Report of the Director of Finance to the meeting of Governance and Audit Committee to be held on 19 September 2014.

N

Subject:

STATEMENT OF ACCOUNTS 2013-14

Summary statement:

The Statement of Accounts 2013-14 have been audited externally and are now submitted for approval by the Governance and Audit Committee. The External Auditor (Mazars) has issued two separate Audit Completion Reports for the Council and the West Yorkshire Fund for Members to consider before approving the Statement of Accounts. The Council's response to the Audit Completion Report is included in this report.

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Director of Finance

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Portfolio:

Leader

Improvement Area:

Corporate

Suzan Hemingway, City Solicitor

1. BACKGROUND

1.1 The Director of Finance approved and issued the unaudited Statement of Accounts (SOA) by 30th June 2014 in accordance with the Accounts and Audit Regulations 2011. Also in accordance with these Regulations, Members are asked to approve the audited SOA on or before 30th September 2014.

1.2 The Council has issued Mazars (the External Auditor) with a written representation about the Council's financial statements and governance arrangements. Members are required to consider the Representation Letter before the auditor issues his opinion.

1.3 The Council's 2013-14 SOA, amended for adjustments required as a result of the audit are attached in Appendix A.

1.4 This report and the Appendices show the position of the external audit as at Wednesday 10 September. Following the completion of the external audit, a verbal update will be provided as appropriate at the committee meeting.

2. KEY MESSAGES

a) Significant items included in the SOA

- Twelve schools converted to Academies in 2013-14 and one converted to a Trust. As the Council does not have influence over these schools, these conversions are treated in the SOA as asset disposals for no payment. In 2013-14 this led to a reduction of £104m in the value of Property, Plant and Equipment shown on the Balance Sheet as at 31 March 2014. (Paragraph 4.1.b)
- However when combined with other significant movements (£201m reduction in the Pension Fund Reserve and further £116m revaluation losses on Council assets) the Council's net worth increased only slightly by £0.6m from £17.4m as at 31 March 2013 to £18m as at 31 March 2014.
- Whilst the Council's net financial worth (the total value of its financial assets less the value of its outstanding liabilities) remains modest, this is not a cause for concern. This is partly due to the fact that included on its balance sheet, are pension liabilities of £613m that will have to be settled in future years. The latest Actuarial valuation puts in place a plan to recover the deficit over the next 22 years.
- The 2012-13 SOA was restated for two issues, a change in the accounting standard for pensions (mainly presentational changes) and the inclusion of only Heritage Assets valued by an independent expert (£6.8m reduction in the Balance Sheet). Further information is set out in Para 3.1 and 3.2.
- At 31 March 2014 the Council has available £31m of corporate reserves available to support future budget decisions. Of the remaining £185m cash reserves, £41m is held by schools, £105m earmarked to deliver Council priorities and meet contractual commitments and £39m capital reserves (Para 4.1h)
- A new provision for £6m was created in 2013-14 to finance successful backdated appeals against the 2010 Business Ratings List. Overall as at 31 March 2014, the Council has £24m set aside in provisions to meet outstanding termination, insurance and Business Rate appeal costs. (Paragraph 4.1g)

- The Comprehensive Income and Expenditure (CI&E) Statement (page 17 SOA) shows a deficit on the provision of services of £209m in 2013-14. After removing expenditure and income which is not chargeable against Council Tax, Services spent £2.7m less than the approved net budget of £453.4m.
- 78% of the Council's corporate indicators used to assess the Council's performance achieved their performance target in 2013-14.
- £91.5m was invested in capital projects across the district. 30% of this capital investment was funded by internal borrowing, with the remainder funded from grants, revenue contributions and capital receipts (SOA page 13).

b) Summary of the External Auditor's findings in respect of the SOA

- There are no matters to bring to Members' attention in connection with the significant risks and key judgements set out in the 2013-14 Audit Strategy Memorandum
- There was one material misstatement in the draft 2013-14 SOA that affected the main statements. This related to three recently constructed schools that were initially carried in the Balance Sheet at historical value. This valuation has now been amended so that the audited SOA, shows these assets at their revalued amount, which is £14.9m lower than their historical cost.
- Two other adjustments have been made to the Comprehensive Income and Expenditure Statement and one to the Collection Fund that are above the Auditor's triviality threshold of £0.390m. (See Paragraph 5.2.1 for further details).
- There were five misclassifications in the Disclosure Notes, one of which in Note 20, the Amounts Reported for Resource Allocation, was a material misclassification of the 2013-14 £31.5m Public Health grant as fee income rather than grant income. (Paragraph 5.2.2 provides for further information).
- A small number of presentational changes have been made to improve the clarity of the SOA and the reader's understanding.
- None of the misstatements impact on the General Fund balance or usable reserves as at 31 March 2014.

3. CHANGES IN ACCOUNTING POLICIES IN 2013-14 AND PRIOR YEAR ADJUSTMENTS

3.1 The Council was required to implement a revised accounting standard for pensions in 2013-14 and to restate the 2012-13 SOA. There was no impact in either financial year on the balance sheet and the changes to the CI&E statement and accompanying pension notes were mainly presentational. (An increase of £31m on the deficit on provision of services being cancelled out within the CI&E, with an equal and opposite adjustment for £31m within Other Comprehensive Income and Expenditure).

3.2 To reflect that only Heritage assets valued by an independent expert are shown on the Balance Sheet, Heritage assets in the 2012-13 SOA were restated from £38.7m to £31.9m, a reduction of £6.8m.

4 SIGNIFCANT ITEMS INCLUDED IN 2013-14 SOA

The Council's full set of accounts runs to 129 pages and its content is prescribed by statutory accounting standards. Listed below therefore are the significant matters

Members may wish to take into account when assessing the Council's financial resilience to deal with continuing real term reductions in funding and to take into consideration before approving the 2013-14 SOA.

4.1 Balance Sheet (page 18)

a) Net worth (total reserves)

The Council's net worth (the total value of its financial assets less the value of its outstanding liabilities) is represented in the Balance Sheet by the total value of its reserves. At 31 March 2014 the Council's net worth increased very slightly by £0.6m to £18m. As noted above, within the slight increase of £0.6m, there were a number of changes which more or less cancelled each other out.

There have been £236m increases in reserves. The £201m reduction in the Pension Fund Reserve due to changes in actuarial assumptions (£235m) offset in part by a £34m increase in net interest, contributed most to the increase in reserves. Other increases included a £7m increase in cash earmarked reserves and a £28m increase in the Capital Adjustment Account due to the amounts set aside to fund capital expenditure being significantly greater than the estimated rate at which capital assets are being consumed.

The £236m increase in reserves was matched in 2013-14 by a similar decrease in reserves. This was made up of a £112m loss on disposal of fixed assets, mainly because of school conversions to Academies and Trust schools and revaluation losses of £116m reflecting the Valuer's estimate of the value of property in their existing uses. In addition, there were impairment losses of £8m, mainly caused by the loss of economic value caused when Rhodesway School was demolished.

b) Long term assets - Property, Plant and Equipment - Note 6 Page 42

The value of Property, Plant and Equipment shown on the Balance Sheet has been volatile over the last few years because schools included in this asset category have often been disposed at nil value.

Generally assets relating to Academies, Trusts, Foundation, Voluntary Controlled and Voluntary Aided schools are removed from the Council's balance sheet. This is due to judgements about land ownership and the ability of the Council to control the assets and influence future service potential. (There are only three exceptions to this when the Council has leased out the assets for six years or less).

In 2013-14, 12 schools converted to Academies:- Merlin Top, Windhill, Harden, Beckfoot, Hazelbeck, Bradford Moor, the Sacred Heart, Iqra, Challenge College, Grange, Southfield and Shirley Manor. In addition, Lidget Green Primary school converted to a Trust. All of which led to a reduction of £104m on the value of assets on the Balance Sheet, and is the main reason for the £116m loss on disposal.

The table below categorises all Bradford schools and sets out the accounting treatment.

Type of school	2012-13	2013-14	Accounting Treatment
Community	103	94	On Balance Sheet
Special Schools	7	6	On Balance Sheet
Foundation	13	13	Off Balance sheet
Voluntary Aided	34	33	Off Balance sheet
Voluntary Controlled*	14	13	Off Balance sheet
Academies	15	27	Off Balance sheet
Trust	4	5	Off Balance sheet
TOTAL SCHOOLS	**190**	**191**	
Nurseries	7	7	On Balance Sheet

A recent consultation has proposed changes to the requirements for accounting for school assets, particularly the accounting for Voluntary Controlled, Voluntary Aided and Foundation schools. The impact of these requirements, should the consultation be implemented, is being assessed and will be reflected in 2014-15 SOA.

Other changes to Property, Plant and Equipment include revaluation losses of £116m reflecting the Valuer's estimate of the value of property in their existing uses and the writing off of £0.6m aborted costs funded from capital sources, relating to enabling works for the PFI Waste Partnership. The aborted cost followed from the government's decision to withdraw grant funding for the scheme.

c) Heritage Assets (Note 9, Page 45)

The £32.1m valuation at 31 March 2014 for Heritage assets showed only a very small increase during the year compared with a valuation of £31.9m at 31 March 2013.

d) Investment Properties (Note 10, Page 47)

The value of investment properties at 31 March 2014 was £58.5m, showing a small reduction of £2m, mainly due to sales and transfers to other asset categories.

e) Long term borrowing (Note 44c, Page 85)

When the Council's long term assets of £1.124bn at 31 March 2014 are compared to the Council's long term borrowing of £386m and long term PFI liability £211m, this gives a ratio of long term borrowing to fixed assets of 0.53 (0.46 in 2012-13) .

One factor contributing to this position and also the Council's relative low net worth is that the PFI liability for schools of £211m remains on the Council's Balance Sheet, while the related assets are valued at only £43.183m due to conversions to Academies, Trust or Foundation Schools.

The Council's latest Medium Term Financial Plan sets out a strategy to reduce the overall Capital Financing Requirement (CFR) and thereby pay lower capital financing charges in future years. In 2013-14 as capital funding set aside in the financial year was over and above the amount which was invested in capital expenditure, the Council's CFR reduced by £1.5m.

The Medium Term Financial Plan also aims to lower the reliance on external borrowing. In accordance with this strategy, £26m of external borrowing is due to mature in 2014-15.

f) Current assets (note 15, Page 43)

The Council's short term liquidity is good with a ratio of current assets of £281m (£281m in 2013) to current liabilities of £164m (£137m in 2013).

At £163m at 31 March 2014 (£191m at 31 March 2013), the Council's and schools cash and short term investments balances remain strong. As a result, in 2013-14, the Council did not have to borrow any cash from external organisations to fund capital expenditure, but was able to use its own cash balances within working capital.

g) Provisions (Note 17, Page 50).

At 31 March 2014 the Council held £23.8m in eight provisions compared to £21.0m as at 31 March 2013. In 2013-14, the Council set up a new £6m provision for Business Rate appeals against the 2010 Ratings list. New funding arrangements now mean that the Council receives 49% of the Business Rates it collects, instead of a redistribution from the government. However, this also means that the Council is now liable for 49% of any backdated repayments to ratepayers, following successful appeals against rateable value. The new provision for £6m is the Council's estimate of its share of this liability.

A £0.5m provision for a liability to Mutual Municipal Insurance was fully utilised in 2013-14.

Other significant movements in provision balances in year were as follows:

- £7.6m was returned to the Council from the Equal Pay provision. £0.83m was utilised during the year for Equal Pay claims
- £6.5m was set aside in 2013-14 to fund future redundancy payments for voluntary redundancies agreed as part of the 2014-15 and 2015-16 saving proposals.
- Provisions set aside for insurance claims reduced slightly from £9.5m in 2012-13 to £9.2m in 2013-14.

h) Reserves (Note 2, Page 39)

Over the last 3 years the Council has sought to reduce its recurrent cost base and at the same time consistently applied its Reserves policy, using reserves to fund one off priority investment. In turbulent times this policy has served the Council well and means that after redesignating in year £9.0m of earmarked reserves, at 31 March 2014 the Council has available £31m of corporate reserves available to support future budget decisions. This is in line with the position forecast in February 2014, when the Council Budget meeting agreed that to smooth the further cost reduction path to 2016-17, corporate reserves would be used to bridge forecasted revenue deficits of £0.6m in 2014-15, £15m in 2015-16 and £7.6m in 2016-17.

Revenue Reserves	1 April 2013 £m	31 March 2014 £m
Total	163.8	177.2
Comprising;-		
Corporate earmarked reserves to cover specific financial risks or initiatives	46.6	42.6
Reserves to support the capital investment plan	13.7	14.2
Service earmarked reserves supported by spending plans	16.6	25.9
Grants received but not yet used for their specified purposes	6.7	12.2
General Fund balance	10.8	10.8
School balances	43.1	40.5
Unallocated corporate reserves	26.3	31.0
Unallocated reserves used to support 2014-15 budget	-9.2	-0.6
Remaining unallocated corporate reserves at the start of 2013-14	**17.1**	**30.4**

Further information on the Council's Reserves can be found in Note 2, Page 39.

i. Pension Liability (Note 28, Page 63)

At 31 March 2014 the deficit on the Pension Reserve calculated by the Actuary was £613m, a decrease of £201m, compared to the increase of £48m in 2012-13. The main reason for the decrease is an overall actuarial gain of £235m, due to changes in actuarial assumptions, less net interest expenses of £34m. It is planned for the pension deficit to decrease and achieve a break even position in 22 years and employer pension contribution rates have been set for the next three years on this premise.

4.2 Comprehensive Income and Expenditure Statement (CIES) – Page 15

a) Financial Outturn and Deficit on the Provision of Services

In the Financial summary (page 9) the Director of Finance reports that in 2013-14 net revenue spending was £450.7m, which was £2.7m lower than budgeted. This surplus was transferred to earmarked reserves, together with a further £7m of funds carried forward by Services to enable them to complete projects in 2014-15. In contrast, the CI&E shows a £208.6m deficit on the provision of services. The Movement in Reserves Statement (MIR) – page 16 explains how the £208.6m which includes depreciation, losses on the disposal of assets and revaluation losses is reversed out of useable reserves into unusable reserves. The reason is that because of statute many of the transactions that make up the deficit cannot be charged to the General Fund Account. The £2.7m underspend forms part of the net £16m transfer into earmarked reserves (line O, MIR, page 16) and line B Note 2, page 39.

5.0 AUDIT ARRANGEMENTS

This is the second year in which the SOA has been audited following the appointment of the new External Auditor. The Council continues to build on a productive working relationship and has striven to improve working papers to meet audit requirements.

5.1 RESPONSE TO THE AUDIT COMPLETION REPORT

The External Auditor's Audit Completion Report (ACR) which summarises findings from the 2013-14 Audit is subject to a separate report to this Committee. Members are asked to consider this report before approving the 2013-14 SOA.

The purpose of ACR is to highlight areas of risk and weakness, not those areas of the accounts which are being undertaken correctly. Any misstatements with a value over £0.39m (the External Auditor's triviality threshold) have been reported separately. Misstatements are classified as material if they exceed 1% of the gross cost of services £1.3bn, £13m.

A distinction has been made between those misstatements that affect the main statements of the accounts and those that affect the disclosure notes.

