Government Pension Scheme	Teachers Voluntary Early Retirement	Total		
£000	£000	£000		£000	£000	£000		£000
39,178	0	39,178	Current service cost	34,209	0	34,209		
2,640	983	3,623	Past service cost / gain (-)	11,843	864	12,707		
41,818	983	42,801	Charged to net cost of services	46,052	864	46,916		
60,747	3,567	64,314	Interest cost	67,226	3,781	71,007		
-62,000	0	-62,000	Expected return on assets in the scheme	-72,038	0	-72,038		
-1,253	3,567	2,314	Charge to net operating expenditure	-4,812	3,781	-1,031		
40,565	4,550	45,115	Total costs included in Income and Expenditure Account surplus or deficit	41,240	4,645	45,885		
-13,528	605	-12,923	Amount by which pension costs charged differ from contributions due under the pension scheme regulations	-9,704	662	-9,042		
27,037	5,155	32,192	Total amount charged to the General Fund balance	31,536	5,307	36,843		

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:

2006-7						2007-8					
Local Government Pension Scheme			Teachers Voluntary Early Retirement			Local Government Pension Scheme			Teachers Voluntary Early Retirement		
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1,245	73	1,318			1,369	82	1,451			1,056	395
1,038	0	1,038		Present value of scheme liabilities	1,056	0	1,056		Market value of assets	313	82
207	73	280		Pension Reserve Deficit							

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

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

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

31 March 2007	Local Government Pension Scheme	31 March 2008
Financial assumptions		
3.1%	Rate of inflation	3.6%
4.85%	Rate of increase in salaries	5.35%
3.1%	Rate of increase in pensions	3.6%
5.4%	Discount rate	6.1%
Expected rate of return on assets		
7.5%	Equities	7.5%
4.7%	Government bonds	4.6%
5.4%	Other bonds	6.1%
6.5%	Property	6.5%
5.25%	Cash/ liquidity	5.25%
7.5%	Other	7.5%

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 2007		31 March 2008	
£m	%	£m	%
763.8	73.6	757.2	71.7
75.7	7.3	98.2	9.3
42.5	4.1	43.3	4.1
55.0	5.3	53.9	5.1
54.0	5.2	38.0	3.6
46.7	4.5	65.5	6.2
1037.7	100	1056.1	100

The estimated pension net liability was £280m at 31 March 2007 and £395m at 31 March 2008. Of the net increase of £115m, £106m 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.

	2003-4		2004-5		2005-6		2006-7		2007-8	
	£000	%	£000	%	£000	%	£000	%	£000	%
Local Government Pension Scheme										
Difference between expected and actual return on assets	102,255	13.2	46,452	6.0	141,301	14.6	11,372	1.1	-76,080	-10.4
Difference between actuarial assumptions on liabilities and actual experience	0		-54,260	-5.1	-23,719	-1.9	0		40,493	2.9
Changes in demographic and financial assumptions affecting the estimation of liabilities	0		-177,624	-16.6	-96,973	-7.8	62,614	5.0	-60,499	-4.4
Total	102,255		-185,432		20,609		73,986		-96,086	
Teacher's Voluntary Early Retirement Benefits										
Difference between expected and actual return on assets	0		0		0		0		0	
Difference between actuarial assumptions on liabilities and actual experience	1,537	2.4	-915	-1.3	0		0		-1,674	-2.0
Changes in demographic and financial assumptions affecting the estimation of liabilities	0		-7,921	-10.9	-3,507	-4.7	2,082	2.9	-8,579	-10.4
Total	1,537		-8,836		-3,507		2,082		-10,253	
Total Gain / Loss (-)	103,792		-194,268		17,102		76,068		-106,339	

Note 27. Members' Allowances

The total amount paid in respect of members' allowances in 2007-08 was £1,946,286 (£1,862,704 in 2006-07).

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	Employees Emoluments	Number of Employees
2006-7		2007-8
198	£50,000 - £59,999	220
61	£60,000 - £69,999	80
22	£70,000 - £79,999	31
10	£80,000 - £89,999	14
7	£90,000 - £99,999	8
6	£100,000 - £109,999	6
3	£110,000 - £119,999	1
0	£120,000 - £129,999	2
1	£130,000 - £139,999	2
1	£140,000 - £149,999	1
0	£150,000 - £159,999	0
0	£160,000 - £169,999	0
0	£170,000 - £179,000	1
309	Total	366

Note 29. Section 137, Local Government Act 1972

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

In 2007-08 the Council made a £20,000 contribution to the Red Cross (£nil in 2006-07).

Note 30. Income and Expenditure under the Local Authority (Goods and Services) Act 1970.

The Act authorises local authorities to supply goods and professional and technical services to other public bodies. The Council's income from these services amounted to £1,011,000 (£1,099,000 in 2006-07) and the related expenditure was £1,005,000 (£1,093,000 in 2006-07).

Note 31. Publicity Expenditure

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

2006-7	Publicity Expenditure	2007-8
£000		£000
2,221	Staff recruiting and property advertising	2,347
3,385	Publicity and promotional services	3,669
5,606	Total	6,016

(The 2006-07 publicity figure has been restated to include £74,000 spent on advertising members surgeries).

Note 32. External Audit Costs

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

2006-7	External Audit Costs	2007-8
£000		£000
	Fees payable under the Audit Commission Act 1998 for:	
415	General audit services	419
190	Certification of grant claims and returns	120
31	Statutory inspection	126
37	Audit of West Yorkshire Pension Fund	37
673	Total	702

Included in the 2007-08 Inspection Fees is £104,000 for the corporate inspection which took place in February 2008.

Note 33. Agency Services

In previous years the Council has undertaken revenue and capital works for the Highways Agency for which it is fully reimbursed. The expenditure is not included in the accounts since it is not part of the Council's normal responsibilities. In 2007-08 the Council engaged in no such work (a net £42k in 2006-07 for traffic signal work).

Note 34. Arrangements Under Section 31 of the Health Act 1999

Community Equipment Service

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

2006-7	Pooled Fund Memorandum	2007-8
£000	Account	£000
	Funding	
1,036	Bradford Metropolitan District Council	1,103
136	Airedale Primary Care Trust	0
90	North Bradford Primary Care Trust	0
121	South and West Bradford Primary Care Trust	0
164	Bradford City Primary Care Trust	0
524	Bradford & Airedale Primary Care Trust	1,104
2,071	Total Funding	2,207
	Expenditure	
1,495	Community equipment	1,522
439	Staffing	132
137	Infrastructure and running costs	553
2,071	Total Expenditure	2,207

Mental Health and Learning Disability Services

The agreement that established the Bradford District Care Trust was set up under Section 31 of the Health Act 1999. The Trust is responsible under the agreement for the provision of the defined services on behalf of the Council as its agent and within the funding provided. The total operating expenses of the Trust in 2007-08 were

£131.702m (£116.387m in 2006-07). The cost of services delivered on behalf of the Council was £22.871m (£23.269m in 2006-07).

Note 35. Local Area Agreement (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007-8, the LAA completed the third year of its three year agreement.

The purpose of the LAA is:

To form an agreement between Bradford Local Strategic Partnership, Government (represented by Government Office for Yorkshire and The Humber) and other external agencies, to ensure that together the partners achieve an improvement in health, reduction in crime, job creation, improved environment, and better care of children and vulnerable adults.

The LAA partners comprise local health bodies, learning bodies, community groups, housing associations and voluntary organisations.

The Council is the accountable body for the LAA. This means that it is responsible for managing the distribution of grant paid by the Government Office to the partners involved. The grant money received and associated expenditure has been reflected in the authority's accounts. The total amount of LAA Grant received by the Local Strategic Partnership (LSP) in 2007-8 is £22.2m of which £18.2m is revenue grant and £4.0m is capital grant.