In 2013-14 the draft SOA contained four misstatements that affected the main statements and five misstatements that affected the disclosure notes. In each case, one misstatement was material (over £13m).

5.2 Misstatements identified as part of the Audit which the Council has amended

5.2.1 Main Financial Statement Changes (Balance Sheet, CIES, Movement in Reserves Cash Flow, and Collection Fund) changes

a) Three school assets, which had been recently built, were carried in the draft SOA at historical value but have subsequently been revalued on an in existing use basis. This has resulted in a net £14.9m diminution in their value and has required a downward material adjustment in the SOA to value of Property, Plant and Equipment of £14.9m. After making this adjustment 13 properties with a value of £1.882m remain valued at historic costs. Discussions will commence immediately with the Council's valuers to determine their capacity to undertake the valuations of these properties in 2014-15.

b) As in previous years, some Revenue Expenditure Funded from Capital, including Disabled Facility Grant (£4.5M expenditure and £1.6M income) continued to be classified in the CIES as Environmental and Regulatory rather than Housing

Services. The CIES has been amended and changes to coding embedded in systems made to ensure this error is not repeated again.

c) Also in the CIES, capitalised Housing salaries of £0.391m were accounted for as income as opposed to being netted off expenditure. Housing spend and income has therefore been reduced by £0.391m with no impact on net spend.

d) The Collection Fund Statement, page 91, requires income from Council Tax payers to be shown gross of write offs. An arithmetical mistake was initially made in calculating the gross figure which understated by write offs by £0.7m. This has been amended and it has no impact on the overall surplus on the Collection Fund of £2.8m at 31 March 2014.

5.2.2 Disclosure Notes

a) In Note 20 which explains how income and expenditure reported to Members in the outturn report compares to the CIES, £31.5m new Public Health grant was initially misclassified as fee income rather than grant income.

b) In Note 9, Heritage Assets, the current insurance value of lesser valued items that are not included on the Council's balance sheet should have been £46m, not £49m.

c) In the Related Party Note, the contribution to the West Integrated Transport Authority was initially mistakenly reported as £25.389m rather than £24.986M

c) In Note 39, regarding External Audit Costs, the costs of grant certification, which was incorrectly reported as £0.034m was changed to £0.022m. In addition, £0.005m was added in respect of other fees.

d) Within Note 30, the disclosure of the number of employees whose remuneration exceeds £50,000 was amended to exclude senior officers whose remuneration details are separately disclosed as required by the Code.

6.0 Events after the Balance Sheet Date

Between 1st April and 30th September 2014, four schools became Academies and moved out of Local Authority control. Of these, three have already been excluded from the balance sheet due to being either Voluntary Aided or Voluntary Controlled. The remaining one has a net book value of £2.7m and will be removed in 2014-15 and replaced with a 125 year peppercorn lease.

7.0 ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement was considered by this Committee in June and is now published alongside the SOA (Appendix A).

8.0 WEST YORKSHIRE PENSION FUND

The Auditor's Annual Completion Report on the West Yorkshire Pension Fund reports no material errors in the statements and no matters of concern regarding the quality of the accounting practices, policies, estimates and disclosures.

9.0 LOOKING AHEAD TO 2014-15

The Director of Finance will explore ways to develop processes and bring forward the production of the SOA. Matters to investigate include: undertaking some year end processes during the financial year; enhancing quality control, and producing valuations earlier.

A development in processes and timeframes will also help the Council prepare for the new Accounting and Audit Regulations in the Local Audit and Accountability Act 2014. This proposes to bring forward from 2017-18, the existing dates of 30 June and 30 September to 31 May and 31 July, for accounts being signed and certified by the Responsible Financial Officer and then approved and published.

10.0 RECOMMENDATIONS

10.1 The 2013-14 Statement of Accounts be approved and signed by the Chair of Corporate Governance and Audit Committee.

10.2 Bring forward deadlines for the production of the 2014-15 SOA. Explore undertaking some year end processes during the financial year, enhancing quality control and producing valuations earlier.

10.0 APPENDICES

Appendix A Draft Statement of Accounts 2013-14 as at 10 September. A revised statement of accounts will be provided at the meeting if appropriate

Appendix B Amended material misstatement

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2013-14

AND

ANNUAL GOVERNANCE STATEMENT

Contents Page

Introduction to the Council's Statement of Accounts

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

1. Financial Summary

The Director of Finance's Report summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2013-14. The money spent by the Council and where the money comes from is shown in a series of charts. There is a distinction between revenue spending (the annual cost of providing services) and capital expenditure; which has a long-term benefit for the citizens of the Bradford District.

2. Movement in Reserves Statement

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

3. Comprehensive Income and Expenditure Statement

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

4. Balance Sheet

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

5. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents (short term investments of three months or less) of the Council during the reporting period.

6. Statement of Significant Accounting Policies

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

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

7. Notes to the Main Financial Statements

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

8. Collection Fund Statement

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

9. The Group Accounts

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

10. The Pension Fund Account

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

11. Glossary of Terms

In order to help readers, a Glossary of Terms widely used in relation to local authority finance and referred to within these accounts is included at the back of the document.

12. Annual Governance Statement

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

Notes to the Main Financial Statements

City of Bradford Metropolitan District Council's Statement of Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts.

The Director of Finance's Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance has:

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

In addition he has issued:

- A manual on the practices to be adopted in the preparation of the Council's year end accounts
- Various corporate standards giving guidance on specific accounting issues.

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

Certification of the Statement of Accounts

I certify that this statement of accounts presents a true and fair view of the financial position of the Council at 31 March 2014 and its income and expenditure for the year then ended. I authorise for issue the 2013-14 Statement of Accounts.

Signed:

Stuart McKinnon-Evans
Director of Finance
Date: 19 September 2014

Signed:
Cllr Lynne Smith
Chair of Governance and Audit Committee
Date: 19 September 2014

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

(Ito be inserted, once the accounts have been audited)

Financial Summary

How Much Money Did the Council Spend?

In 2013-14, the gross revenue expenditure on the provision of services was £1.359bn (£1.306bn in 2012-13). Included in this figure is £23.542m (£22.592m in 2012-13) paid to the West Yorkshire Integrated Transport Authority and £1.053m (£0.887m in 2012-13) paid in local precepts to Parish Councils. For a further breakdown of the amount spent on individual services, please see the following chart and the Comprehensive Income and Expenditure Statement (page 3).

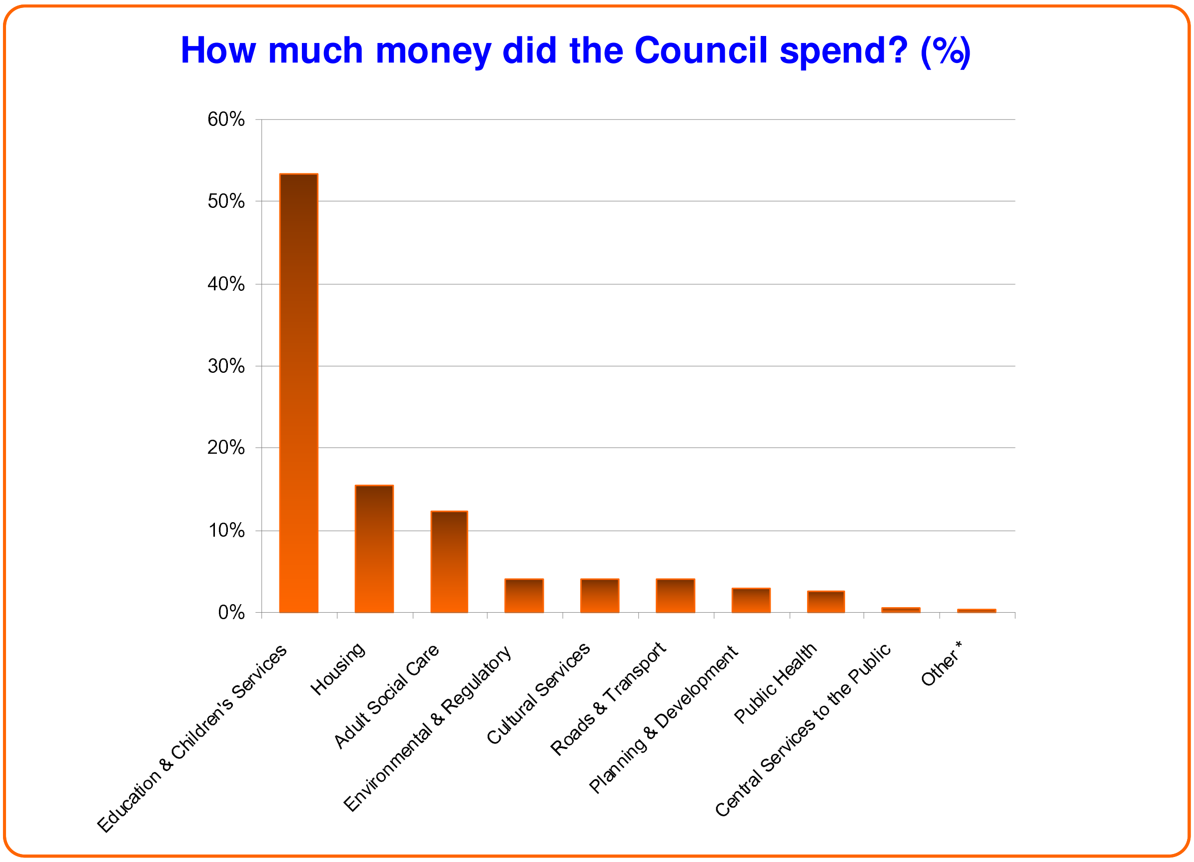
The increase in gross revenue expenditure on the provision of services to £1.359bn in 2013-14 from £1.306bn in 2012-13, as noted above, is caused by revaluation losses of £93.782m on Property, Plant and Equipment – a non-cash cost arising because valuers estimated in 2013-14 a lower future economic value for some of the Council's buildings in their existing use. In comparison, in 2012-13, valuers estimated a non-cash revaluation loss of £27.235m. These revaluation losses and gains are shown in Note 1, page 3. Excluding these non-cash revaluation losses and gains, the gross revenue expenditure in 2013-14 would be lower in comparison with 2012-13.

Where Did the Council Get Its Money?

The Council's General Fund revenue spending is funded through general government grants £248.934m (£60.303m in 2012-13), Council Tax £141.993m (£164.206m in 2012-13) and locally raised business rates £60.042m (£251.493m redistributed business rates in 2012-13). The government through specific grants provided a further £718.304m (£719.591m in 2012-13) of funding, of which £395.466m (£407.036m in 2012-13) is a Dedicated Schools Grant (DSG). The Council itself raises the remaining money in the form of rents and fees and charges for services provided.

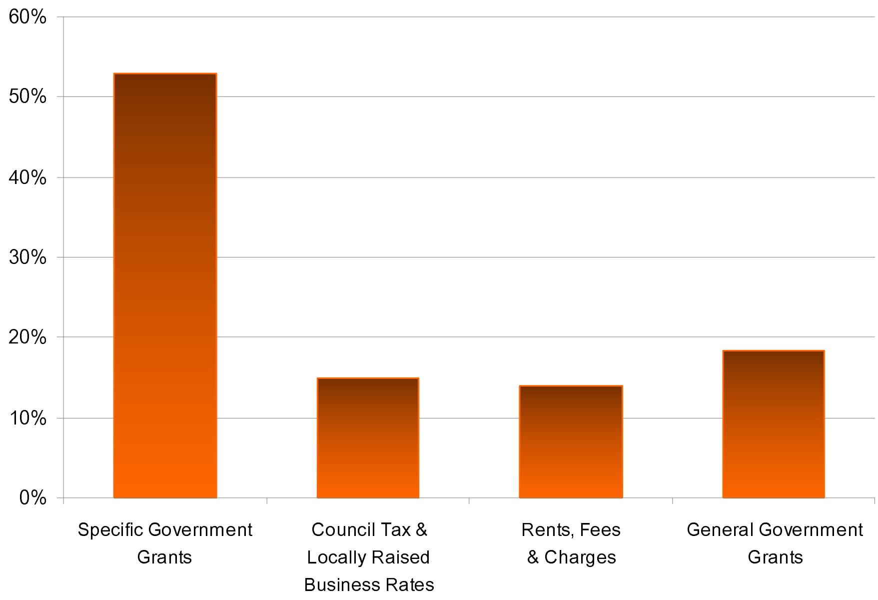
What Is the Money Spent On?

Total staff costs amounted to £536.275m (£555.101m in 2012-13). This includes staff in schools (£321.540m). In 2013-14, spending on other operating costs and capital financing costs was £644.214m (£535.275m in 2012-13) and rent benefits totalled £178.180m (£216.029m including Council Tax benefit in 2012-13).

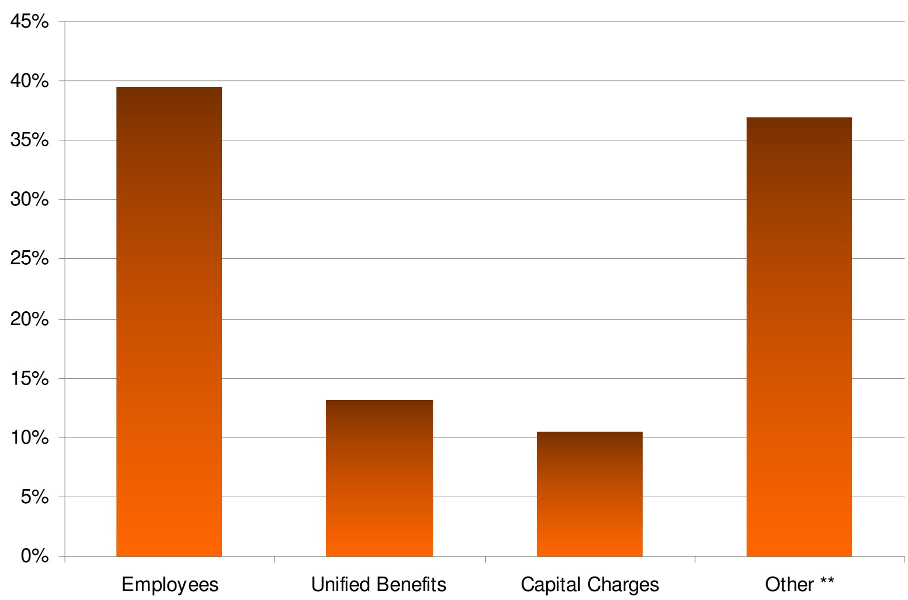


* "Other" includes corporate and democratic core, non distributed costs, court services, acquired services and exceptional items.

Where did the Council get its money? (%)



What is the money spent on? (%)



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

Background

The spending statements on services in these accounts follow the format set out in the Service Reporting Code of Practice (SeRCOP), the purpose of which is to facilitate comparisons between different authorities. As the service analysis is mandatory for all local Council's financial statements, it does not match the current management structure and financial monitoring framework of the Council. In this Section of the report we therefore provide a brief commentary on the financial and service performance of the Council's departments in keeping with internal accountability.

The Sections that follow report on the Council's stewardship of its revenue and capital resources and provide an insight into the impact on Services' performance. Both the financial and performance result for 2013-14 should be assessed against three years of reductions in Government funding, and inflationary and demographic pressures which have required the Council to make savings over the period in excess of £100m.

2013-14 also saw a radical change to the way in which the Council is funded, with a move towards more reliance on locally raised business rates and council tax and a move away from guaranteed central Government funding.

2013-14 Revenue Budget

In February 2013, the Council approved a net expenditure budget of £453.4m, funded £182.9m from Revenue Support Grant (RSG), £121m from Business Rates (£66.6m raised locally and £54.4m top up grant) and £138.2m from Council Tax. The remaining £11.3m of investment in priority activity was financed from reserves (£9.2m Council and £2.1m Schools).

In 2013-14 Bradford's Council Tax increased by 1.99% from £1,094.33 to £1,116.11. An increase of £21.78 for someone living in a Band D property.

To contain spend within the 2013-14 approved budget, Services were required to make savings of £16.3m and deliver a £4m reduction in their non pay budgets. In addition, Members approved a reduction of £2.9m in central contingency budgets, changes to Council Tax discounts and the introduction of a Council Tax Reduction scheme, an overall savings package of £29m.

2013-14 Revenue Result

The headline results were

- Net revenue spending was £450.7m, £2.7m (0.6%) lower than budgeted. A result which is consistent with both in year forecasts and the financial outlook used to set the 2014-16 budget
- As planned the £2.7m was transferred into unallocated reserves available to support future budget decisions
- In order to complete activity rescheduled from 2013-14, £7.0m of funding was carried forward to 2014-15
- A shortfall of £4.4m of Service savings against a Service saving target of £16.3m, has been mitigated by compensating action taken by Strategic Directors and one off monies
- In year reporting, for the first time of variances against gross expenditure and income budgets identified the pressures faced by Services dependent on external fee income in delivering their 2013-14 income targets
- Budget Council meeting on 20 February 2014 recognised that a number of pressures, which in 2013-14 have been managed out through compensating one off savings, are recurrent. Ongoing investment of £4.8m in Adult Services, £1.9m in Regeneration and £0.5m in Environment and Sport (a total of £7.2m) has therefore been added into 2014-15 cost base.
- In closing the accounts, an upfront payment was made to the West Yorkshire Pension Fund, the adequacy of the Equal Pay provision reassessed and money set aside for future termination costs arsing from the 2014-15 and 2015-16 saving proposals
- At 31 March 2014 the Council had available £31m of unallocated reserves to support future budget decisions. This is in line with the position forecast in February 2014, when the Council Budget meeting agreed a planned use of unallocated reserves over the next three years to smooth further cost reductions
- Bradford's share of the Council Tax and Business Rates Collection Fund was a £2.4m surplus and £1.3m deficit respectively
- Capital investment in the District in 2013-14 was £92.4m, 92% of the capital plan.

Key Performance Messages

The performance of the Council's services is measured against a set of 50 non-financial indicators, which provides a high level view of the Council's performance in relation to the Council's priorities and the effectiveness of its internal operations.

In 2013-14, of those corporate indicators where data is available, 14 (78%) achieved or improved their set performance target. However for organisational indicators, the figure is lower with only 4 (36%) achieving or improving.

Examples of where despite ongoing resource reductions, performance has continued to improve in key areas of Council activity are set out below

- Attainment levels at GCSE (including English and Maths) have increased by 0.6% points on the previous year
- The NEET rate (young people not in education, employment or training) at 5.4% has achieved a record low for Bradford District
- The District employment rate for young people has risen for the third consecutive quarter
- There has been a net increase in the number of business rates assessments in the City Centre, a net increase in homes provided and a reduction of long term empty homes in the District

- The survival rate for babies under one year of age has improved across the Bradford district for the fifth year in a row

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Detailed analysis of financial and service performance

The Director of Finance presented his “Annual Finance and Performance Outturn Report for 2013-14” to a meeting of the Council’s Executive on 24 June 2014. The report details the specific financial results by Department for 2013-14 as well as the key performance achievements of each Department and Service. It also includes a Section on the annual outturn for the Council’s agreed Corporate Indicator Set. The report is a public document and can be viewed via the Council’s Internet site www.bradford.gov.uk. A brief summary of this information is shown below.

Explanation of major variances in spending against budget

	Gross Variance	Deferred Expenditure	Final Variance
	£m	£m	£m
Composition of underspend in 2013-14			
Adult & Community Services	0.6	0.0	**0.6**
Children’s Services	-1.3	1.1	**-0.2**
Environment & Sport	0.4	0.0	**0.4**
Regeneration & Culture	-3.3	3.3	**0.0**
Finance, IT, Revenues and Benefits	-3.0	0.8	**-2.2**
Human Resources	-1.3	0.4	**-0.9**
Legal and Democratic Services	-0.1	0.1	**0.0**
Chief Executive’s Office	-0.5	0.1	**-0.4**
Property Programme	0.1	0.0	**0.1**
Sub-total	**-8.4**	**5.8**	**-2.6**
Variations in other costs			
Non Service Budgets	-1.8	1.2	**-0.6**
Central budgets	0.5	0.0	0.5
Sub-total	**-1.3**	**1.2**	**-0.1**
Total variations in spending	**-9.7**	**7.0**	**-2.7**
Transfer to Corporate Reserve			**2.7**
Impact on General Fund Balance			**0.0**

Explanation of major variances in spending by Services

Overall the financial results show that spending was £2.7m (0.6%) lower than the net £453.4m budget set. However in year reporting of variances against gross expenditure and income, highlighted the pressures faced by Services dependent on external income in delivering their 2013-14 income targets. Whilst the delivery of individually specified savings in service fell £4.4m below the £16.3m target, compensating action taken by Services secured the overall financial result in line with budget.

As in 2013-14, there were again signs that some priority investment takes longer to implement than the traditional twelve month budget period. However, it is right that spending is incurred only when appropriate, and the proposals to carry forward £7.0m of funds (Better use of Budgets) allow services to complete their plans, albeit in 2014-15.

- **Adult and Community Services** – In total, Adult Social Care Services were delivered to 11,300 individuals in 2013-14, at a cost of £134.6m, a net £0.6m above plan. The most significant overspend was on the Purchase Care budget (£4.6m) that pays for all externally provided services including residential, nursing and home care. £1.6m of which was due to an increase in the numbers of people who receive a service and the cost of their care, £2.3m from the failure to deliver savings relating to procurement contracts and £0.7m from delays in reviewing care plans. The overspend was partly offset by £1.1m non recurrent income received from the NHS, the Access, Assessment and Support Service outturning £1.7m below budget and £1.2m procurement efficiencies within the housing related support service.

- **Children’s Services** – overall spend was £2.8m below the approved budget, £1.5m of which was a planned contribution to Children’s Services 2014-15 saving target, leaving a gross underspend of £1.3m. Those areas where spend was less than budget included the Education and School improvement Service £1.4m (staffing efficiencies and savings in the home to school transport contract), £0.8m in the Education Buildings Team and services for 14-19 year olds and £0.7m in Early Childhood Services. As part of the Get Bradford Working Programme, in 2013-14 Industrial Centres of Excellence were set up to provide vocational training for students. The year also saw attainment levels at GCSE (including English and Maths) increase by 0.6% points on 2012-13 and NEET rate at 5.4% achieve a record low for the District.

- **Environment and Sport** – at £52.5m spend was £0.4m higher than budget. Although attendances at Sports and Leisure increased slightly, the Service overspent by £1.3m. This was mitigated by lower than budgeted spend within Environmental Services (£0.5m) and Neighbourhoods Service (£0.7m). In year the amount of waste handled by the authority, £226k tonnes were just slightly above the 2012-13 amount. Weekly collections were maintained and a new fortnightly kerbside collection service for recyclable materials was rolled out to all parts of the District.

- **Regeneration and Culture** – the rescheduling of £3.3m of expenditure primarily within Employment and Skills and Economic delivery was the prime reason for the £3.3m gross variance against budget. Services such as catering and estates that are heavily dependent on external income failed to meet income targets by a total of £2.3m. This was offset by savings within Planning, Highways and Transport, cost restraint in Housing Services and a reduction in spend on utilities. The Housing Service outperformed its target of a reduction of 500 in the number of empty homes by 27. In addition, over 600 job entries were created as part of the Get Bradford Working programme.

- **Public Health** – the Public Health Service successfully transferred to the Council in April 2013 with an annual ring fenced allocation of £31.6m. The majority of spend is on services commissioned from Bradford Teaching Hospital, Bradford District Care Trust, GP's Pharmacies, Dental Practices and the Voluntary and Community Services. The key areas of activity Health improvement, Substance Misuse, Sexual Heath and contraction, school nursing and oral health promotion.

- **Finance, IT, Revenues and Benefits** – overall the Finance Department underspent its approved budget by £3.0m, with the main variance of £2.2m delivered in Revenues and Benefits. In 2013-14 the Revenues and Benefits Service implemented both a Council Tax Reduction Scheme that required an additional £17m of Council Tax to be collected and a Discretionary Social Fund to help vulnerable people. Planned staff savings delivered a £0.2m saving in Financial Services.

- **Legal and Democratic Services** – control over spend and an overachievement of income in the Registrar's Service offset pressures in the Coroner's Service which meant the City Solicitor's Department outturned £0.1m under budget.

- **Chief Executive's Office** – Public Affairs and Communications continue to deliver efficiency savings through the effective management of print contracts and staffing efficiencies. In April 2013, the Policy Programme and Change Office was created from the former Strategic Support function, the Programme Management Office and the Change Team and contributed £0.1m to the overall gross underspend of £0.5m in the Chief Executive's Office.

- **Human Resources** – a new HR Department was created in April 2013 that incorporated the Transactional Service Centre. In year the service developed and implemented Workforce strategies, reviewed Terms and Conditions and provided over 1500 training courses. At 31 March 2014, spend was £1.3m below budget as a result of staffing efficiencies, additional income generated from trading with schools and spend on specific early years training that has been deferred to 2014-15.

- **Business Services** – as part of the Senior Management Restructure, in April 2013, Business Services was dissolved. As stated above the Strategic Support function transferred to the Chief Executive Office, Transactional Services to the new Human Resources Department and Commissioning and Procurement to the Department of Finance.

- **Property Programme -**The Property Programme just missed its 2013-14 target to reduce expenditure by £0.6m on operational properties in 2013-14 by £0.1m. In year £4.9m capital receipts was generated and £11.4m of capital expenditure spent on the Council's estate.

- **Non Service Budgets** – the underspend of £0.6m after spend on Customer and Services Strategy was deferred to 2014-15 arose from reductions in spend on External Audit fees, West Yorkshire Joint Committee Contributions and unfunded pension costs.

- **Central budgets:** a net overspend of £0.5m reflects in part action taken by the Director of Finance in conjunction with the Leader to secure the best advantage for the Council's future position combined with net underspends on contingency budgets.

Material or Unusual Charge in the Accounts

a) Upfront payment to the West Yorkshire Pension Fund

In March 2014 the West Yorkshire Pension Fund actuary completed the 2013 valuation. The Council's share of the deficit was £63m, an improvement of £4m compared against the previous valuation. To begin to eliminate the deficit the Council agreed to make a lump sum payment of £6.6m to the West Yorkshire Pension Fund, of which schools will contribute £2.2m in respect of non-teaching staff in community schools.

b) Equal Pay Compensation Provision

At the 31 March 2014 the Council reassessed the adequacy of the remaining Equal Pay provision in the light of known claims outstanding (77 cases) and new claims expected to be submitted. As the rate of new claims received over the last year is significantly below the rate of claims that would be required to justify maintaining the provision, £7.6m was released to the revenue account in 2013-14, leaving a provision at 31 March 2014 of £0.575m.

c) **Termination costs**

The two year budget set in February 2014, included robust saving proposals, which will reduce future staffing levels. Based on a three year average termination cost of £14,700 per employee, £6.5m has been set aside in a short and long term termination provision. Further savings beyond 31 March 2016 are forecast but as saving plans are still to be consulted on, funding for any associated termination costs is covered by the £4.1m Severance Reserve. In year a further £0.9m of funding has had to be found to cover 2013-14 termination costs.

Material Write-offs during the Year

There were no material write–offs in either 2013-14 or 2012-13.

The Council's revenue result compared to the Comprehensive Income and Expenditure Statement (CIES)

The previous paragraphs have explained the 2013-14 net spending that has been funded from local taxation. The CIES shows the accounting cost of providing services in accordance with generally accepted accounting practices. This produces an increased deficit for the year on the Provision of Services of £208.557m, compared with a deficit of £17.782m in 2012-13. A major reason for this is schools converting from Community and Special Schools to Academies and a Trust school, which are not overseen by the Council. Reflecting this loss of oversight, accounting policies determine that the asset values of these schools should not be shown in the Council's Balance Sheet. A £104.2m (see Note 31, page 3) cost for the non-cash loss of these asset values from the Council's Balance Sheet is shown in the deficit on Provision of Services. This cost combined with the non-cash costs for revaluation losses on Property, Plant and Equipment accounts for the increase in the deficit on the Provision of Services. These costs are offset by Other Comprehensive Income and Expenditure which shows actuarial gains of £234.671m due to the reduction in the pension fund liability.

After removing expenditure and income not chargeable against cash balances, such as the non-cash reduction in school assets outlined above, in the Movement in Reserves Statement (see page 3), and including the Movement in Earmarked Reserves, there was a reduction of £2.635m in school balances and no change on the General Fund Balance

The Council's Balance Sheet

With the 2014 Local Government Settlement confirming that the Council will continue to face real term reductions in funding in the years beyond 2013-14, the Council's balance sheet at 31 March 2014, is a useful indicator of the Council's financial resilience.

Overall the Council's net worth increased in 2013-14 from £17.346m at 31 March 2013 (restated to reflect only heritage assets catalogued and valued by an independent expert) to £18.010m at 31 March 2014. Whilst overall the increase is only modest there were two significant movements that to a large extent cancelled each other out. These were:

- a net decrease in long term assets of £194m. The significant movements being £117m losses on the disposal of assets, £48m depreciation and impairment charges, £116m net revaluation losses and £76m spend on property plant and equipment. (see Capital Spending in 2013-14 below for further information).
- an improvement of £201m in the Council's actuarially calculated pension reserve deficit.

Capital Spending in 2013-14

The Council spent £91.5m in the year (£96.9m in 2012-13) including £0.5m of capitalised finance lease costs. This was £8.9m less than planned, predominantly due to delays in projects commencing and completing as well as some underspends. The variance will not create extra resources, as spending is re profiled to take place in 2014-15.