As the accountable body, the Council is potentially responsible for repaying the Government any element of grant that is found to have been misused by its partners. The systems in place for distributing grant monies are designed to limit the possibility of this happening. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

Note 36. Related Party Transactions

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

Central Government

The Government provides the statutory framework within which the council operates, provides the majority of council funding in the form of grants and prescribes the terms of many of the transactions the council has with other parties. Details of Government grants are set out in the Cash Flow Statement (page 25).

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 upon application.

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 2007-8 it charged the Fund £560,100 in respect of support services provided (£590,000 in 2006-7). The charge includes accommodation, financial, legal and information technology services.

Other Public Bodies

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

2006-7 £000	Other Public Bodies	2007-8 £000
	Payment of precepts & distribution of collection fund surplus:	
6,631	West Yorkshire Fire and Civil Defence Authority	7,129
16,258	West Yorkshire Police Authority	17,523
579	Parish Councils	707
21,553	Payments to joint committees, joint services and other bodies	22,176
37	Parish Councils (running expenses and allotment grants)	13

Subsidiary and Associated Companies

The Council had financial relationships in 2007-8 with the following companies. Their assets and liabilities are not included in the Council's accounts. Transactions with the companies in 2007-8 were:

2006-7 £000	Subsidiary and Associated Companies	2007-8 £000
	Leeds Bradford International Airport Limited :-	
-138	- Debenture interest	0
0	- Capital receipt from disposal	-51,152
0	- Repayment of debenture loan	-525
0	- Additional capital receipt resulting from excess monies being set aside for LBIA final pension deficit.	-2,206
400	Bradford City Centre URC Limited	376
94	Building Schools for the Future Ltd	94
1	Integrated Bradford LEP Ltd	1

Details of the Council's investment in Leeds Bradford International Airport Limited and Integrated Bradford LEP Ltd, of which the Assistant Director, Finance is a Director are shown in Note 42, page 38.

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 2007-8 they show a net surplus before and after tax of £20,035. (Net profit of £100,024 in 2006-7).

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 first year end was 31 March 2008 and financial accounts are available from Financial Services, Britannia House, Hall Ings Bradford BD1 1HX.

In addition to the above, the Council is involved in a number of other partnerships and companies limited by guarantee. The authority does not have significant influence over these organisations. More information about the Council's interests in associated companies is included in the Notes to the Group Financial Statements on page 59.

Intangible Fixed Assets	£000
Value as at 31 March 2007	
Assets at cost	15,053
Accumulated amortisation	-867
Net book value at 31 March 2007	14,186
Additions	842
Amortisation	-1,567
Net book value at 31 March 2008	13,461

Note 39. Capital Expenditure and Financing

2006-7		2007-8
£000		£000
439,936	Opening Capital Financing Requirement	460,363
171	Prior year adjustments to the Capital Financing Account	0
440,107	Restated Opening Capital Financing Requirement	460,363
	Capital Investment:	
70,832	Tangible fixed assets	56,477
6,381	Intangible assets	842
19,225	Deferred charges	18,841
94	Long term debtor	0
1	Equities	0
	Sources of Finance:	
-7,946	Capital receipts	-71,854
-42,433	Grants and other contributions	-41,169
-25,898	Revenue provision	-22,727
460,363	Closing Capital Financing Requirement	400,773
	The movement in the year reflects an underlying need to increase or decrease (-) borrowing:	
773	Borrowing supported by Government financial assistance	-59,040
19,483	Borrowing not supported by Government financial assistance	-550
20,256	Total Movement	-59,590

Note 40. Deferred Charges

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 deferred charges in the year was £18,841,000 (£19,225,000 in 2006-07) and grants of £15,946,000 (£11,501,000 in 2006-07) were used to fund the deferred charges. The net cost of £2,895,000 (£7,724,000 in 2006-07) 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 deferred charges forms part of the provision for the repayment of external loans (see Note 39 above). No balance was carried forward in respect of deferred charges.

Note 41. Capital Commitments

The Council's Executive has an approved 5-year capital investment plan. Major schemes that are contractually obliged or committed at 31 March 2008 are detailed in the following table.

Major Capital Commitments	£000
City Centre Public Realm	9,500
All Saints Primary – new school	4,200
Forensic Science Centre	3,364
Children's Centre's Phase 2	1,968
Facelift Programme – Manningham & Girdlingham	1,800
Block repair of privately owned properties as part of regeneration schemes	1,500
Total	22,332

Note 42. Long Term Investment

The Council's long term investments have reduced from £6.001m at 31 March 2007 to £1,000 at 31 March 2008 due to the sale of the Council's £6m shareholding in Leeds Bradford International Airport as explained below.

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.

Leeds Bradford International Airport Ltd. (LBIA Ltd)

The Council owned a 40% shareholding of the total LBIA share capital of £15m, which totalled £6m of shares, at 1 April 2007. On the 3 May 2007 the sale of LBIA Ltd to the private equity group Bridgepoint Capital was completed. After £7.5m of the gross receipts were placed in an escrow account to meet the final pension fund liabilities of LBIA Ltd, the Council received an initial capital receipt of £51.2m for its 40% share in the company.

In April 2008 the authority was notified that the final pension deficit of LBIA Ltd was £5.506m less than the £7.5m originally set aside. A further capital receipt of £2.202m has therefore been recognised in the 2007-08 accounts.

Note 43. Long Term Debtors

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

The £703,000 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 52 on page 41).

As part of the sale of LBIA Ltd in May 2007 (see Note 42 on Page 38), the balance outstanding on the debenture loan to LBIA Ltd at 31 March 2007 of £525k was repaid.

The amount due from former council house tenants has reduced significantly, from £691k at 31 March 2007 to £196k at 31 March 2008, following the repayment of a large proportion of existing mortgage debt.

The amount outstanding for car loans has reduced largely due a more accurate analysis between short and long term debtors.

The amount owed by other local authorities at 31 March 2008 of £533k is in respect of transferred debt for Probation Service and Magistrates Courts services owed by other West Yorkshire authorities.

31 March 2007		31 March 2008
£000		£000
691	Former council house tenants	196
7	Housing advances	0
525	Leeds Bradford Airport Debenture	0
803	Waste Management SSA	703
2,206	Car loans	1,429
617	Other local authorities re joint services	533
94	Building Schools for the Future Ltd (Note 36)	94
34	Other	33
4,977	Total	2,988

Note 44. Deferred Premiums

At 31 March 2007, the Balance Sheet shows deferred premiums and discounts of £11.967m arising from loans which the authority has rescheduled. Of this balance a net £294,000 related to discounts that were refinanced during 2006-7 and £12.261m in respect of overhanging premiums and discounts at 31 March 2006.

Under the 2007 SORP arrangements the correct treatment of premiums and discounts will depend upon whether the replacement loan represents an extinguishment or modification of the terms of the old loan. Only in cases where the new loan is deemed to modify the terms of the old loan, can the premium or discount be added to the carrying value of the replacement loan. In all other cases where premiums and discounts do not meet the modification test, they must be charged or credited in full to the Income and Expenditure Account.

At 1 April 2007 the authority has determined that with the exception of one discount of £48,000 arising from a loan rescheduled in 2006-07, all other outstanding premiums and discounts should be derecognised (removed) from the balance sheet and charged to the Income and Expenditure Account (I & E).