Major Capital Schemes in 2013-14

The table below shows the expenditure in 2013-14 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes Expenditure 2013-14	Main Schemes £000	Total Spend £000
Adult and Community Services		**2,105**
Children' s Services		**40,854**
Devolved Formula Capital	2,592	
Primary Capital Programme		
Childrens Home Residential Provision	2,279	
Academies Programme	6,244	
Primary Schools Expansion Programme	19,858	
Capital Maintenance Grant	3,164	
Financial Services		**2,296**
Vitual Desktop Infrastructure	2,296	
City Solicitor		**35**
Environment and Sport		**10,424**
Replacement of Vehicles	4,727	
Bradford Enhanced Recycling Scheme	2,610	
Culture & Tourism		**135**
Property & Economic Development		**13,384**
Property Programme	11,401	
Climate, Housing, Employment & Skills		**10,677**
New Affordable Housing	4,356	
Disabled Housing facilities Grant	2,248	
Carbon & Other Efficiencies	1,536	
Planning		**854**
Highways & Transport		**11,387**
Capital Highways Maintenance	3,962	
Saltaire Roundabout	1,929	
Bridges	1,840	
Sub Total		**92,151**
Less aborted Waste Public Finance Initiative Enabling Works		**-645**
Grand Total		**91,506**

Where the money came from to pay for the spending on capital schemes in 2013-14

The Council has the freedom to borrow to fund capital investment but it must borrow responsibly and at affordable levels. It demonstrates that it has done so by setting and observing a range of prudential indicators covering the level of capital expenditure and the cost of financing it. One such measure is the Council's Capital Financing Requirement (CFR). In 2013-14 the Council's CFR remains almost the same as 2012-13. However, it is the Council's medium term strategy to reduce the cost of borrowing in line with the Council's reduction in overall spend.

As the Government no longer provides revenues support to meet the financing costs of new capital schemes funded from borrowing, where the Council borrows prudentially it must meet the full cost of the borrowing.

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

In 2013-14 the capital spending of £91.5m was funded as follows:

- £27.5m (30%) by borrowing generating capital financing charges which will form part of future revenue spending.
- £49.7m (54.3%) from government and other grants.
- £8.9m (9.8%) from revenue contributions and other revenue reserves.
- £4.9m (5.4%) from capital receipts from the sale of land and buildings.
- £0.5m (0.5%) from other Finance Leases.

Schools

The accounting treatment for the various categories of schools; - Community, Voluntary Controlled, Voluntary Aided, Foundation, Trust and Academies did not change in 2013-14 but it remains complex and does result in significant in year movements in the Council's long term assets. How the Council decides which schools should be included on the Council's Balance Sheet is explained in the Critical Judgements in Applying Accounting Policies on page 3 and summarised in the Table below.

Type of school	2012-13	2013-14	Accounting Treatment
Community	103	94	On Balance Sheet
Special Schools	7	6	On Balance Sheet
Foundation	13	13	Off Balance sheet
Voluntary Aided	34	33	Off Balance sheet
Voluntary Controlled*	14	13	Off Balance sheet
Academies	15	27	Off Balance sheet
Trust	4	5	Off Balance sheet
TOTAL SCHOOLS	**190**	**191**	
Nurseries	7	7	On Balance Sheet

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

In 2013-14 12 schools converted to Academies which overall led to a reduction of £110m on the value of assets on the Balance Sheet relating to £100m of disposals and revaluation losses of £10m. One school has converted to Trust status during 2013-14 and this has led to a reduction of £4.8m on the value of assets. One new Special School has opened during the year increasing the overall total number of Schools.

Significant Provisions at 31 March 2014

The provisions total £23.850m at 31 March 2014 (£21.015m at 31 March 2013) and are included in Note 17 on page 3. They are split on the Balance Sheet between short term, (up to one year from the Balance Sheet date), and long term.

The significant movements in provision balances in year were as follows:

a) A downward reassessment of £7.6m in the equal pay provision in the light of known equal pay claims outstanding and new equal pay claims expected to be submitted

b) £6.5m set aside for the cost of planned future termination costs in 2014-15 and 2015-16 arising from the detailed saving proposals approved as part of the 2014-15 Budget

f) A new £6.0m provision has been created for the Council's estimated share of lost Business Rates income as a result of appeals against the Valuation Offices, 2010 Business Rates Valuation list.

The provision to cover the risk of day to day insurance losses remains at just over £9m.

No new contingent liabilities are reported.

Reserves

Over the last 3 years the Council has sought to reduce its recurrent cost base and at the same time consistently applied its Reserves policy, using reserves to fund one off priority investment. In turbulent times this policy has served the Council well and means that after redesignating in year £9.0m of earmarked reserves, at the 31 March 2014 the Council has available £31m of corporate reserves available to support future budget decisions. This is in line with the position forecast in February 2014, when the Council Budget meeting agreed that to smooth the further cost reduction path to 2016-17, corporate reserves would be used to bridge forecasted revenue deficits of £0.6m in 2014-15, £15m in 2015-16 and £7.6m in 2016-17.

After retaining £10.8m as a General Fund balance and ring fencing £40.5m of school balances (see below), this leaves the Council with £95m of resources to meet the cost of future commitments, political priorities and specific financial risks. These include, the Get Bradford Working programme, Building Schools for the Future commitments, Regeneration and Housing projects and funding for the capital investment programme. A detailed analysis of all the Reserves held by the Council is set out in Note 2, Page 3.

a) General Fund balance

The General Fund balance acts as a necessary contingency against unforeseen events. At 31 March 2014 the General Fund balance remains at £10.803m and within the Council's policy of 2.5% of the net budget requirement.

b) **Schools delegated balances**

At the end of the financial year 2013-14, school balances were £21.581m (a decrease of £0.415m) and school contingencies and other balances have decreased from £21.139m to £18.930m. After taking into account both movements, the overall level of school balances decreased from £43.136m at 31 March 2013 to £40.511m at 31 March 2014.These sums have been carried forward to schools' budgets in 2014-15 in accordance with delegated arrangements.

In 2013-14 a new Schools Surplus balance protocol was approved that requires schools with revenue balances in excess of 4% (Secondary) or greater than £60,000 (all other schools) to assign the value of excess balances to spend on permitted schemes. At 31 March 2014, 45 Schools were holding balances that were defined as excessive.

In February 2014, the Schools Forum allocated £17m of school contingencies to be spent in 2014-15. £4m of which is to avoid any further reductions in school and Children's Services in 2014-15 on top of those proposed within the Budget consultation and secondly to support the transition to a different form of Children's Centre provision in the future.

Pensions Liabilities

The Pension Fund deficit calculated by the Actuary reduced in 2013-14 by £201m, improving the authority's net worth by the same amount. The £201m deficit reduction comprised a £235m net actuarial gain, relating to updated estimates of the future value of assets and liabilities, reduced by £34m because of net 2013-14 pension costs. The most significant element of which relates to a net £29m interest charge, comprising £95m interest charges on pension liabilities, less £66m of interest earned on pension assets.

Council Tax and Non Domestic Rate Collection

At 31 March 2014 the Council had collected 94.3% of the value of council tax bills for the year compared with 95.3% at the same point last year. The reduction of 1% must be considered in the context of an additional £17m to be collected in 2013-14 (26,000 additional bills) following the introduction of the new Council Tax Reduction Scheme and changes to Council tax discounts. For non-domestic rates 97.7% had been collected compared to 97.3% at the same time last year.

Collection Fund (Council Tax and Business Rates)

a) Council Tax

In 2013-14 the Council Tax element of the Collection Fund moved from an opening deficit position of £0.5m to a closing surplus position at 31st March 2014 of £2.8m. The surplus shown in the accounts is £2.4m, Bradford's share (85%) of the overall surplus of £2.8m.

The overachievement of Council tax income is the result of:-

- the estimated increase in the number of residents receiving Council Tax Support built into the cost of the original Council Tax Reduction (CTR) not materialising in 2013-14 and
- higher than projected collection rates generally, but in particular in respect of those residents who, following the introduction of CTR, have had to pay an element of Council Tax for the first time, and those residents impacted by technical changes made to discounts and long term empty premiums from 1 April 2013.

b) **Business rates**

2013-14 was the first year of the Business Rates retention scheme. The scheme provides for Business Rates collected by Bradford Council to be shared between itself central government and the West Yorkshire Integrated Fire Authority. Any difference between what the Council forecast it would raise in Business Rates in 2013-14 (£135.5m) and what it has actually raised results in either a surplus or deficit on the Collection Fund.

In calculating the 2013-14 Business Rates income, the Council has had to take into account how much of the 2013-14 income it anticipates having to repay to ratepayers at some point in the future following successful appeals (£4.3m) and secondly the back dated cost of successful appeals before 1 April 2013 (£9.1m). When both these adjustments have been provided for in full, the overall deficit on the Business Rates Collection Fund at 31 March 2014 was £13.4m.

In recognition of the impact of accounting in full for the cost of outstanding appeals on Council's budgets, regulations have been passed to allow Councils to spread the backdated cost of appeals before 1 April 2013 over five years. The impact for Bradford is to reduce the deficit on the Business Rates Collection Fund down to £2.7m and Bradford's share of the deficit (49%) to £1.3m.

Again the deficit which has risen primarily as a result of lower than forecast increase in business rates tax base and higher than forecast cost of appeals, was in line with what had been forecasted in January 2014 and taken into account when setting the 2014-15 budget.

Looking Forward to 2014-15 and beyond

The Government's Spending Round 2014 and the Local Government Settlement 2014 confirmed that local authorities will continue to face significant spending reductions up to at least 31 March 2016 and potentially beyond.

The Council's funding in 2014-15

In 2014-15 Bradford's Settlement Funding Assessment (SFA) reduced by £31.2m (10.2%) and in 2015-16 by a further £40.2m (14.7%). Expressed as a reduction per household this is £148 and £191 respectively. The reductions in both years being higher than the national reductions in SFA of 9.4% in 2014-15 and 13.2% in 2015-16.

In 2014-15 the Council also raised Band D Council Tax from £1,116.11 to £1,133.97 (1.60%).

To contain spend within the 2014-15 approved budget of £420.6m, the Council is required to make combined reductions in its cost base and raise additional income totalling £31.2m. This means that overall the savings the Council has had to find in the four years following the 2010 Spending Review exceeds £130m. Financial performance in 2013-14 was, in summary, in line with its medium term plan. The scale of the fiscal challenge and uncertainty facing the Council remains huge, with cost reduction centre stage as sources of income continue to reduce. The Council's future funding will be more dependent on the amount that it can self finance, its local share of Business rates, the council tax discounts it provides and the Council tax income it generates. Whilst it can be more efficient at the margin, the step change required inevitably means that the Council in the next few years will look very different to the Council in 2013-14, a conclusion unchanged from last year.

Stuart McKinnon-Evans
Director of Finance

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that are real cash) and other non cash reserves. The closing 31 March 2014 General Fund Balance of £51.314m comprises £10.803m (£10.803m in 2012-13) balances generally available to the Council and £40.511m (£43.136m in 2012-13) cash balances held on behalf of schools under the Local Management Scheme.

The deficit on the Provision of Services line of £208.557m (restated deficit of £17.782m in 2012-13) within the Income and Expenditure account is reversed out of usable reserves into unusable reserves. This is because by statute many of the accounting transactions making up the deficit cannot be charged against the General Fund Account. Unusable reserves have reduced by £5.723m (restated reduction of £23.419m in 2012-13).

			General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
			Note 2	Note 2	Note 2	Note 2	Note 2 & Balance Sheet	Note 18 & Balance Sheet	Note 18 & Balance Sheet
			a	b	c	d	e	f	g
			Restated				Restated (a+b+c+d)	Restated	Restated (e+f)
			£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	a		**55,371**	**94,542**	**192**	**40,965**	**191,070**	**-169,378**	**21,692**
Movement in reserves during 2012-13									
Surplus/ (deficit) on provision of services (page 3)	b		-17,782	0	0	0	-17,782	0	-17,782
Other Comprehensive Income and Expenditure (page 3)	c		0	0	0	0	0	13,436	13,436
Total Comprehensive Income and Expenditure (page 3)	d	b+c	**-17,782**	**0**	**0**	**0**	**-17,782**	13,436	**-4,346**
Adjustments between accounting basis & funding basis under regulations (note 1, p3)	e		31,694	0	278	4,883	36,855	-36,855	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	f	d+e	**13,912**	**0**	**278**	**4,883**	**19,073**	**-23,419**	**-4,346**
Transfers to/from Earmarked Reserves (Note 2, p3)	g		-15,344	15,344	0	0	0	0	0
Increase/Decrease(-) in 2012-13	h	f+g	**-1,432**	**15,344**	**278**	**4,883**	**19,073**	**-23,419**	**-4,346**
Balance at 31 March 2013	i	**a+h**	**53,939**	**109,886**	**470**	**45,848**	**210,143**	**-192,797**	**17,346**
Movement in reserves during 2013-14									
Surplus/ (deficit) on provision of services (page 3)	j		-208,557	0	0	0	-208,557	0	-208,557
Other Comprehensive Income and Expenditure (page 3)	k		0	0	0	0	0	209,221	209,221
Total Comprehensive Income and Expenditure (page 3)	l	**J+k**	**-208,557**	**0**	**0**	**0**	**-208,557**	**209,221**	**664**
Adjustments between accounting basis & funding basis under regulations (note 1)	m		222,243	0	413	-7,712	214,944	-214,944	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	n	**l+m**	**13,686**	**0**	**413**	**-7,712**	**6,387**	**-5,723**	**664**
Transfers to/from Earmarked Reserves (Note 2, p3)	o		-16,311	16,012	0	299	0	0	0
Increase/Decrease(-) in 2013-14	p	n+o	**-2,625**	**16,012**	**413**	**-7,413**	**6,387**	**-5,723**	**664**
Balance at 31 March 2014	q	i+p	**51,314**	**125,898**	**883**	**38,435**	**216,530**	**-198,520**	**18,010**

Comprehensive Income and Expenditure Statement

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

2012-13	2012-13	2012-13		2013-14	2013-14	2013-14
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
Restated	Restated	Restated				
£000	£000	£000		£000	£000	£000
49,551	-45,112	4,439	Central Services to the Public	7,753	-8,846	-1,093
41,818	-13,460	28,358	Planning and Development Services	39,467	-17,130	22,337
47,481	-16,819	30,662	Cultural and Related Services	54,947	-16,799	38,148
52,166	-14,404	37,762	Environmental and Regulatory Services	55,424	-11,170	44,254
655,458	-523,385	132,073	Education & Children's Services	723,706	-524,401	199,305
51,689	-6,414	45,275	Highways & Transport Services	54,310	-6,823	47,487
214,227	-183,613	30,614	Housing Services	214,991	-185,728	29,263
168,478	-43,597	124,881	Adult Social Care	167,662	-45,271	122,391
12,241	-249	11,992	Corporate & Democratic Core	10,368	-171	10,197
49	-302	-253	Public Health	34,168	-34,150	18
12,360	-178	12,182	Non Distributed Costs	2,346	-76	2,270
0	0	0	Exceptional Items (Note 3)	-7,678	0	-7,678
1,305,518	**-847,533**	**457,985**	**Cost of services before Acquired Operations**	**1,357,464**	**-850,565**	**506,899**
			Services transferred in respect of Housing Advice (Note 21)	152	0	152
1,305,518	**-847,533**	**457,985**	**Cost of services**	**1,357,616**	**-850,565**	**507,051**
		25,879	Other Operating Expenditure (Note 5a)			114,160
		72,112	Financing and Investment income and expenditure (Note 5b)			78,353
		-538,194	Taxation and non-specific grant income (Note 5c)			-491,007
		17,782	**Surplus (-) /Deficit on Provision of Services**			**208,557**
		-20,090	Surplus (-)/Deficit on revaluation of non current assets			25,450
		6,654	Re-measurement of Pension net defined benefit/liability			-234,671
		0	Gains or losses on available for Sale financial assets			0
		-13,436	**Other Comprehensive Income and Expenditure**			**-209,221**
		4,346	**Total Comprehensive Income and Expenditure**			**-664**

For further explanation, see page 3, the Council's revenue result compared to the Comprehensive Income and Expenditure Statement

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Balance Sheet

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

1 April 2012 Restated	31 March 2013		31 March 2014	*Notes*
£000	£000		£000	
1,235,474	1,232,907	Property, Plant and Equipment	1,026,074	*Note 6*
12,461	31,901	Heritage Assets	32,077	*Note 9*
65,399	60,595	Investment Property	58,556	*Note 10*
7,598	5,819	Intangible assets	5,727	*Note 11*
1	1	Long term investment	1	*Note 13*
2,657	2,164	Long term debtors	1,819	*Note 14*
1,323,590	**1,333,387**	**Long Term Assets**	**1,124,254**	
57,768	116,960	Short Term Investments	80,113	*Note 15*
0	238	Assets Held for sale	2,277	*Note 16*
2,250	1,747	Inventories	2,221	*Note 15*
76,843	77,783	Short Term Debtors	94,871	*Note 15*
118,011	83,888	Cash and Cash Equivalents	101,349	*Note 15*
254,872	**280,616**	**Current assets**	**280,831**	
-7,171	-10,139	Cash and Cash Equivalents (Overdraft)	-18,559	*Note 15*
-6,762	-6,901	Short term borrowing	-32,734	*Note 15*
-106,665	-113,096	Short Term Creditors	-100,322	*Note 15*
-15,281	-7,190	Provisions	-12,207	*Note 17*
-135,879	**-137,326**	**Current Liabilities**	**-163,822**	
-14,681	-13,825	Provisions	-11,643	*Note 17*
-411,485	-411,594	Long term borrowing	-385,665	*Note 44c*
-988,672	-1,027,713	Other Long Term liabilities	-820,850	*Note 36*
-301	-200	Deferred income	-100	*Note 37*
-5,752	-5,999	Capital Grants Receipts in Advance	-4,995	*Note 42*
-1,420,891	**-1,459,331**	**Long Term Liabilities**	**-1,223,253**	
21,692	**17,346**	**Net Assets**	**18,010**	
-191,070	-210,143	Usable Reserves	-216,530	*Note 2*
169,378	192,797	Unusable Reserves	198,520	*Note 18*
-21,692	**-17,346**	**Total Reserves**	**-18,010**	

The total assets less liabilities of the Council are financed by movements in reserves. There was an increase in total reserves of £0.664m from a surplus of £17.346m at 31 March 2013 (restated) to a surplus of £18.010m at 31 March 2014.

Cash Flow Statement

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

2012-13 Restated		**2013-14**
£000		**£000**
17,782	Net (surplus) or deficit on the provision of services (Comprehensive Income and Expenditure Statement page 3)	208,557
-184,115	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 19 d)	-311,164
69,430	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 19 d)	45,355
42,019	Interest and dividends received and paid	44,432
-54,884	**Net cash flows from Operating Activities (Note 19 a)**	**-12,820**
78,350	Investing Activities (Note 19 b)	-1,794
13,625	Financing Activities (Note 19 c)	5,573
37,091	**Net (increase) or decrease in cash and cash equivalents**	**-9,041**
	Balance Sheet Movement	
110,840	Cash and cash equivalents at the beginning of the reporting period (Balance Sheet page 3: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	73,749
73,749	Cash and cash equivalents at the end of the reporting period (Note 15, page 3) (Balance Sheet page 3: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	82,790
37,091	**Net (increase) or decrease in cash and cash equivalents**	**-9,041**

Statement of Significant Accounting Policies

The following notes are provided to give more detailed analysis in support of the main financial statements. They include all the information authorities are required to disclose except that for this Council the following disclosure requirements are not relevant for the 2013-14 Statement of Accounts:

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

The accounts have been prepared in accordance with:

- the Accounts and Audit Regulations 2011.
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.
- the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- The Service Reporting Code of Practice (SeRCOP) 2013-14.

Fundamental Accounting Principles

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

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

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

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

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

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

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

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

i. Accruals of Income and Expenditure

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

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

There are a small number of exceptions to the accruals concept:

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- Expenditure on rent allowances is accounted for on a 52-week basis, with an occasional 53rd week being charged into the accounts.

ii. Cash and Cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, but in the balance sheet these are shown gross.

iii. Exceptional Items

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

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

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

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

v. Charges to Revenue for Non – Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, in accordance with the Prudential Code. This requires that the Council sets the annual contribution at a prudent level, so that the contribution pays broadly for the benefit in each year of the capital expenditure in proportion to the overall borrowing required. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP (Minimum Revenue Provision) contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

The Local Government Pension Scheme

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

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

  - quoted securities – current bid price.
  - unquoted securities – professional estimate.
  - unitised securities – current bid price.
  - property – market value.

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

- current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Net interest expense on the defined benefit obligation – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is netted off the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Re-measurement of the net defined benefit obligation – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

- contributions paid to the West Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Additional pension costs such as early retirement costs, for which the WYPF recharge the Council direct, have been included in the liabilities and contributions in line with International Accounting Standard (IAS) 19 R.

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

The difference between the value of the pension fund assets calculated by the actuary and the present value of scheme liabilities is shown in the Pension Reserve, see page 3.

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

Local Government Pension Scheme members retiring on or after 6 April 2006 can elect to take a higher lump sum in exchange for a lower retirement benefit. The commutation terms mean that it is less costly for the scheme to provide the lump sum than the pension, as more members take up this option, employers' pension costs are reduced. At its inception it was assumed that 50% of members will take up the option to increase their lump sum to the maximum available. However, the 2013-14 figures are based on actual take-up levels up to 31 March 2014.

Teachers' Pensions

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. These benefits are fully accrued in the pension liability.

Discretionary Benefits

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

vii. Events After the Balance Sheet Date

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

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

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

viii. Financial Instruments

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They can be classified either as *financial liabilities at amortised cost* or as *financial liabilities at fair value through profit and loss*.

Those classified as *financial liabilities at amortised cost* are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified into two types :

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

Loans and Receivables

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

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

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

Available-for-Sale Assets

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

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

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

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

Where there is a gain or loss in fair value on Available for Sale Assets, this change is shown separately within Other Comprehensive Income and Expenditure in the Income and Expenditure Account, under the heading "Gains and Losses reclassifiable into the Surplus or Deficit on the Provision of Service". Changes in fair value on Available for Sale Assets can be subsequently recognised in the Surplus or Deficit on Provision of Service on derecognition.

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

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

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

ix. Foreign Currency Translation

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

x. Government Grants and Contributions

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

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

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

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

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

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

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

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

xi. Heritage Assets

The Council's Heritage Assets are assets that are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured including treatment of revaluation gains and losses in accordance with the Councils accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

These are assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where it is practicable to obtain a valuation, heritage assets are held at current value. Valuation methods used by the authority include professional valuations and insurance valuations. The Council has recognised the major pieces of its museum collection on the Balance Sheet on the basis of the lower valuation completed by an external valuer. Civic regalia has been included using as its base the detailed insurance valuations (which are based on market values provided by an external valuer in 2010) held by the Council in respect of the collection.

Where a current valuation is not practicable at a reasonable cost, heritage assets are held at historic cost, if this is known. If neither current valuation nor historic cost is available then heritage assets are not recognised on the balance sheet. The authority discloses information about the nature and scale of its collections of heritage assets, whether or not these have been identified on the balance sheet.

In 2013-14, the accounting policy for one category of Heritage Assets changed, so that items in Museum collections are only included in the balance sheet, where an independent valuation by an expert is available. Museum Collection Items for which only an insurance value is available are no longer included in the balance sheet (see Prior Period Adjustments, b, p3)

The Council is unlikely to be able to recognise the majority of the ceramics, porcelain work, figurines, pottery, machinery, ephemera, photography, biological and geological records and specimens, books and manuscripts in future financial statements. This is due to the fact that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.

The authority discloses information about the nature and scale of its collections of heritage assets, whether or not these have been identified on the balance sheet.

Heritage assets are assumed to be held in perpetuity, and are therefore not depreciated. However, heritage assets are reviewed for impairment in the same way as any other tangible or intangible assets.

Some assets are also classified as operational heritage assets where they are in addition to being held in trust for future generations, also used by the Council for other activities and services. In such cases, the assets are classified, valued and depreciated in accordance with their general type, for instance buildings.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences), is capitalised, when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

xiii. Interests in Companies and Other Entities

The Council does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities which would require it to prepare group accounts.

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

xiv. Inventories and Long term Contracts

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

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

xv. Investment Property

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

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

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

xvi. Jointly Controlled Operations and Jointly Controlled Assets

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

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

xvii. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Operating leases

Where the Council does not have the risks and rewards of ownership, the rental income is shown in the Income and Expenditure account as an expense of the Services benefiting from the use of the leased property, plant and equipment.

The Council as Lessor

Finance Leases

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

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

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

Operating Leases

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

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013-14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xix. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure, and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).
- Community assets – the Council values community assets at valuation, with the exception of one asset, which is valued (20.511m) at historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Component Accounting

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

The Council is also following the Code of Practices' requirements for componentisation where assets are acquired or enhanced, with the Council's £1m minimum value excluding land, for componentisation, as set out below:

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

xx. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The unitary payments made for the PFI schemes are split, using estimation techniques, into separate elements. Those elements impacting on the balance sheet are the repayment of the liability and capital lifecycle replacement costs. Other elements are the interest payable on the outstanding liability, the value of services received and contingent rent (contract inflationary increases) which impact on the Comprehensive Income and Expenditure statement.

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. These reserves are classed as usable reserves and itemised in Note 2 on page 3.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These reserves are classed as unusable resources and explained in Note 18 on page 3.

xxiii Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

xxiv. Value Added Tax (VAT)

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

xxv. Partnership Arrangements

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

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

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

In the Council's capacity as billing authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. The Code requires that only the Council's share of income and expenditure and Balance Sheet items are included in the financial statements.

The Council acts as an agent in collecting National Non Domestic Rates (NNDR) on behalf of the government, but also retains a 49% share of NNDR received. The budgeted, rather than actual, total of the 49% share of NNDR attributable to the Council is recognised in the Comprehensive Income and Expenditure Statement. The difference between the budgeted 49% share and the actual amount received is transferred to the Collection Fund Adjustment Account and credited or debited to the Comprehensive Income and Expenditure Statement in future years.

As part of directly receiving a share of NNDR rates, the Council will also incur a share of the loss for repayments arising from appeals against NNDR valuations, which can be backdated to years prior to 1 April 2013. Under normal accounting practice, the estimate of the Council's share of these repayments would be chargeable to the 2013-14 financial year. However, the Council has taken up a right allowed by statute to charge this cost to the Comprehensive Income and Expenditure Statement over a period of 5 years, starting in 2013-14.

xxvii. Acquired and Discontinued Operations

Where the Council, has acquired material operations, or discontinued operations, further details will be provided. In general, the acquired or discontinued operations will also be shown separately in the Comprehensive Income and Expenditure Account. For example, Housing Options, provider of housing advice, was transferred to the Council in February 2014 and is shown separately in the Comprehensive Income and Expenditure Account.

Public Health was transferred to the Council on 1 April 2013. Some set-up costs were also incurred in 2012-2013, prior to the date of transfer. A new heading for Public Health has been included within Net Cost of Services, within the Comprehensive Income and Expenditure Account, in accordance with the Service Reporting Code of Practice (SeRCOP).

xxviii. Disclosure Requirements – Prior Period Adjustments

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

(a). The IASB has issued a revised IAS 19 (IAS 19R) accounting standard that came into force for financial periods beginning on or after 1 January 2013. The main change that the revised accounting standard implemented is a change to the "expected return on asset" component of pension cost. The change effectively means that the expected return on assets is calculated at the discount rate, instead of, as in 2012-13, at an expected rate of return based on actual plan assets held. Consequently, the long-term expected rate of return on assets at 31 March 2013 is not strictly required because the Surplus or Deficit on the Provision of Services in future periods will include a single financing item, rather than separate "interest cost" and "expected return on assets" items, and the "expected return on assets" component of the financing item will be effectively calculated using the discount rate assumption.

The impact on the comparative 2012-13 statement of accounts is summarised below:

	2012-13	2012-13	2012-13
	£000	£000	£000
Main Financial Statements	Original	Change	Restated
Comprehensive Income and Expenditure Account 2012-13 (p3)			
Net Cost of Services	455,651	*2,334	457,985
Financing and Investment Income and Expenditure	43,220	28,892	72,112
(Surplus)/deficit on Provision of Services	-13,444	31,226	17,782
Actuarial (gains)/losses on pension assets and liabilities	37,880	-31,226	6,654
Movement in Reserves Statement 2012-13 (p3)			
Total Comprehensive Income and Expenditure (impact on usable reserves)	13,444	-31,226	-17,782
Other Comprehensive Income and Expenditure (impact on unusable reserves)	-19,253	31,226	**11,973
Cash Flow Statement 2012-13 (p3)			
Net (surplus) or deficit on the provision of services	-13,444	31,226	17,782
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 19 d)	-152,889	-31,226	-184,115
Notes to the Main Financial Statements			
Note 20 Amounts Reported for Resource Allocation 2012-13 (p3))			
Service Analysis	392,305	2,334	394,639
Note 20 Reconciliation to subjective analysis – Comparative figures 2012-13 (p3)			
Employee expenses	542,763	2,334	545,097
Net Pension Interest Cost	5,641	28,892	34,533
Note 18 Pension Movement 2012-13 (p3)			
Actuarial (gain)/losses on Pension Reserve	-37,880	31,326	-6,554
Reversal of items debited to Comprehensive Income and Expenditure Account	-54,863	-31,226	-86,089

* The increase is spread over the sub headings within Net Cost of Services in the Comprehensive Income and Expenditure Account.

** The restated £11.973m is included within the total of £13.436m, shown in the Movement in Reserves Statement in the 2012-13 comparatives. The £13.436m shown in the Movement in Reserves Statement comprises both £11.973m and £1.463m – which relates to the restatement in the valuation of Heritage Assets, see Prior Period Restatement (1b) below.

The impact on Note 28, Pension Schemes accounted for as Defined Benefit Schemes, within the 2012-13 comparatives, is summarised below:

	2012-13	2012-13	2012-13
	£000	**£000**	**£000**
	Original	Change	Restated
Transactions Relating to Post-employment Benefits (p3)			
Cost of Services:			
Net Cost of Services Current service cost	47,761	2,334	50,095
Net Cost of Services Past service cost / gain (-)	1,461	0	1,461
Net Cost of Services Settlements and curtailments	0	0	0
Net Cost of Services Entity combinations	0	0	0
Financing and Investment Income and Expenditure Interest cost	98,726	-1,456	97,270
Financing and Investment Income and Expenditure Expected return on scheme assets	-93,085	30,348	-62,737
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**54,863**	**31,226**	**86,089**
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement			
• Actuarial gains (-) and losses	37,880	-37,880	0
• Return on plan assets (excluding the amount included in the net interest expense)	0	-123,972	-123,972
• Actuarial gains (-) and losses arising on changes in financial assumptions	0	133,142	133,142
• Actuarial gains (-) and losses due to liability experience	0	-2,516	-2,516
Sub-Total Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**37,880**	**-31,226**	**6,654**
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**92,743**	**0**	**92,743**
Movement in Reserves Statement		**0**	**0**
• Reversal of net charges made to the Surplus or Deficit for the Provision of Service for post-employment retirement benefits in accordance with the Code	-54,863	-31,226	-86,089

(b). Heritage Assets

The Heritage Assets have been restated for both 2011-12 and 2012-13. The restatement relating to 2011-12 is for the removal of some Heritage Asset values. These values were based on insurance values but it has been judged that there was less specific evidence to justify these values, in comparison to other Heritage Assets values by an external valuer.