Whilst the I & E must reflect the 2007 SORP requirements, premiums and discounts are covered by the Local Authorities (Capital Financing and Accounting) (Amendment) Regulations 2007. The effect of this is to allow authorities to continue spreading the cost of premiums over the life of the replacement loan and premiums over the outstanding term on the replaced loan or ten years (if shorter). The reconciling adjustment to ensure that the General Fund is charged or credited with the amount that accords with the regulations is through the Statement of Movement on the General Fund Balance (SMGFB) to the Financial Instruments Adjustment Account. (See Note 17 on Page 30).

	31 March 2007	Adjustment	1 April 2007
	£000	£000	£000
Deferred Premiums	11,967	-11,967	0
Long term borrowing	-424,292	-48	424,244
Financial Instruments Adjustment Account	0	12,015	12,015

Note 45. Net Current Assets

31 March 2007	Stocks and Work in Progress	31 March 2008
£000		£000
	Stocks:	
67	Trading services	66
1,390	Other	1,269
1,457	Total	1,335

Landfill Usage Allowance

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. Allowances are allocated each year by the Department for Environment, Food and Rural Affairs (DEFRA) and recognised in the balance sheet as current assets. At the 31 March 2008 the allowances held by the authority, 171,181 tonnes have been measured at a market value of zero (£17.98 at 31 March 2007). The fall in market value is due to the fact that there has only been a limited trade in Landfill Allowance Trading Scheme (LATS) in 2007-8 and any unused allocations at 31 March 2008 cannot be carried forward after this date.

Debtors and Payments In Advance

31 March 2007	Analysis of Debtors and Payments in Advance	31 March 2008
£000		£000
	Amounts falling due within one year	
20,727	Government departments	13,859
176	Other local authorities	157
5,779	HMRC - VAT	7,766
22	Inland revenue	19
20,383	Council tax/ community charge/ non-domestic ratepayers	22,554
40,140	Sundry	59,023
87,227	Total	103,378
	Less provision for bad and doubtful debts	
6,124	Collection Fund	7,323
5,114	Other	4,658
75,989	Net Total	91,397

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. The increase in investments from £101.7m at 31 March 2007 to £167.9m at 31 March 2008 is largely due to the receipt of £51.5m from the sale of the Council's interest in Leeds Bradford International Airport.

Cash

The balance sheet shows cash in hand of £58,546,000 and cash overdrawn of £8,306,000 giving a net cash figure of £50,240,000 in hand at 31 March 2008 (£27,996,000 at 31 March 2007). 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 2008 the authority had invested £13.969m on this basis (£6.4m at 31 March 2007).

Creditors and Receipts in Advance

Restated 31 March 2007 £000	Analysis of Creditors and Receipts in Advance	31 March 2008 £000
	Amounts falling due within one year	
3,993	Government departments	3,877
331	Other local authorities	366
8,255	HMRC - (tax, national insurance)	7,832
63	HMRC - VAT	987
7,899	Staff payroll	8,125
61,080	Sundry	75,910
81,621	Total	97,097
	Receipts in advance	
30,849	Sundry	42,624
12,867	Developer's contributions	14,755
43,716	Total	57,379
125,337	Total Creditors and Receipts in Advance	154,476

The 31 March 2007 figures have been restated to separately identify the amounts falling due within one year from receipts in advance.

Note 46. Provisions

31 March 2007 £000	Movements in Provision Balances	Transfers 2007-8 £000	31 March 2008 £000
11,919	Equal Pay Claims	10,166	22,085
9,453	Insurance	1,348	10,801
2,665	Landfill Allowances	-2,665	0
24,037	Total	8,849	32,886

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 2007-08, £3.834m was settled as at 31 March 2008. A further £14m was added to the provision in 2007-08 in recognition of further outstanding claims expected to be settled in 2008-09. As a liability exists at 31 March 2008, Financial Reporting Standard 12 requires that provision be made for the cost. The 2007-08 provision is in addition to the £13m made in 2005-06.

Insurance – The provision bears the risk of losses as an alternative to providing insurance cover through external insurance companies. The main areas provided for are:

31 March 2007 £000	Analysis of Insurance Provision	31 March 2008 £000
246	Property	158
8,769	Liability	10,265
438	Motor	370
0	Other	8
9,453	Total	10,801

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 2007-8, 140,909 tonnes (148,203 2006-7) is included in the balance sheet as a provision. As the market price of 2007-08 allowances at 31 March 2008 has been deemed to be nil, the provision at 31 March 2008 has been reduced to zero.

Note 47. Deferred Liabilities

The main liability is in respect of former West Yorkshire Waste Management Joint Committee debt. This is managed on the authority's behalf by Wakefield MDC. The deferred liability outstanding at 31 March 2008 was £5,662,534 (£5,898,473 at 31 March 2007).

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 48. 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 £60.516m, from £224.738m at 31 March 2007 to £164.222m at 31 March 2008. This movement is explained in the Statement of Total Recognised Gains and Losses on page 23.

Note 49. Contingent Liabilities and Assets

Contingent liabilities are either a possible obligation arising from The authority has potential liabilities in respect of certain outstanding matters.

Asset Management Project (AMP)

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

The likelihood and level of any costs arising from such actions cannot be judged at this stage. The Council has entered into negotiations with the contractor which are ongoing and it is not possible to anticipate any specific outcome.

Equal Pay Claims – Single Status

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 Act 2003. A further £14m has been added to this provision in 2007-08 based on further known claims as at 31 March 2008. The process of making compensation payments is currently underway however until all of the claims have been settled 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 £2.4m.

Software Licenses

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

Pension Fund Guarantee

The Council acts as guarantor for former employees of the Council who transferred to Trident and are members of the West Yorkshire Pension Fund.

Note 50. Authorisation for the Issue of the Statement of Accounts

The Strategic Director, Corporate Services authorised the issue of the Statement of Accounts on 25 June 2008 after consideration by the Executive, for submission for approval by the Corporate Governance and Audit Committee on 26 June 2008.

Note 51. Post Balance Sheet Events

In the accounts approved by the Corporate Governance and Audit Committee on 26 June, the authority's share of the year end assets of the West Yorkshire Pension Fund was based on an estimated investment return of minus 3.37%. The actual return on investments for the year was minus 0.39%, a difference of 2.98%. The authority has made a post balance sheet adjustment to reduce the overall pension net liability at 31 March 2008 by £31.630m to £395.063m. There were no adjusting or non adjusting events after 31 March 2008 which have affected the fair presentation of the financial statements.

Note 52. 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 2008 was £702,804. (See also Note 43 on page 38).

Note 53. Deferred Capital Receipts

This amount is the sum outstanding on Council property sales which falls due in future years.

Note 54. Government Grants Deferred

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

2006-7 £000	Government Grants Deferred	2007-8 £000
132,257	Balance brought forward	155,961
30,931	Grants deferred in the year	25,430
-7,227	Grant amortised and credited to services in the year	-4,812
155,961	Balance at the year end	176,579

Note 55. Reconciliation of the Surplus on Revenue Accounts to Revenue Activities Net Cash Flow

2006-7 Restated £000	Reconciliation of the Surplus on Revenue to Revenue Activities Net Cash Flow	2007-8 £000
-2,988	Net surplus for year on the Income and Expenditure Account (I & E)	-4,646
	Add back non cash I & E items:	
-18,556	Depreciation and impairment	-69,070
-12,923	FRS 17 Pension adjustments	-9,042
7,227	Amortisation of government grants	4,812
	Items on accruals basis:	
258	Decrease (-) / Increase in stocks	-122
9,959	Increase in amounts due to Council	13,419
-29,576	Increase in amounts due from Council	-29,139
	Items classified elsewhere on the cash flow statement:	
-31,703	Interest paid	-28,017
6,596	Interest received	11,299
8,428	Capital accruals	5,046
-7,724	Deferred charges	-2,895
-1,440	Gain/(loss)- on disposal of assets	48,620
	Non cash items:	
2,310	Movement on the Collection Fund and provisions	-3,132
-70,132	Revenue activities - net cash flow	-62,867

Note 56. Reconciliation of Net Cash Flow to the Movement in Net Debt

Reconciliation of Net Cash Flow to the Movement in Net Debt	2007-8 £000
Increase in net cash in the period	22,244
Cash flow changes	
Cash inflow from a decrease in debt	-2,252
Increase in liquid resources	66,205
Movement in net debt in the period	86,197

Note 57. Analysis of Changes in Net Debt.

Balance 31 March 2007 £000	Analysis of Changes in Net Debt	Change 2007-8 £000	Balance 31 March 2008 £000
47,450	Cash in hand	11,096	58,546
-19,454	Cash overdrawn	11,148	-8,306
-20,526	Debt due within one year	10,152	-10,374
-424,292	Debt due after more than one year	-12,404	-436,696
101,700	Management of liquid resources - short term investments	66,205	167,905
-315,122	Net Debt	86,197	-228,925

Note 58. Other Government Grants

The main categories of government grants shown in the cash flow statement are:

2006-7 £000	Other Government Grants	2007-8 £000
291,773	Dedicated School Grant (DSG)	312,002
90,150	Education and schools	94,673
35,418	Council tax benefit and benefits administration	38,411
20,224	Supporting People	20,773
8,237	Local Area Agreement (LAA)	18,196
14,729	Early years	16,465
12,330	Neighbourhood renewal	14,512
12,443	Personal social services	10,685
1,899	European Union	3,746
2,345	Mental illness	2,295
1,842	Social services carers	2,150
2,275	Drug Intervention Programme	1,952
2,572	Arts, Heritage & Leisure	1,896
839	Single Regeneration Budget	1,821
1,675	Health education	1,589
1,042	PSA	1,042
253	Youth training	610
6,809	LABGI	594
659	Safer communities	499
1,465	Employment	376
121	Asylum accommodation	264
611	Environment	223
99	Adult education	57
96	Big Lottery Funding	93
180	Invest to save	0
198	Other	973
510,284	Total	545,897

Note 59. Dedicated Schools Grant (DSG)

The DSG is a ring fenced grant which is utilised for Individual Schools Budgets (ISB) or retained centrally to support central Education Services. The DSG allocation for 2007-8 was as follows:

2006-7 £000	Dedicated Schools Grant	2007-8 £000
292,931	Provisional DSG	315,298
291,449	Amount used for Schools Budget	311,878
291,773	Final DSG	312,002

The Schools Forum who determine the allocation of the DSG, has approved the £124,000 unspent grant in 2007-08 to be added to the 2008-9 DSG allocation.

Central Expenditure Limit (CEL)

There is a limit which is placed on the amount of funding which can be retained centrally by the authority. This limit is known as the Central Expenditure Limit (CEL) operates by restricting the increase in a local authority's centrally retained expenditure from one year to the next year to the same percentage as the increase in the ISB. The Schools Forum can approve a breach of this limit. The Schools Forum approved a breach of £598,000 on the CEL in 2007-08.

Note 60. Financial Instruments

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 are required to adopt the accounting standards for financial instruments FRS25, 26 and 29. This change in accounting policy has meant 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. As all adjustments have been made at 1 April 2007 no comparative fair values at 31 March 2007 have been disclosed. This is a one off result of the change in accounting policies and will be rectified in future years. Likewise the amortised costs figures for 31 March 2007 have not been restated. Consequently the figures for 31 March 2007 and 31 March 2008 are not always comparable as they may have been produced on two different bases.

Types of Financial Instruments

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

Long term	2007-8 £000
Financial liabilities at amortised cost	
PWLB Loans	394,422
Lender Option Borrower Option (Lobo's) loans	42,274
Other local authorities re joint services	5,900
Other	442
Total Borrowings	443,038

Loans and receivables at amortised cost	
Car loans	1,429
Other local authorities re joint services	533
Building Schools for the Future Ltd	94
Other	932
Unquoted equity investment at cost	
Integrated Bradford LEP Ltd	1
Total Investments	2,989

Current	2007-8
	£000
Financial liabilities at amortised cost	
PWLB Loans	10,374
Cash overdrawn	8,306
Trade Payables	70,551
Other local authorities re joint services	246
Total Borrowings	89,477
Loans and receivables	
Cash in hand	58,546
Investments	167,905
Trade Receivables less impairment	53,106
Other local authorities re joint services	84
Total Investments	279,641

As the balances at 31 March 2007 are not reclassified into the SORP 2007, no comparative figures have been disclosed.

Two LOBO's totalling £10.964m have been included in long term borrowing but have a call date in the next twelve months.

Gains and losses on financial instruments

At 1 April 2007, the Council classified its investment in LBIA Ltd as an Available-for-Sale Financial Instrument and accordingly revalued it at fair value, £53.354m. The gain on the disposal of the authority's investment in LBIA Ltd, £47.354m, has been recognised in the I & E account on page 21 but subsequently removed through the Statement of Movement on the General Fund Balance (see page 22) when calculating the general fund balance.

Fair value of liabilities and assets carried at amortised cost

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 2008.

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.
- The Council has used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- The fair values for all instruments in the portfolio have been calculated, but only where the figures differ materially different figures from the carrying value are they disclosed.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

Carrying value	Fair value of liabilities carried at amortised cost at 31 March 2008	Fair value
£000		£000
404,796	PWLB maturity	484,632
42,274	LOBO's	42,083
8,306	Cash overdrawn	8,306
6,146	Other local authorities re joint services	7,081
70,993	Trade creditors	70,993
532,515	Total Financial Liabilities	613,095

At the 31 March 2007 the authority had six LOBO's outstanding totalling £41.4m. With the exception of one £7.5m loan all the loans were put into place on a stepped basis and an EIR calculation has been undertaken for all the loans. This has resulted in an additional £627,000 being added to the carrying value of the LOBO's at 1 April 2007. In addition in 2006-7 a discount of £48,000 attributed to one loan that was modified in 2006-7 has been added to the carrying value of the loan at 1 April 2007. In total the compliance with the 2007 SORP has increased the carrying amount of financial liabilities at 1 April 2008 by £675,000.

Fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The 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.

Carrying value	Fair value of assets carried at amortised cost at 31 March 2008	Fair value
£000		£000
58,546	Cash	58,546
167,905	Deposits with banks and building societies	168,045
53,106	Current trade receivables	53,106
1,429	Car loans	1,429
617	Other local authorities re joint services	769
94	Building Schools for the Future Ltd	94
1	Integrated Bradford LEP Ltd	1
932	Other	932
282,630	Total Financial Assets	282,922

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.

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.

a. Credit Risk

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

The 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 2008	167,905
Historical experience of default	0%
Historical experience adjusted for market conditions as at 31 March 2008	0%
Estimated maximum exposure to default and uncollectability	0

The Council does not allow credit for customers. Of the balance of £50.4m trade receivables outstanding, £6.8m, has been outstanding for more than one year.

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.