The restatement relating to 2012-13 is for the removal of some Heritage assets valued twice and a revision to a previous Heritage Asset increase.

	2011-12	2011-12	2011-12
	£000	£000	£000
	Original	Change	Restated
Notes to the Main Financial Statements			
Revaluation Reserve (Included in Unusable Reserves)			
Note 18, Revaluation Reserve (p3)	-236,705	8,342	-228,363
Main Financial Statements			
Balance Sheet 2011-12 (p3)			
Heritage Assets	20,804	-8,343	12,461
Unusable Reserves	161,035	8,343	169,378

	2012-13	2012-13	2012-13
	£000	£000	£000
	Original	Change	Restated
Notes to the Main Financial Statements			
Revaluation Reserve (Included in Unusable Reserves)			
Revaluation Reserve (p3)	-238,827	6,880	-231,947
Main Financial Statements			
Balance Sheet 2011-12 (p3)			
Heritage Assets	38,781	-6,880	31,901
Unusable Reserves	185,917	6,880	192,797
Comprehensive Income and Expenditure Account 2012-13 (p3)			
Surplus(-)/Deficit on revaluation of non current assets	-18,627	-1,463	-20,090
Movement in Reserves Statement 2012-13 (p3)	*11,973	1,463	13,436

*£11.973m is after the original amount of -£19.253m is restated for the Prior Period Adjustment (1a) outlined above.

(c) Public Health

Within the Net Cost of Services in the Comprehensive Income and Expenditure Statement (p3), set up costs for Public Health in 2013-14 have been removed from the sub heading of Environment and Regulatory and categorised instead within Public Health. Net expenditure of £0.253m, comprising income of £0.049m and expenditure of £0.302m has been recategorised.

(d) Trading Services

Within Note 22, Trading Services has been restated, to reflect the overstatement of activity relating to Non-Bradford school catering.

	2012-13	2012-13	2012-13
	£000	£000	£000
	Original	Change	Restated
Note 22			
School & Welfare Catering Net Surplus (-)/Deficit	1,060	-43	1,017
Non-Bradford School Catering Net Surplus (-)/Deficit	-43	43	0

xxviv. Accounting Standards Issued, not yet adopted

Accounting Policy	Summary of Policy	Effect of any changes
IAS 32	IAS 32, "Financial Instruments Presentation" sets out the requirements for presenting financial information.	This is unlikely to have any significant impact but may have an effect on the presentation of some financial instruments.
IFRS 10	IFRS 10, "Consolidated Financial Statements" provides a new definition for control of another entity. Control is defined as exposure to returns and the ability to influence returns.	This could change the identification of subsidiaries and therefore how other entities are incorporated into the financial statements of the Council.
IFRS 11	IFRS 11, "Joint Arrangements" provides more detail on the definition of joint arrangements and joint control.	This accounting policy could impact on which joint arrangements are identified and how these are shown in the Council's financial statements.
IFRS 12	IFRS 12, "Disclosures of Interests" requires a range of disclosures about interests in subsidiaries, joint arrangements and associates.	The policy will not change any of the main financial statements but will require additional information to be disclosed about the Council's interests in other organisations.
IFRS 13	IFRS 13, "Fair Value Measurement" provides a new definition of fair value for non-current assets.	The accounting policy is unlikely to lead to any significant changes in the financial statements but could possibly have an impact on the fair value of certain classes of non-current assets.
2014-2015 Code	Currently, schools categorised as Foundation, Voluntary Aided, Voluntary Controlled and Trust schools are not included in the Council's accounts. A consultation is proposing that these school types are included on Local Authority's balance sheets. As a result, the 2014-15 Code may require that these schools are included on the Council's balance sheet.	This change will significantly increase the value of the Council's balance sheet, depending on the new requirements.

Critical Judgements in applying Accounting Policies

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

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

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

In addition, the Council has made judgements about which assets to classify as heritage assets, by judging whether those assets that are non-operational have artistic, scientific, cultural and environmental qualities. The accounting standards allow wide discretion over how to value heritage assets. The Council has made the judgement to value heritage assets using professional external valuations and Insurance values on specific assets, where possible.

The 2013-14 accounts restate previous years for Heritage Assets. This restatement means that Heritage Assets have a value in the balance sheet only where there is a specific valuation for a specific asset. There are also minor amendments to the identified portfolio of Heritage Assets.

The Council has judged that when it has committed to a redundancy in writing by the end of the financial year, the costs to the Council of the redundancy are either accrued, if the person has left the Council by 31 March 2014, or included in a provision. A judgement has also been made about whether to include a provision for planned future redundancies, even when the Council is not committed to these. The tests are whether there is a high expectation and likelihood that the redundancies are carried out and that there is a detailed plan for redundancies. Whilst the resources of the Council are reducing and there are a number of plans to identify savings, these are not sufficiently detailed to meet the criteria to create a provision.

The Council has made judgements about what other provisions should be made in the accounts and the amounts to be set aside. The Council has included provisions where the Council has a commitment at the financial year end to incur expenditure. The amount of the provision is based on an estimate of the commitment incurred using the evidence available, which is then discounted. In particular a new provision has been added in 2013-14 for the estimated costs of repaying Business Rates, following successful appeals. A provision for bad debts is also included based on the expectation of the Council receiving payment.

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

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

The Council has made judgements about how the Building Schools for the Future (BSF) Phase 2 schools were initially recognised on the Council Balance Sheet. Three mainstream Secondary Schools were handed over to the Council along with three co-located Special Education Secondary Schools on the sites. The Private Finance Initiative (PFI) contract does not separate out the construction costs for the Secondary Schools and the Special Schools and a judgement was made to recognise the schools initially on a 50:50 split based on the construction costs included in the PFI contract. This approach was taken as the PFI assets were to be revalued once they had been handed over to the Council and the value in the accounts as at 31 March 2014 is the revalued amount for assets that remain on the Balance Sheet.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether the Council will be able to maintain an adequate level of spend on repairs and maintenance, which could affect the useful lives of certain assets.	If the useful life of assets is for example reduced, depreciation increases and the carrying amount of the asset falls.
Provisions (Note 17, P3)	The Council has a provision of £0.575m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received or that precedents set by other Councils in the settlement of claims will be applicable.	An increase over the forthcoming year of either the total number of claims or the estimated average settlement would have a proportionate impact on the provision required.
	The Council also has a provision of £9.214m at 31 March 2014 (£9.517m at 31 March 2013) for insurance claims which it has chosen to self insure (all claims under £120,000). The insurance provision has been rigorously reviewed over the last two years and is now considered to be at an adequate level to meet all expected claims.	If the insurance provision is not adequate, which is considered very unlikely, extra funds would have to be found from available reserves or from in year savings.
	In addition, the Council has a provision of £6.043m at 31 March 2014 (£0m at 31 March 2013) for the Council's share of Business Rate Appeals. New funding arrangements now mean that the Council receives 49% of the Business Rates it collects, instead of a redistribution from the government. The provision has been estimated by analysing all appeals to date by category as well as reviewing the rate of success.	If the Business Rate appeals provision is not adequate, which is regarded as unlikely, additional funds would be required from reserves or in year savings.
	Under IFRS, provisions must be split between short term (up to one year) and long term (over one year). It is not possible to accurately determine when various claims, which may be subject to litigation, will be paid and therefore the analysis of the overall provision between long and short term is an approximate estimate.	An incorrect allocation of the provision between short term and long term will not change the net worth of the Balance Sheet, or impact on the Council's cash levels. It will either over or understate current or long term liabilities, where short and long term provisions are respectively included.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Aon Hewitt Limited, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. A 0.1% increase in the discount rate assumption would result in a decrease in the present value of the total defined benefit obligation for Local Government Pension Scheme (LGPS) funded benefits of £37.169m - a decrease from £2,055.667m to £2,018.498m, which is a decrease of 1.8%.
Pensions Liability	The actuary has estimated the net liability of the academy conversions at £7m, with a gross liability of £22m. The estimated net liability is estimated as at 31 March 2013, rather than the actual date of conversion. In addition, there was insufficient data for 2 academies so an estimate was made pro-rata to the net liability for the other 10 academies.	The potential difference in the net liability is far lower than 30% and could be as low as 2%.
Arrears	At 31 March 2014, the Council had a balance of debtors and prepayments of £116m, an increase of £19m compared to the 31 March 2013 figure of £97m. A review of significant balances suggested that a minimum impairment of debts of 15% was appropriate for balances aged at least one year, given the current economic climate, but higher levels than this have been included where appropriate.	If collection rates were to deteriorate, this would increase the amount of the impairment of doubtful debts.
Leases	Under IFRS, all leases must firstly be split into either finance or operating leases, and then into land and buildings. The Council has over 3,000 individual leases, most of which are for relatively small amounts. The Council does not have sufficient valuation staff to review all leases, and the resulting information would not justify the cost. The main assumptions which have been made are :	The detailed criteria used to classify leases between operating and finance are explained on page 3, in Note 32.
	Split between finance and operating lease: • A lease where the lease term is less than 75% of the economic life of the asset will be assumed to be an operating lease. • A lease where the real (i.e. present) value of the minimum lease payments is less than 80% of the asset value, is classed as an operating lease. There are approximately 60 equipment leases which have a value over £10,000 over the life of the lease which will be reviewed. Those under £10,000 will not be reviewed.	The effect of making an incorrect classification between finance and operating leases is not considered material. The effect of not undertaking a separation of land and buildings for all relevant leases is also not considered material. Many leases are for land only, for which assessment will be relatively easy.
Central and Departmental Recharges	All recharges of central services, such as financial services, human resources and legal services are made using the most appropriate basis for recharging. Some services are charged based on number of employees, net budgets, net space occupied, net time spent on each department or other basis as appropriate.	The effect of changing the basis of estimates would be to change the amounts on the individual headings within Net Cost of Services, within the Comprehensive Income and Expenditure Account.

Notes to the Main Financial Statements

Note 1. Adjustments between accounting basis and funding basis under Regulations 2013-14

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

2012-13					2013-14			
Useable Reserves					Useable Reserves			
General Fund Balance Restated	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves Restated	**Adjustment between Accounting Basis and Funding Basis Under Regulation**	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
44,329	0	0	-44,329	Charges for depreciation and impairment of non current assets	46,193	0	0	-46,193
27,235	0	0	-27,235	Revaluation losses on property, plant and equipment	93,782	0	0	-93,782
-3,661	0	0	3,661	Movements in the market value of Investment Properties	18	0	0	-18
1,860	0	0	-1,860	Amortisation of intangible assets	1,880	0	0	-1,880
-28,805	0	0	28,805	Capital grants and contributions applied	-18,919	0	0	18,919
2,958	0	-2,893	-65	Revenue expenditure funded from capital under statute (REFCUS)	12,237	0	-8,496	-3,741
28,225	0	0	-28,225	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	116,720	0	0	-116,720
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
-33,278	0	0	33,278	Statutory provision for the financing of capital investment	-29,323	0	0	29,323
-11,804	0	0	11,804	Capital expenditure charged against the General Fund	-8,946	0	0	8,946
				Adjustments primarily involving the Capital Grants Unapplied Account:				
-33,386	0	33,386	0	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-21,123	0	21,123	0
0	0	-25,610	25,610	Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-20,339	20,339
				Adjustments primarily involving the Capital Receipts Reserve				
-3,984	3,984	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-5,314	5,314	0	0
0	-3,687	0	3,687	Use of the Capital Receipts Reserve to finance new capital expenditure	0	-4,919	0	4,919
19	-19	0	0	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	15	-15	0	0
0	0	0	0	**Adjustments primarily involving the Deferred Capital Receipts Reserve:**	0	0	0	0
148	0	0	-148	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	33	0	-33
				Adjustments primarily involving the Financial Instruments Adjustment Account:				
-571	0	0	571	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-380	0	0	380
				Adjustments primarily involving the Pensions Reserve:				
86,089	0	0	-86,089	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	83,614	0	0	-83,614
-44,359	0	0	44,359	Employer's pensions contributions and direct payments to pensioners payable in the year:	-50,147	0	0	50,147
				Adjustments primarily involving the Collection Fund Adjustment Account:				
-133	0	0	133	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements.	3,793	0	0	-3,793
0	0	0	0	**Adjustment primarily involving the Accumulated Absences Account:**				
812	0	0	-812	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	-1,857	0	0	1,857
31,694	**278**	**4,883**	**-36,855**	**Total Adjustments between accounting basis & funding basis under regulations**	222,243	413	-7,712	-214,944

Note 2. Transfers to/from Earmarked Reserves

	Balance at 31 March 2012 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2013 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2014 £000
General Fund Reserve	10,803	0	0	10,803	0	0	10,803
Schools Delegated Balances	44,568	-1,432	0	43,136	-5,369	2,744	40,511
A. Total General Fund Balance	**55,371**	**-1,432**	**0**	**53,939**	**-5,369**	**2,744**	**51,314**
Unallocated reserves available to support future budget decisions	**29,853**	**-6,369**	**2,801**	**26,285**	**-9,017**	**13,696**	**30,964**
Earmarked Reserves							
Managed Severance	4,093	0	0	4,093	0	0	4,093
Exempt VAT	2,000	0	0	2,000	0	0	2,000
Former grant allocations	3,285	0	0	3,285	-2,517	0	768
PFI - Contracts	4,627	0	0	4,627	0	0	4,627
Capital Feasibility	273	0	0	273	0	0	273
Carbon Intervention	1,842	0	0	1,842	0	0	1,842
Major Project Support	1,271	0	0	1,271	-1,271	0	0
Transformation Programme	1,543	-801	0	742	-576	27	193
Employment Opportunities Fund	4,521	0	0	4,521	-801	0	3,720
Waste Collection & Disposal Options	4,433	0	0	4,433	0	0	4,433
Insurance	0	0	151	151	0	1,170	1,321
Industrial Centres of Excellence	0	-121	1,800	1,679	-1,647	0	32
Sports Strategy	0	-42	250	208	-71	0	137
Regional Growth Fund	0	0	7,000	7,000	0	0	7,000
Academy Refund	0	0	3,079	3,079	-3,079	0	0
School Improvement Support Fund	750	-750	0	0	0	0	0
Better Use of Budgets	2,876	-2,876	5,546	5,546	-5,546	6,985	6,985
Regional Revolving Investment Fund	0	0	0	0	-144	4,100	3,956
Discretionary Social Fund	0	0	0	0	0	868	868
Single Status	705	-134	0	571	-443	0	128
Health Integration	0	0	0	0	0	222	222
Pre 1 April 2011Better Use of Budgets	1,876	-615	0	1,261	-1,261	0	0
	34,095	**-5,339**	**17,826**	**46,582**	**-17,356**	**13,372**	**42,598**
Reserves for capital investment							
Markets	920	0	22	942	-8	286	1,220
Renewal and Replacement	15,434	-7,097	4,410	12,747	-2,503	2,714	12,958
	16,354	**-7,097**	**4,432**	**13,689**	**-2,511**	**3,000**	**14,178**
Service Earmarked Reserves							
PFI - BSF Unitary Charge	5,649	0	2,082	7,731	0	2,454	10,185
National Asylum Support Service	1,074	-200	0	874	-200	0	674
Supporting People	1,684	0	381	2,065	0	0	2,065
Integrated Health and Social Care	0	0	1,811	1,811	-1,811	4,618	4,618
Community Support and Innovation Fund	0	0	0	0	0	600	600
Other	3,320	-313	1,153	4,160	-2,047	5,694	7,807
	11,727	**-513**	**5,427**	**16,641**	**-4,058**	**13,366**	**25,949**
Revenue Grant Reserves	2,513	-1,418	5,594	6,689	-4,852	10,372	12,209
B Total Earmarked Reserves	**94,542**	**-20,736**	**36,080**	**109,886**	**-37,794**	**53,806**	**125,898**
C Capital Grants Unapplied	40,965	-28,538	33,421	45,848	-29,435	22,022	38,435
D Capital Receipts Reserve	192	-3,706	3,984	470	-4,934	5,347	883
E Total Other Usable Reserves	**41,157**	**-32,244**	**37,405**	**46,318**	**-34,369**	**27,369**	**39,318**
Total Usable Reserves	**191,070**	**-54,412**	**73,485**	**210,143**	**-77,532**	**83,919**	**216,530**

Earmarked Reserves are amounts set aside to meet the cost of future commitments, political priorities and specific financial risks. Capital Grants and Capital Receipts unapplied also represent real cash balances but these can only be used to fund capital expenditure.

a) General Fund Balance (£51.314m)

A net £51.314m balance has been carried forward to 2014-15 (£53.939m at 31 March 2013). This includes £40.511m carried forward for schools under delegated budgets.