Restated 31 March 2007	Total Borrowing	31 March 2008
£000		£000
	Source of loan and interest rate range :	
393,692	Public Works Loan Board (3.7% to 10.25%)	404,796
30,600	Commercial Bank (3.2% to 4.5%)	42,274
424,292		447,070
	Analysis of loans:	
	Short Term Borrowing	
	Maturing in less than 1 year	10,374
	Long Term Borrowing	
46,441	Maturing in 2 - 5 years	22,967
120,449	Maturing in 5 - 10 years	118,449
61,684	Maturing in 10 - 15 years	39,454
195,718	Maturing in more than 15 years	255,826
424,292	Total Long Term Borrowing	436,696
424,292	Total Borrowing	447,070

In the more than 15 years category there are £10.964m of LOBO's which have a call date in the next 12 months.

c. Market Risk

Interest rate risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 20% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be

repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

If interest rates had been 1% higher it has been assessed that the Council would have received an additional £1,223m interest in 2007-8 on its investments. With reference to interest payable on the Council's borrowings, based on variable loans totalling £36.2m, an additional 1% in interest charges would have added £362k 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 61. 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. £84,000 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 Analysis of Trust Funds and Custodial Money Balances		Expenditure	Income	Balance
31 March		2007-8	2007-8	31 March
2007				2008
£		£	£	£
	Education charities:			
490,003	Charles Semon Educational Foundation	6,620	19,869	503,252
305,234	Salt Foundation	392,179	86,945	0
428,343	Bradford area	249	25,147	453,241
352,453	Keighley area	655	25,014	376,812
64,824	Housing charities	47,999	33,904	50,729
205,111	Blind Charities	204	23,416	228,323
1,845,968		447,906	214,295	1,612,357

At 31 March 2008 the role of Treasurer to the Salt Foundation (511978) passed to Shipley College.

For those Trust Funds where the authority acts as sole trustee and which at 31 March 2008 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 2007-8	Balance at 31 March 2008
		£	£
Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	-13,250	503,253
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	-22,741	346,659
Royd House Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	-5,912	122,608
Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	-2,407	56,922

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.

2006-7 £000	Collection Fund	2007-8 £000	
	Income		
134,471	Due from council tax payers (excluding benefits)	141,917	<i>Note 1</i>
29,986	Due in respect of council tax benefits	31,340	
113,520	Due from business ratepayers	115,692	<i>Note 2</i>
1	Community charge previous years' adjustment	0	<i>Note 3</i>
277,978	Total income	288,949	
	Expenditure		
	Precepts		
138,762	Bradford Council	148,101	
6,436	West Yorkshire Fire and Civil Defence Authority	6,868	
15,781	West Yorkshire Police Authority	16,882	
	Business rate		
112,766	Payment to national pool	114,939	<i>Note 2</i>
754	Costs of collection	753	
804	Council tax write-offs	2,470	
4,944	Council tax support from council tax surplus	6,564	
0	Council tax support from community charge surplus	110	
1,087	Contribution to / -from provision for losses on collection	1,198	<i>Note 4</i>
281,334	Total Expenditure	297,885	
-3,356	Net decrease in the fund balance	-8,936	
14,810	Balance at beginning of year	11,454	
11,454	Collection Fund balance at end of year	2,518	<i>Note 5</i>

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 £1,201.38 in 2007-08 (£1,146.57 in 2006-07) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

2006-7 Band D Equivalent	Band	2007-8 Number of chargeable dwellings	Multiplier	2007-8 Band D Equivalent
54	A*	106	5/9	59
46,877	A	70,910	6/9	47,273
27,418	B	35,673	7/9	27,745
28,526	C	32,542	8/9	28,926
13,956	D	14,274	9/9	14,274
12,379	E	10,289	11/9	12,575
6,982	F	4,942	13/9	7,139
5,245	G	3,226	15/9	5,377
382	H	198	18/9	395
141,819	Total Band D equivalent			143,763
1,419	Adjustment for estimated losses on collection			718
140,400	Council Tax Base			143,045

Note 2. Business Rates

The Council collects business rates (non-domestic rates) for its area. The rate in the pound of rateable value is set by central government. There are two multipliers: the small business non-domestic rating multiplier of 44.1p (42.60p in 2006-07) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 44.4p (43.3p in 2006-07) 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 2007-08 was £199.1m (£189.1m in 2006-07).

The business rates income, after reliefs and provisions, was based on a total rateable value for the Council's area of £322,726,131 for 2007-08 (£324,751,940 for 2006-07).

Note 3. Community Charge

Community charge ceased on 31 March 1993. In 2007-08 £109,814 of arrears collected was used to reduce the council tax levied in 2007-8.

Note 4. Provision for Council Tax Bad Debts

After contributing £1.198m to the bad debt provision in 2007-8, the bad debt provision for council tax at 31 March 2008 was £7,322,630 (£6,124,448 at 31 March 2007).

Note 5. 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.

2006-7	Collection Fund Balance	2007-8
£000		£000
	Community Charge	
110	Surplus b/fwd 1 April	111
1	Deficit in year	-110
111	Accumulated surplus c/fwd	1
	Council Tax	
14,700	Surplus b/fwd 1 April	11,343
-3,357	Deficit in year	-8,826
11,343	Accumulated surplus c/fwd	2,517
11,454	Accumulated surplus on Fund at 31 March	2,518

The statutory position is for any surplus or deficit on the Collection Fund to be used as an adjustment to the council tax in future years when the cash is collected.

2006-7	Fund Account	2007-8	
£000		£000	
	Contributions and Benefits		
280,438	Contributions receivable	299,581	<i>Note 4</i>
41,770	Transfers in	33,169	
5	Other income	156	
19,236	Non-statutory pensions and pensions increases recharged	18,671	
341,449	Income total	351,577	
258,503	Benefits payable	284,471	<i>Note 5</i>
19,236	Non-statutory pensions and pensions increase	18,671	
312	Refund of contributions	367	
20,346	Transfers out	18,546	
4,611	Administrative and other expenses borne by the scheme	5,212	<i>Note 7</i>
303,008	Expenditure Total	327,267	
38,441	Net additions from dealings with members	24,310	
	Returns on investments		
196,596	Investment income	219,354	<i>Note 8</i>
394,025	Change in market value of investments (realised and unrealised)	-278,189	<i>Note 6</i>
1,278	Stock Lending	1,828	<i>Note 9</i>
3	Underwriting commission	0	<i>Note 9</i>
-1,201	Investment management expenses	-1,491	
590,701	Net return on investments	-58,498	
629,142	Net increase in the fund during the year	-34,188	
6,676,815	Opening net assets of the scheme	7,305,957	
7,305,957	Closing net assets of the scheme	7,271,769	

31 March 2007	Net Assets Statement	31 March 2008	
£000		£000	
	Investments		<i>Note 6</i>
521,412	Fixed interest securities	592,645	
4,995,400	Equities (including convertible shares)	4,691,699	
315,343	Index-linked securities – UK quoted	443,836	
1,092,683	Managed and Unitised funds	1,151,322	
322,663	Other – sterling deposits	323,050	
-273	Accrued purchases	-456	
358	Accrued sales	4,746	
7,247,586	Investments at market value 31 March	7,206,842	
	Current assets and liabilities		
66,534	Debtors	73,972	<i>Note 10</i>
-9,370	Creditors	-10,685	<i>Note 10</i>
1,207	Cash in hand *	1,640	
58,371	Net current assets and liabilities	64,927	
7,305,957	Net assets of the scheme at 31 March	7,271,769	
* This figure takes account of cheques drawn but not presented, the balance on the bank account at 31 March 2008 was £1,754,180			

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.wyypf.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 184 participating employers at 31 March 2008 whose employees were entitled to be contributors to the Fund.

Membership

2006-7	Profile of Membership	2007-8
93,400	Active members	92,967
55,477	Pensioner members	57,961
55,080	Members with preserved pensions	60,382
203,957	Total Contributions Receivable	211,310

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	For future
	Service Liabilities	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.

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 November 2002) "The Financial Reports of Pension Schemes." Disclosures are limited to those required by the Local Authority Statement of Recommended Practice 2006.

Listed Investments

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

Pooled Funds are valued at average of the closing bid price and offer prices if both are published or if single priced at closing single price.

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

The values of investments in Fund of Hedges Funds are based on the net asset values provided by the hedge fund managers as at 31 March 2008.

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 12).

Currency Translation

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

Transfers

Transfer Values represent amounts received and paid during the period for 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 is accounted for on an accruals basis, and income from UK equities is accounted for on the date when stocks are quoted ex-dividend.

Contributions

Contributions are accounted for when due.

Employers have met the indirect costs of early retirement. 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

2006-7	Analysis of Contributions	2007-8
£000	Receivable	£000
190,208	Employers' contributions	205,967
0	Special employers' contributions	0
90,230	Employees' contributions	93,614
280,438	Total Contributions Receivable	299,581

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

2006-7	Contributions Receivable by Type	2007-8
£000	of Member Body	£000
35,574	Administering authority	41,245
181,228	Scheduled bodies	217,534
63,636	Admitted bodies	40,802
280,438	Total Contributions Receivable	299,581

Note 5. Benefits Payable

2006-7	Analysis of Benefits Payable	2007-8
£000		£000
	Funded pensions	
173,967	Retired employees	188,724
18,062	Dependants	19,047
	Funded lump sums	
62,035	On retirement	71,766
4,439	On death	4,934
258,503	Total Benefits Payable	284,471

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

2006-7	Analysis of Benefits Payable by	2007-8
£000	Member Body	£000
40,850	Administering authority	43,965
179,593	Scheduled bodies	207,052
35,363	Admitted bodies	30,654
2,697	Other interested bodies with no pensionable employees	2,800
258,503	Total Benefits Receivable	284,471

Note 6. Investments at Market Value

Investments	Opening Value at 1 April 2007 £000	Purchases at Cost £000	Sale Proceeds £000	Change in Market Value £000	Closing Value at 31 March 2008 £000
Fixed Interest Securities	521,412	160,185	-109,542	20,590	592,645
Equities	4,995,400	369,806	-382,770	-290,737	4,691,699
Index-linked Securities	315,343	131,476	-39,531	36,548	443,836
Managed & Unitised Funds	1,092,683	127,149	-23,920	-44,590	1,151,322
Cash Deposits	322,663	387	0	0	323,050
Accrued Purchases	-273	-183	0	0	-456
Accrued Sales	358	0	4,388	0	4,746
Total Investments	7,247,586	788,820	-551,375	-278,189	7,206,842

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.

2006-7 £000	Analysis of Investments Closing Market Values	2007-8 £000
	Fixed Interest Securities:	
312,536	UK Public Sector quoted	383,492
93,117	UK Other quoted	94,905
82,118	Overseas Public Sector quoted	84,054
33,641	Overseas Other quoted	30,194
521,412		592,645
	Equities:	
3,145,535	UK quoted	2,731,250
53,989	UK unquoted	87,581
1,718,650	Overseas quoted	1,734,745
77,226	Overseas unquoted	138,123
4,995,400		4,691,699
	Index Linked Securities:	
232,944	UK Public Sector quoted	334,431
28,545	UK Other quoted	30,085
53,854	Overseas Public Sector Quoted	79,320
315,343		443,836
	Managed and Unitised Funds:	
0	Currency Funds	20,088
228,010	Hedge Funds	307,042
381,654	Property	345,029
483,019	Other	479,163
1,092,683		1,151,322
	Cash Deposits:	
322,663	Sterling	323,050

Note 7. Administrative Expenses

2006-7 £000	Administrative Expenses	2007-8 £000
4,396	Administration and processing	4,892
176	Actuarial fees	279
39	Audit fee	41
0	Legal and other professional fees	0
4,611	Total Administrative Expenses	5,212

Note 8. Investment Income

2006-7 £000	Investment Income	2007-8 £000
26,784	Income from fixed interest securities	32,886
133,949	Dividends from equities	150,623
5,693	Income from index-linked securities	7,279
12,021	Income from pooled funds	11,822
18,149	Interest on cash deposits	16,744
196,596	Total Investment Income	219,354

Note 9. Other Income

2006-7	Analysis of Other Income	2007-8
£000		£000
	Stock Lending	
51	Income - Fixed Interest	182
508	- UK Equities	609
891	- International Equities	1,213
-172	Expenditure	-176
3	Underwriting Commission	0
1,281	Total	1,828

As at 31 March 2008, £1,503m of stock was on loan to market makers, and this was covered by collateral totalling £1,597m (which includes an appropriate margin), comprising bonds (£356m), government bonds (£161.1m), stocks and shares (£823.3m) and certificates of deposit (£256.6m).

Note 10. Current Assets and Liabilities

2006-7	Current Assets and Liabilities	2007-8
Re-stated		
£000		£000
	Assets	
22,657	Contributions due from employees and employers	21,041
41,383	Accrued income	45,330
2,494	Other debtors	7,601
66,534	Total Assets	73,972
	Creditors	
1,921	PAYE	2,150
7,449	Other creditors	8,535
9,370	Total Creditors	10,685

Note 11. Related Party Transactions

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

In 2007-08, Bradford Metropolitan District Council charged the West Yorkshire Pension Fund £560,100 in respect of support services provided (£590,000 in 2006-07). The charge included accommodation, financial, legal and information technology services.

Note 12. Additional Voluntary Contributions (AVC)

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

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

2006-7	Additional Voluntary Contributions	2007-8
£000		£000
18,481	Value of funds at 1 April	19,016
1,099	Contributions received	1,026
710	Transfers and withdrawals	329
4	Internal Transfers	16
918	Interest and bonuses / Change in market value of assets	176
-2,196	Sale of investments to settle benefits due to members	-1,950
19,016	Value of fund at 31 March	18,613

Note 13. Contingent Liabilities and Contractual Commitments

At 31 March 2008 the West Yorkshire Pension Fund had investments in private equity funds valued at £131.2m; however the total amount the Fund has committed to be invested is £342.8m.

Note 14. 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.wyprf.org.uk.

Note 15. List of Scheduled Bodies Contributing to the Fund

Major Scheduled Bodies

City of Bradford Metropolitan District Council
 City of Wakefield Metropolitan District Council
 Kirklees Council

Leeds City Council
 Metropolitan Borough of Calderdale

Other Scheduled Bodies

Ackworth Parish Council
 All Saints C.E Junior & Infant School
 Bingley Grammar
 Bradford Academy
 Bradford College
 Brighouse High School
 Brooksbank School
 CAF/CASS
 Calderdale College
 Castle Hall School
 Clayton Parish Council
 Crossley Heath School
 David Young Community Academy
 Denby Dale Parish Council
 Dewsbury College
 Dixons City Academy
 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
 Huddersfield Technical College
 Ilkley Parish Council
 Joseph Priestley College
 Keelham Primary School
 Keighley Town Council
 Killinghall Primary School
 Kirkburton Parish Council
 Kirklees Neighbourhood Hsg Ltd
 Lady Elizabeth Hastings School
 Laisterdyke Business
 Leeds College of Art and Design
 Leeds College of Building
 Leeds College of Music
 Leeds College of Technology
 Leeds East Homes
 Leeds Metropolitan University