The balance of £10.803m is set aside to provide for unforeseen events and to assist cash flow management. All authorities are expected to maintain such a balance at a prudent level, which represent 2.5% of net expenditure outside schools.

b) Earmarked Reserves (£125.898m)

Over the last 3 years the Council has sought to reduce its recurrent cost base and at the same time consistently applied its Reserves policy, using reserves to fund one off priority investment. After redesignating £9.0m of earmarked reserves in year, at the 31 March 2014 the Council has available £31m of unallocated corporate reserves. This is in line with the financial planning that underpinned the 2014-15 and 2015-16 Budget decisions.

In 2013-14 the level of earmarked reserves increased by a net £16.012m from £109.886m at 31 March 2013 to £125.898m at 31 March 2014. The significant in year transfers into reserves are listed below:

- £2.7m net underspend in 2013-14 transferred into an unallocated reserve earmarked for support of future annual revenue budgets.
- £4.1m to fulfil the Council's future commitment to the Regional Revolving Investment Fund
- £7.0m of requests from Services to carry forward 2013-14 budget to complete projects in 2014-15
- £2.5m added to the BSF Phase 1 and 2 Service earmarked to ensure that when unitary payments exceed the PFI grant, the Council has sufficient resources to meet the costs.
- £4.6m to progress then integration of health and social care
- £10.4m of unspent specific grant allocations which will be spent in 2014-15 in accordance with the original purpose of the grant.

The transfers into reserves have been partly offset by transfers back to the general fund to meet priority investment £11.3m, commitments carried forward from 2012-13 £5.5m and the application of £4.9m of grant monies received in previous years.

The increase in earmarked reserves is consistent with the position forecast in February 2014, when the Council Budget meeting agreed that to smooth the further cost reduction path to 2016-17, corporate reserves would be used to bridge forecasted revenue deficits of £0.6m in 2014-15, £15m in 2015-16 and £7.6m in 2016-17.

The planned use of Corporate Reserves to support future Budgets is estimated to leave a residual general reserve balance of £7.8m at 31 March 2017. This balance could be regarded as inadequate when set in the context of the continuing difficult outlook for public finances.

c) Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve represents usable capital grants available to fund capital expenditure. Capital Grants are included in this reserve, rather than shown as Capital Grants Receipted in Advance when all the grant conditions have been met. The £22.022m funding increase during the year includes £0.899m from a Waste Recycling Grant, received in previous years, transferred directly from Revenue Grant Reserves in 2013-14. £22.022m less the £0.899m equates to £21.123m per Note 1, Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account. The £29.435m capital grants that were used in 2013-14 to fund capital expenditure includes £0.6m out of the £0.899m Waste Recycling Grant. The remaining £0.299m from the Waste Recycling Grant has not yet been used to fund capital expenditure and is therefore still included within the Capital Grants Unapplied Reserve. £29.435m is shown in Note 1, as the total of both £8.496m and £20.340m, relating to the application of capital grants.

d) Capital Receipts Reserve

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

Authorities are required to pay 75% of their housing capital receipts into a national pool. The Council was required to pay £14,224 to the pool in 2013-14 (£18,860 in 2012-13). The Council is required to make a corresponding transfer to the Capital Receipts Reserve to offset the contribution to the pool. This transfer is shown in the Statement of Movement on the General Fund Balance. The usable balance of housing receipts and all other capital receipts are held in the Capital Receipts Reserve until applied either to finance capital expenditure or to repay debt.

2012-13	Capital Receipts Reserve	2013-14
£000		£000
192	**Balance at 1 April**	**470**
	Usable receipts in the year	
3,926	Disposal of assets	5,313
58	Other capital receipts	33
-19	Appropriation to (–) from Revenue Account re pooled housing receipts	-14
-3,687	Used to finance capital spending	-4,919
0	Used for debt repayment	0
470	**Balance at 31 March**	**883**

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

Note 3. Material Items of Income and Expense

The 2013-14 Comprehensive Income and Expenditure Account shows the Council received exceptional income of £7.678m. The Council reassessed the adequacy of the remaining Equal Pay provision in the light of known claims outstanding (77 cases) and new claims expected to be submitted. As the rate of new claims received over the last year is significantly below the rate of claims that would be required to justify maintaining the provision, £7.678m was released to the revenue account in 2013-14, leaving a provision at 31 March 2014 of £0.575m (see Note 17 p3).

Note 4. Post Balance Sheet Events

Heritage Asset valuations in 2014-15 as at June 2014 showed a reduction of £0.250m. Between 1st April and 30th September 2014, four schools became Academies and moved out of Local Authority control. Of these, three have already been excluded from the balance sheet due to being either Voluntary Aided or Voluntary Controlled. The remaining one has a net book value of £2.7m and will be removed in 2014/15 and replaced with a 125 year peppercorn lease.

Note 5. Analysis of the Comprehensive Income and Expenditure

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

a) Other Operating expenditure

2012-13 £000	Other Operating expenditure	2013-14 £000
887	Parish Council Precepts	1,053
19	Payments to the Government Housing Capital Receipts Pool	14
0	Revaluation Loss on Assets Held for Sale	0
24,973	Losses on the disposal of non-current assets	113,093
25,879	**Total**	**114,160**

b) Financing and Investment Income and Expenditure

2012-13 £000	Financing and Investment Income and Expenditure	2013-14 £000
44,352	Interest payable and similar charges	46,718
34,533	Net Interest on the Pension net defined benefit liability/(asset)	34,442
-1,733	Interest receivable and other income	-1,359
-6,154	Income and expenditure in relation to investment properties and changes in their fair value	-3,023
-850	Other investment income	-679
1,964	Net Deficit on Trading Accounts	2,254
72,112	**Total**	**78,353**

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

2012-13 £000	Interest Payable and Similar Charges	2013-14 £000
	External interest charges	
25,794	Public Works Loans Board	25,795
16,499	Interest on PFI and finance lease rentals	18,857
1,776	Lender Option Borrower Option (LOBO's)	1,775
283	Transferred debt	258
0	Interest on short term borrowing	33
44,352	**Total**	**46,718**

c) Taxation and Non- Specific Grant Income

2012-13 £000	Taxation and Non-Specific Grant Income	2013-14 £000
-164,206	Council Tax income*	-141,993
-251,493	Non domestic rates	-60,042
-60,303	Non-ringfenced government grants (see below)	-248,931
-62,192	Capital grants and contributions	-40,041
-538,194	**Total**	**-491,007**

* In 2013-14, the Council Tax income was reduced by a net £24m for the cost of Council Tax Support – discounts for low income households and other technical changes to Council Tax discounts and premiums. In comparison, in 2012-13, Council Tax income excluded the cost of these discounts, which were funded separately within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Revenue grants that do not relate to the delivery of a specific service are grouped together and shown as income in the Income and Expenditure Account. In 2013-14 the Council received the following:

2012-13 £000	Government grants (not attributable to specific services)	2013-14 £000
-4,875	Revenue Support Grant	-182,862
0	Top Up Grant	-54,447
-3,079	Academy Refund	-255
-31,100	Early Intervention Grant	0
-12,237	Learning Disability and Health Reform Grant	0
-1,023	Local Services Support Grant	-350
-3,910	New Homes Bonus Grant	-6,698
-4,079	Council Tax Freeze Grant	0
0	Small Business Rates	-3,355
0	Capitalisation Redistribution	-964
-60,303	**Total**	**-248,931**

Note 6. Property, Plant and Equipment: Movements on Balances in 2013-14

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2013 - Restated	**6,590**	**978,077**	**70,235**	**262,126**	**40,053**	**31,869**	**42,212**	**1,431,162**	**117,460**
Additions	433	32,626	11,309	12,534	447	2,009	15,750	75,108	
Revaluation in the Rev. Reserve		-26,562			671	-3,825		-29,716	
Revaluation. in Surplus/Deficit on the Provision of Services		-102,314			-250	-1,223		-103,787	-10,676
Derecognition – disposals		-120,459	-366		-358	-1,210		-122,393	-61,559
Assets reclassified (to)/ from Held for Sale		-1,774			-83	-3,408		-5,265	
Reclassifications		48,034			166	1,931	-49,275	856	
Other movements in cost or valuation		30						30	
At 31 March 2014	**7,023**	**807,658**	**81,178**	**274,660**	**40,646**	**26,143**	**8,687**	**1,245,995**	**45,225**
At 1 April 2013 - Restated	**-43**	**-72,292**	**-49,628**	**-75,868**	**-9**	**-415**	**0**	**-198,255**	**-4,742**
Depreciation charge	-110	-24,093	-8,110	-8,292	-3	-811		-41,419	-1,932
Depreciation w/o Revalua tion Reserve		7,105			2	9		7,116	
Depreciation w/o to the Surplus/Deficit on the Provision of Services		9,992				13		10,005	1,762
Impairment losses/ (reversals) in the Revaluation Reserve		-2,940						-2,940	
Impairment in Surplus/Deficit on the Provision of Services		-4,774						-4,774	
Derecognition – disposals		9,455	179					9,634	2,870
Reclassifications – Other		267			9	463		739	
Other movements in depreciation & impairment		-28						-28	
At 31 March 2014	**-153**	**-77,308**	**-57,559**	**-84,160**	**-1**	**-741**	**0**	**-219,922**	**-2,042**
At 31 March 2013 – Net Book Value	**6,547**	**905,785**	**20,607**	**186,258**	**40,044**	**31,454**	**42,212**	**1,232,907**	**112,718**
At 31 March 2014– Net Book Value	**6,870**	**730,350**	**23,619**	**190,500**	**40,645**	**25,402**	**8,687**	**1,026,073**	**43,183**

Comparative Movements in 2012-13

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2012	**2,583**	**964,528**	**65,682**	**250,880**	**37,388**	**32,306**	**40,678**	**1,394,045**	**117,460**
Additions	27	36,822	4,553	11,246	365	33	35,116	88,162	0
Revaluation in the Rev. Reserve	0	-2,867	0	0	672	654	0	-1,541	0
Revaluation. in Surplus/Deficit on the Provision of Services	-2,434	-18,971	0	0	1,565	-7,794	0	-27,634	0
Derecognition - disposals	0	-28,504	0	0	-204	-237	0	-28,945	0
Assets reclassified (to)/ from Held for Sale	0	-783	0	0	0	-73	0	-856	0
Reclassifications	6,414	27,792	0	0	171	7,204	-33,582	7,999	0
Other movements in cost or valuation	0	60	0	0	96	-224	0	-68	0
At 31 March 2013 - Restated	**6,590**	**978,077**	**70,235**	**262,126**	**40,053**	**31,869**	**42,212**	**1,431,162**	**117,460**
Accumulated Depreciation & Impairment									
At 1 April 2012	**0**	**-47,479**	**-42,915**	**-67,950**	**87**	**-314**	**0**	**-158,571**	**-2,937**
Depreciation charge	-43	-23,846	-6,713	-7,918	-3	-40	0	-38,563	-1,805
Depreciation w/o Revaluation Reserve	0	2,157	0	0	3	32	0	2,192	0
Depreciation w/o to the Surplus/Deficit on the Provision of Services	0	378	0	0	0	21	0	399	0
Impairment losses/ (reversals) in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment in Surplus/Deficit on the Provision of Services	0	-5,766	0	0	0	0	0	-5,766	0
Derecognition - disposals	0	1,935	0	0	0	4	0	1,939	0
Reclassifications – Other	0	389	0	0	0	-342	0	47	
Other movements in depreciation & impairment	0	-60	0	0	-96	224	0	68	0
At 31 March 2013 - Restated	**-43**	**-72,292**	**-49,628**	**-75,868**	**-9**	**-415**	**0**	**-198,255**	**-4,742**
At 31 March 2012 – Net Book Value	**2,583**	**917,049**	**22,767**	**182,930**	**37,475**	**31,992**	**40,678**	**1,235,474**	**114,523**
At 31 March 2013– Net Book Value	**6,547**	**905,785**	**20,607**	**186,258**	**40,044**	**31,454**	**42,212**	**1,232,907**	**112,718**

The Property, Plant and Equipment note has been restated for 2012-13. The adjustment is not thought to be material but has been completed to agree to the opening balances on the 2013-14 Property, Plant and Equipment Note. A £295k adjustment has been completed to the other movements in cost or valuation line for Other Land and Buildings and Surplus Assets. A contra adjustment has been completed to the other movements in depreciation and impairment for the two asset classes. Therefore there is no impact on the Net book Value disclosed on the Balance Sheet.

Note 7. Valuations

Operational and non-operational assets have been valued by Belinda Gaynor MRICS and other similarly qualified officers of the Council's Asset Management Service, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Not all properties were inspected as this was not considered necessary for the purposes of the valuation. Revaluations are planned through a five year rolling programme and have been listed in the table below in the year they were revalued.