Leeds South Homes
 Leeds West Homes
 Lightcliffe C.E Primary School
 Longroyde Junior School
 Meltham Town Council
 Micklefield Parish Council
 Mirfield Free Grammar School
 Morley Town Council
 Myrtle Park Primary School
 New College Pontefract
 Normanton Town Council
 North Halifax Grammar School
 Northern Schools of Contemporary Dance
 Notre Dame Sixth Form College
 Oakbank School
 Oakworth Primary School
 Otley Town Council
 Park Lane College
 Rastrick High School
 Russell Hall First School
 Ryburn Valley High School
 Ryhill & Havercroft JRGC
 Ryhill Parish Council
 Salterlee Primary School
 Shipley College
 South Elmsall Town Council
 South Hiendley Parish Council
 St Catherine's Catholic High School
 St Chad's C.E Primary School
 St John's C.E (Bradford)
 St John's C.E (Brighouse)
 St Michael's All Angels School
 Thomas Danby College
 Thornton Grammar School
 Todmorden Parish Council
 University of Huddersfield
 Wakefield College
 West Vale Primary School
 West Yorkshire Fire and Civil Defence Authority
 West Yorkshire Passenger Transport Authority
 West Yorkshire Passenger Transport Executive
 West Yorkshire Police
 West Yorkshire Probation
 West Yorkshire Valuation Tribunal
 Wetherby Town Council
 Wilsden Parish Council
 Yorkshire Purchasing Organisation

Group Income and Expenditure Account

Restated 2006-7 Net Expenditure £000	Group Income and Expenditure Account	2007-8 Gross Expenditure £000	2007-8 Income £000	2007-8 Net Expenditure £000	
	Expenditure on services				
98,206	Children's and Education Services	590,133	484,315	105,818	
92,777	Adult Social Care	134,089	42,329	91,760	
40,574	Environmental Services	69,746	25,494	44,252	
28,700	Cultural and Related Services	60,610	21,430	39,180	Note 4
19,920	Planning and Development Services	63,779	32,610	31,169	
39,581	Highways, Roads and Transport Services	52,082	9,943	42,139	
10,196	General Fund Housing	147,367	135,907	11,460	
6,642	Central Services to the Public	61,253	36,196	25,057	
3,204	Corporate Management	4,500	4,072	428	
4,717	Democratic Representation and Management	5,154	23	5,131	
-25	Non distributed costs	14,278	4,944	9,334	
376	Court and Probation Services	1,010	612	398	
0	Exceptional items – provision for equal pay claims	14,000		14,000	
-160	Share of group exceptional item	0	0	0	
-596	Share of operating results of associate companies	0	3	-3	Note 6
344,148	Net cost of services	1,218,001	797,878	420,123	
1,440	Gain (-)/ Loss on the disposal of fixed assets			-1,265	
0	Gain on the disposal of long term investment			-38,912	
579	Parish council precepts			707	
92	Trading services surpluses (-) / deficits			-447	
31,703	Interest payable and similar charges			28,263	
217	Share of interest payable by associate companies			0	Note 6
-166	Contribution to / from (-) to housing capital receipts national pool			63	
-6,628	Interest and investment income			-11,330	Note 4
-42	Share of interest receivable by associate companies			0	Note 6
2,314	Net pension interest cost and expected return on pensions assets			-1,031	
-73	Share of net pension interest cost and expected return on pensions assets of associated companies			-10	Note 6
211	Share of taxation of associate companies			0	Note 6
373,795	Net expenditure			396,161	
-139,341	Demand on the Collection Fund			-148,809	
-44,514	General Government grants			-38,691	
-189,095	Non-domestic rates redistribution			-199,137	
-4,272	Distribution of Collection Fund surplus			-5,771	
-3,427	Surplus (-) or deficit for the year			3,753	

Reconciliation of the Authority's Surplus or Deficit to the Group Surplus or Deficit

Restated 2006-7	Reconciliation of the Authority's Surplus or Deficit to the Group Surplus or Deficit	2007-8
£000		£000
-2,988	Surplus for the year on the authority's Income and Expenditure Account	-4,646
-443	Plus surplus arising from Bradford City Centre URC Limited (BCR) and included in the Group Income and Expenditure Account	-13
4	Plus amounts in respect of directly managed funds to be included in the Group Income and Expenditure Account in accordance with UKGAAP	-31
0	Less reduced gain on the disposal of the authority's investment in LBIA (Ltd)	8,443
-3,427	Group Income and Expenditure Account surplus (-) or deficit for the year	3,753

Group Statement of Total Recognised Gains and Losses

Restated 2006-7 £000	Group Statement of Total Recognised Gains and Losses	2007-8 £000
-3,427	Surplus (-) or deficit for the year on the Income and Expenditure Account	3,753
-38,762	Surplus arising on revaluation of fixed assets	-62,755
-76,443	Actuarial losses / gains(-) on pension fund assets and liabilities	106,342
	Other gains and losses (-):	
3,356	Movement on the Collection Fund	8,936
0	Cumulative effect on reserves of a prior period adjustment on the Financial Instruments Adjustment Account	12,642
-115,276	Total Recognised Losses / Gains (-)	68,918

Restated	Group Balance Sheet	31 March
31 March		2008
2007		£000
£000		£000
1,015,282	Fixed assets	1,050,243
14,186	Intangible assets	13,461
14,439	Investment in associate companies	6 <i>Note 6</i>
1	Long term investment	1
4,977	Long term debtors	2,988
11,967	Deferred premiums	0
1,060,852	Total long term assets	1,066,699
	Current assets:	
1,457	Stocks and work in progress	1,335
3,219	Landfill usage allowance	0
75,989	Debtors and payments in advance	91,397
102,091	Investments	168,296 <i>Note 4</i>
47,554	Cash in hand	58,681 <i>Note 4</i>
	Less current liabilities	
125,337	Creditors and receipts in advance	154,476
20,526	Short term borrowing (repayable within 12 months)	10,374
19,454	Cash overdrawn	8,306
64,993	Net current assets	146,553
1,125,845	Total assets less current liabilities	1,213,252
	Less:	
424,292	Long term borrowing	436,696
24,037	Provisions	32,886
6,673	Deferred liabilities	6,341
155,961	Government grants deferred	176,579
803	Deferred income	703
725	Deferred capital receipts	230
279,682	Liability related to defined benefit pension schemes	395,063
233,672	Total assets less liabilities	164,754
	Financed by:	
413,771	Capital adjustment account	421,203
0	Financial Instruments Adjustment Account	-10,382
0	Revaluation Reserve	59,452
2,664	Usable capital receipts reserve	2,664
-279,682	Pensions reserve	-395,063
87,985	Revenue reserves	86,348
8,439	Authority's share of profit and loss and other reserves of associates	6 <i>Note 6</i>
495	Trust Fund Reserves	526 <i>Note 4</i>
233,672	Group balances and reserves	164,754

Group Cash Flow Statement

Restated 2006-7 £000	Group Cash Flow Statement	2007-8 £000
70,096	Net cash inflow from revenue activities	62,867
	Returns on investment and servicing of finance	
-31,703	Cash outflow –interest paid	-28,017
6,628	Cash inflow –interest received	11,330
-25,075	Net cash outflow from servicing of finance	-16,687
0	Taxation	
	Capital activities: cash outflows	
-98,735	Purchase of fixed assets	-76,974
	Capital activities: cash inflows	
8,449	Sale of fixed assets	21,013
53,155	Capital grants and other receipts	45,778
-37,130	Net cash outflow from capital activities	-10,183
	Acquisitions and disposals : cash outflows	
-1	Investments in associates and subsidiary undertakings	0
	Acquisitions and disposals : cash inflows	
0	Sales of investments associates and subsidiary undertakings	51,152
-1	Net cash inflow /outflow (-) from acquisitions and disposals	51,152
7,890	Total net cash inflow before financing	87,149
3,600	Management of liquid resources: Net decrease in short-term deposits	-66,205
	Financing	
-18,874	Cash outflows – repayments of amounts borrowed	-50,169
6,500	Cash inflows -new loans raised	51,500
-12,374	Net cash inflow from financing	1,331
-884	Increase / decrease (-) in cash	22,275

Note 1. Background

Authorities are required to produce group financial statements where they have material interests in subsidiaries, associated companies or joint ventures. The group financial statements are produced in addition to the main statement of accounts. They consolidate an authority's interests in companies along with its own accounts to show a complete picture of the authority's activities.

Prior to 2007-8 the Council's major investment was in Leeds Bradford International Airport Limited (LBIA). The authority had a 40% share in the company, holding £6m of the total issued share capital of £15m.

On 3 May 2007 the authority disposed of its 40% share capital in LBIA Ltd as part of a 100% share disposal of the airport company to the preferred bidder, Bridgepoint Capital. The authority received a net sum of £51.525m. A further £2.204m has been accrued in 2007-08 in respect of a refund due on the final pension liability of staff transferring to the new company.

The sale of the LBIA Ltd explains the decrease of £14.433m in the authority's investment in associate companies. The remaining £6,000 at 31 March 2008 represents the authority's interest in Bradford City Centre URC Limited (BCR), see Note 2 below.

Note 2. Bradford's Interest in Associate and Subsidiary Companies

At 31 March 2008 the Council had interests in the following companies:

- Bradford City Centre URC Limited (BCR): This is a company limited by guarantee. It is funded equally by the Council, Yorkshire Forward and English Partnerships.
- Integrated Bradford LEP Ltd is a new type of public private company in which the authority has a £1,000, 10%, interest. 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). Under the terms of the partnership the LEP will enjoy exclusivity in the provision of capital works to all the authority's secondary schools for ten years. The Council's interest in Integrated Bradford LEP Ltd has been determined to be not material in terms of Group Accounts.
- BMDC Building Schools for the Future Ltd 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. The outstanding loan is included in the authority's balance sheet as a long term debtor in its balance sheet and, on consolidation, is also shown as a long term debtor in the Group Balance Sheet.

Note 3. Notes

The notes to the authority's own accounts (pages 26 to 45) are also relevant to the group statements. The notes have not been reproduced here unless there are additional amounts or details in relation to associates.

Note 4. Adjustments to Ensure Consistency with Generally Accepted Accounting Practice (UK GAAP)

The accounting policies adopted by local authorities are set out in the Code of Practice on Local Authority

Accounting. They differ in one respect from UKGAAP; trust funds are excluded from an authority's Statement of Accounts but should be included in the group accounts where the authority is sole trustee and has access to economic benefits through the trust. Accordingly, the income and expenditure and net assets of the following trusts have been incorporated

- King George's Field, Keighley (No. 514349)
- Royd House, Wilsden (No. 700025)
- Peel Park, Bradford (No. 523509)

Changes to Group Statements re Inclusion of Directly Managed Funds		
2006-7		2007-8
£000		£000
Group Income and Expenditure Account		
36	Expenditure added to net cost of services	0
-32	Investment income : -	
	King George's Field	-23
	Royd House	-6
	Peel Park	-2
4	Net effect on deficit for the year : -	
	King George's Field	-23
	Royd House	-6
	Peel Park	-2
Group Balance Sheet		
Investments : -		
243	King George's Field	243
97	Royd House	97
51	Peel Park	51
Cash in hand : -		
82	King George's Field	104
19	Royd House	25
3	Peel Park	6
Trust fund reserves : -		
324	King George's Field	347
116	Royd House	122
54	Peel Park	57

Note 5. Bradford City Centre URC Limited (BCR)

BCR is a government designated Urban Regeneration Company. The principal activity of the company is to facilitate the regeneration of Bradford's city centre.

The authority and Yorkshire Forward are joint founder members of the company. Each may appoint up to two directors to the board. The company is funded equally by each of the members and English Partnerships.

The income receivable from Bradford Council for the year ended 31 March 2008 was £376,000 (£400,000 in 2006-07). During the year the company obtained goods and services from the authority amounting to £615 (£1,325 in 2006-07).

The authority's 50% share in the financial performance and net assets of BCR have been consolidated within the group accounts (see Note 6 for details). The figures take into account pensions liabilities in accordance with the requirements of Financial Reporting Standard 17.

Note 6. Consolidation of Associates

Figures in respect of the Bradford City Centre URC Limited (BCR) have been consolidated into the group accounts using the equity method. This means that the authority's share of each company's operating results have been included in the Group Income and Expenditure Account and the authority's share of each company's net assets have been included in the Group Balance Sheet and shown as a long-term investment.

2006-7			Consolidation of Associates			2007-8		
LBIA £000	BCR £000	Total £000		LBIA £000	BCR £000	Total £000		
Group Income and Expenditure Account								
-751	-5	-756	Share of operating results	0	-3	-3		
0	0	0	Removal of dividends from the authority's trading services surplus	0	0	0		
217	0	217	Share of interest payable	0	0	0		
-42	0	-42	Share of interest receivable	0	0	0		
-67	-6	-73	Share of net pension interest cost and expected return on pensions assets	0	-10	-10		
211	0	211	Share of taxation	0	0	0		
-432	-11	-443	Net effect on the surplus (-) or deficit for the year	0	-13	-13		
Group Statement of Total Recognised Gains and Losses								
432	11	443	Surplus or deficit (-) on the Income and Expenditure Account	0	13	13		
336	39	375	Actuarial gains and losses (-) on pension fund assets and liabilities	0	-3	-3		
768	50	818	Total recognised gains and losses (-)	0	10	10		
Group Balance Sheet								
8,443	-4	8,439	Investment in associate companies less shareholding in LBIA (£6m)	0	6	6		
8,443	-4	8,439	Income and expenditure reserves	0	6	6		

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 (BCACOP)

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 2007-08 following UK GAAP accountancy changes and replaces the Capital Financing Account. It is required to ensure that both sides of the balance sheet remain in balance, and increases and decreases in asset valuations are credited and debited to this account as appropriate following asset revaluations.

Capital Charges

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

Capital Expenditure

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

Capital Financing Account

An account maintained to hold transactions relating to the financing of capital expenditure. This has been replaced by the Capital Adjustment Account from 2007-08 onwards

Capital Financing Requirement

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

Capital Receipts

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

Collection Fund

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

Community Assets

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

Consistency

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

Contingent Liabilities

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

Creditors

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

Debtors

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

Deferred Charges

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

Depreciation

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

Finance Lease

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

Fixed Assets

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

Fixed Asset Restatement Account (FARA)

The account reflects revisions in the value of fixed assets following revaluation or disposal. This has been replaced by the Capital Adjustment Account from 2007-08 onwards.

Financial Instruments

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

Financial Reporting Standards (FRS)

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

General Fund

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

General Reserves and Balances

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

Government Grants Deferred Account

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

Group Accounts

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

Housing Revenue Account (HRA)

A separate account detailing the expenditure and income arising from the provision of council housing.

Impairment

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

Income and Expenditure Account

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

Infrastructure Assets

These are assets such as highways and footpaths.

Investments

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

Investment Properties

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

Joint Venture

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

Liabilities

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

Local Area Agreement (LAA)

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

Materiality

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

Minimum Revenue Provision (MRP)

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

Non-Domestic Rates (NDR)

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

Net Book Value

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

Operating Leases

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

Precept

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

Prior Year Adjustments

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

Private Finance Initiative (PFI)

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

Provisions

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

Prudence

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

Prudential Code

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

Related Parties

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

Revenue Expenditure

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

Revenue Reserve

Any sum set aside for a specific revenue purpose.

Revenue Support Grant (RSG)

A general government grant towards the cost of providing services.

Subsidiary

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

UKGAAP

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