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

Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost		1,882	23,619	2,003	190,500	20,511	8,687	247,202
Valued at Fair Value in:								
2008/09		34						34
2009/10		107,970		2,148		377		110,495
2010/11		250,823		3,364		2,438		256,625
2011/12	2,553	82,174		446		50		85,223
2012/13	4,317	67,131		11,016		14,193		96,657
2013/14		220,336		6,425		3,076		229,837
	6,870	**730,350**	**23,619**	**25,402**	**190,500**	**40,645**	**8,687**	**1,026,073**

Note 8. Capital Commitments and Obligations Under long Term Contracts

a) Capital Commitments

The Council has an approved capital investment plan for the period 2014-15. At 31 March 2014 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014-15 and future years budgeted to cost £14.873m. Similar commitments at 31 March 2013 were £23.1m. The major commitments (over £0.250m) are:

Capital Commitments	2012-13	2013-14
	£000	£000
Primary Capital Programme	0	4,276
Primary Schools Expansion Programme	9,342	6,334
New Affordable Housing – Valley Drive, Ilkley and Canary Drive	6,754	
New Affordable Housing – Fieldway Ilkley		1,597
New Affordable Housing – Ripley Street		2,340
Academies Programme	6,014	326
Special Education Needs Re-organisation	727	
Buck Lane	283	
Total	**23,120**	**14,873**

b) Obligations Under Long-Term Contracts

Bradford-I

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

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

- a framework for the specification and procurement of ICT hardware and software

The estimated contract value is £187.7m with the upfront investment being provided by IBM UK Ltd via IBM Global Financing organisation.

Building Schools for the Future (BSF)

In December 2006 the Council entered into a 10 year Local Education Partnership (LEP) with Integrated Bradford LEP Ltd. Under the agreement the LEP enjoys exclusivity in the provision of capital works to the Council's secondary school campuses for ten years.

Phase 1 of the programme comprised the building of three new schools together with the provision of facilities management and maintenance for the next 25 years under a Private Finance Initiative contract. The schools opened in August 2008 and the total cost of the service over 25 years (including utilities £9m) is £322m. The Council has secured funding support from the former Department for Children, Schools and Families (DCSF), now the Department for Education (DfE), which totals £225m (including utilities) over the contract period.

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

The contract for Phase 2 of the local BSF Programme was finalised in September 2009 for £457m. 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. £236m of support is being provided by the former DCSF over 25 years in the form of PFI credits. Also a £10m grant has been provided for ICT costs.

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

Note 9. Heritage Assets

Tangible Heritage Assets

	Museum collection £000 Restated	Civic regalia £000	Statues & Monuments £000	Total Assets £000 Restated
Cost or valuation				
1 April 2012	10,729	1,732		12,461
Revaluation increases / (decreases) recognised in the revaluation reserve	19,440	0		19,440
31 March 2013	**30,169**	**1,732**	**0**	**31,901**
Cost or valuation				
1 April 2013	30,169	1,732	0	31,901
Additions			86	86
Revaluation increases / (decreases) recognised in the revaluation reserve	90	0		90
31 March 2014	**30,259**	**1,732**	**86**	**32,077**

The Council held £32m heritage assets on its Balance Sheet as at 31 March 2014.

The above table discloses Heritage Assets for 2 accounting period – 2013-14 and the 2012-13 comparative accounting year. It is not practical for the Council to disclose 4 accounting periods.

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

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

Museum Collection – items on the Balance Sheet

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

The council owns approximately 166,000 separate works of art and exhibits. It is not considered practical to individually value this entire collection, and so only those items which are considered to have a significant value are individually valued and recorded in the balance sheet at their current valuation.

In 2012-13 there was a review of the major pieces of the Fine Art Collection held at Cartwright Hall by external valuers Christies. For those items reviewed by Christies they have been included on the Balance Sheet based on auction values (lower range).

During 2013-14 two additional paintings have been reviewed by Christies and this has resulted in a revaluation increase of £90,000. In addition to external valuations the collection is considered for insurance values and two items are included on the Balance Sheet at insurance values which is based on values estimated by museum staff**.** The insurance values are considered annually.

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

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

Museum exhibits and works of art – overall collections

As explained in note above, only those items which have a significant individual value are included in the balance sheet. The current insurance valuation of the lesser valued items have been given a collective value of £46m. Items within the collection are diverse, ranging from scientific specimens, to period fashion garments, to antique furniture. The Council has determined that it would not be practical within a justifiable level of cost to obtain individual valuations for its entire collection.

Civic Regalia

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

Statues and external works of art

The Council has £0.86m for Statues and Monuments. The 2013-14 addition relates to a new war memorial that has been completed this year and the value in the accounts is at historic cost.

Other Heritage Assets

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

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

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

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

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

No significant heritage assets were disposed of in 2013-14.

Additions of Heritage Assets

There have been no significant purchases or donations to heritage assets in 2013-14 but there have been some additions to the museum collections in the last two years. Individually these have not been thought significant so there is no separate valuation included in the Balance Sheet.

Note 10. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. For example, the net gain of £1.355m (see below Analysis of Rental Income and Management Costs of Investments), less the decrease of £0.018m on fair value (see below reconciliation of Movements on Investments), plus the gain on disposal of £1.686m comprise the £3.023m charge for investment properties in Note 5 (b), Financing and Investment Income and Expenditure, page 3.

2012-13	Analysis of Rental Income and Management Costs of Investments	2013-14
£000		£000
-2,613	Rental income from investment property	-1,809
-53	Other income (service and other charges)	-120
	Direct operating expenses:	
182	Repairs & maintenance	216
665	Management expenses	358
-1,819	**Net (gain)**	**-1,355**

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

2012-13	Reconciliation of Movements on Investments	2013-14
£000		£000
65,399	**Balance at 1 April**	**60,595**
181	Expenditure	309
-647	Disposals	-1,474
3,661	Net gains/losses(-) from fair value adjustments	-18
	Transfers	
-7,999	To/from Property, Plant and Equipment	-856
60,595	**Balance at 31 March**	**58,556**

Investment Property has been valued by Belinda Gaynor MRICS and other similarly qualified officers of the Council's Asset Management Service, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Revaluations are planned through a five year rolling programme with the value of significant assets considered annually.

Note 11. Intangible Assets

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

All software is given a useful life, based on the assessments of the period that the software is expected to be of use to the Council. All of the Council's software has an estimated useful life of 10 years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.88m charged to revenue in 2013-14 (£1.86m in 2012-13) was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2012-13	2013-14
	£000	£000
Balance at 1 April each year		
• Gross carrying amounts	17,020	17,101
• Accumulated amortisation	-9,422	-11,282
Net carrying amount at start of year	7,598	5,819
Additions :		
• Purchases	81	1,788
Amortisation for the period	-1,860	-1,880
Net carrying amount at end of year	**5,819**	**5,727**
Comprising :		
• Gross carrying amounts	17,101	18,889
• Accumulated amortisation	-11,282	-13,162

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

Note 12. Construction Contracts

This note shows construction contracts that the Council has entered into. The Council did not enter into any construction contracts in 2013-14 or 2012-13.

Note 13. Long Term Investment

The Council's long term investment at 31 March 2014 is made up of £1,000 in Integrated Bradford LEP Ltd (31 March 2013 £1,000).

Integrated Bradford LEP Ltd – Company no. 5797774
In December 2006, the Council took a £1,000, (10%) interest in the Local Education Partnership, Integrated Bradford LEP Limited. The remaining equity is held by Partnership for Schools (PfS) 10%, and 80% by private sector partners Costain and Ferrovial Agroman (UK) Ltd (formerly Amey). The company has been set up to deliver the capital investment programme in Bradford secondary schools funded through the government initiative Building Schools for the Future.

Note 14. Long Term Debtors

These represent the value of long term advances granted by the Council. The agreement with Wakefield MDC to repay £100,000 per annum in respect of the former Waste Management arrangements ends in 2015-16. The final instalment of £100,000 that will be paid in 2014-15 is included as a short term debtor, see Note 15 Current Assets and Current Liabilities, Short term Debtors and Payments in Advance below.

The amount owed by other local authorities at 31 March 2014 of £330,000 is in respect of transferred debt for Probation Service owed by other West Yorkshire authorities.

The balance owing on sale of assets on finance leases of £224,000 represents the principal element of the leases.

31 March 2013 £000	Analysis of Long Term Debtors	31 March 2014 £000
80	Former Council house tenants	47
200	Waste Management SSA	0
355	Other local authorities re joint services	330
869	Car loans	892
293	Building Schools for the Future Ltd	287
102	Loans to organisations	0
6	Housing Advances	6
225	Balance owing on sale of assets on finance lease(s)	224
34	Other	33
2,164	**Total**	**1,819**

Note 15. Current Assets and Current Liabilities

31 March 2013 £000	Inventories	31 March 2014 £000
67	Trading services	71
1,680	Other	2,150
1,747	**Total**	**2,221**

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

31 March 2013 £000	Analysis of Debtors and Payments in Advance	31 March 2014 £000
	Amounts falling due within one year	
13,755	Central Government bodies	13,982
3,204	Other local authorities	2,013
4,951	NHS bodies	11,282
672	Public corporations and trading funds	663
65,636	Other entities and individuals	73,787
8,682	General payments in advance	13,903
96,900	**Total**	**115,630**

	Less provision for bad and doubtful debts	
11,441	Collection Fund	11,610
7,676	Other	9,149
77,783	**Net Total**	**94,871**

The net debtors have changed from a total of £77.783m at 31 March 2013 to £94.871m at 31 March 2014, an increase of £17.088m.

Short Term Investments

The Council has short term investments of £80.113m; see Balance Sheet (£116.960m 2012-13). This is invested with the government, banks and building societies.

Cash and Cash Equivalents

At any point in time the cash flow of the Council can result in temporary cash balances which are put into short-term investments. At the 31 March 2014, £101.349m was invested in short term deposits, banks and building societies (£83.888m at 31 March 2013).

31 March 2013 £000		**31 March 2014 £000**
1,224	Cash held by the Council	1,207
59,250	Bank accounts	83,139
23,414	Short term deposits with building societies and banks	17,003
83,888	**Total Cash and Cash Equivalents** (see Balance Sheet page 3)	**101,349**
-10,139	Cash and Cash Equivalents Overdrawn (see Balance sheet page 3)	-18,559
73,749	**Total net Cash and Cash Equivalents** (see Cashflow statement page 3)	**82,790**

The Council also has short term borrowings of £32.734m (£6.901m 2012-13).

Creditors and Receipts in Advance

31 March 2013 £000	**Analysis of Creditors and Receipts in Advance**	**31 March 2014 £000**
	Amounts falling due within one year	
12,048	Central Government bodies	13,144
870	Other local authorities	817
2,981	NHS bodies	1,241
84	Public corporations and trading funds	0
81,328	Other entities and individuals	67,455
97,311	**Total**	**82,657**
	Receipts in advance	
8,995	Sundry	12,247
6,790	Developer's contributions	5,418
15,785	**Total**	**17,665**
113,096	**Total Creditors and Receipts in Advance**	**100,322**

Note 16. Assets held for sale

Current Assets held for sale		
	2012-13 £000	**2013-14 £000**
Balance outstanding at start of year	**0**	**238**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	811	4,526
Revaluation losses	0	0
Assets declassified:		
- Property, Plant and Equipment	0	0
Assets sold	-573	-2,487
Balance outstanding at year end	**238**	**2,277**

Note 17. Provisions

The provisions totals of £23.850m at 31 March 2014 and £21.015m at 31 March 2013 are separated on the Balance Sheet into current and long term provisions. The current provisions are those expecting to be used in the next financial year, £12.207m at 31 March 2014 (£7.190m at 31 March 2013). Long term provisions are those expecting to be used more than 12 months after the Balance Sheet date, £11.643m at 31 March 2014 (£13.825m at 31 March 2013).

	Termination	Single Status	Personal Search fees	MMI Scheme of Arrangement	Carbon Reduction Commitment	Outstanding legal cases	Injury and Damage Compensation Claims	Equal Pay Provisions	Other Provisions	Aftercare Services	Business Rate Appeals	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 31 March 2012	**2,982**	**2,295**	**881**	**606**	**814**	**4,346**	**5,281**	**12,445**	**312**	**0**	**0**	**29,962**
Additional provisions made in 2012-13	363	0	0	0	786	1,768	5,852	0	0	101	0	8,870
Amounts used in 2012-13	-2,982	-2,295	0	0	-814	-2,115	-2,032	-3,361	-312	0	0	-13,911
Unused amounts reversed in 2012-13	0	0	-172	-151	0	-637	-2,946	0	0	0	0	-3,906
Balance at 31 March 2013	**363**	**0**	**709**	**455**	**786**	**3,362**	**6,155**	**9,084**	**0**	**101**	**0**	**21,015**
Additional provisions made in 2013-14	6,537	0			840	1,846	3,622	0	0	0	6,043	18,888
Amounts used in 2013-14	-363	0	-170	-455	-785	-1,591	-1,640	-831	0	0	0	-5,935
Unused amounts reversed in 2013-14	0	0	0		0	-181	-2,359	-7,678	0	0	0	-10,118
Balance at 31 March 2014	**6,537**	**0**	**539**	**0**	**841**	**3,436**	**5,778**	**575**	**0**	**101**	**6,043**	**23,850**

Short-Term	2,220	0	449	0	841	1,411	2,419	474	0	101	4,292	12,207
Long-Term	4,317	0	90	0		2,025	3,359	101	0	0	1,751	11,643
Balance at 31 March 2014	**6,537**	**0**	**539**	**0**	**841**	**3,436**	**5,778**	**575**	**0**	**101**	**6,043**	**23,850**

Termination (£6.537m) **–** for planned future termination costs arising from the detailed saving proposals approved as part of the 2014-15 Budget by Council in February 2014.

Single Status (£0m) – the provision to cover the cost of making single status back payments from 27 September 2010 (the date when bonus payments were removed) to those staff due an increase in pay was fully utilised in 2012-13.

Property Search fees (£0.539m) – Whilst Personal Search companies have claimed for refunds from the Council, given that the Council's and other authorities charging policies were based on a statutory fee, the Council will seek to reclaim any repayment from the government in due course.

Municipal Mutual Insurance (MMI) Ltd (£0m) – MMI were the Council's insurer from 1974 to 1993. In conjunction with other local authorities and organisations, the Council supported a scheme of arrangement, whereby MMI could invoke a claw back of the claims paid on behalf of the Council since 1993, should it have insufficient assets to discharge its liabilities. In 2013-14 a claw back of 15% was activated and the provision used in full.

Carbon Reduction Commitment (£0.841m) – The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which ended on 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Insurance provisions (£3.436m & £5.778m) – These provisions bear the risk of day to day losses as an alternative to providing insurance cover through external insurance companies. Losses over £120,000 are externally insured. The main areas provided for are:

31 March 2013 £000	Analysis of Insurance Provision (Outstanding Legal Cases & Injury and Damage Compensation Claims)	31 March 2014 £000
30	Property	0
8,654	Other Liability claims	8,568
833	Motor	646
9,517	**Total**	**9,214**

Equal Pay Provision (£0.575m) - Implementation of the 1997 Single Status Agreement between local authority employers and unions involves the review, job evaluation and harmonisation of former officer and former manual worker terms and conditions. It will lead to compensation claims under equal pay legislation (claims can cover a period of up to six years). In accordance with International Accounting Standard 37, the Authority has set aside a provision for the cost of claims. In 2013-14, claims and legal costs totalling £0.931m (£3.361m in 2012-13) were paid out. The provision was reduced by £7.578m. This leaves £0.575m in the provision at 31 March 2014 (£9.084m at 31 March 2013).

Other provision (£0m)– From previous years, a provision had been set aside to cover the cost of dilapidations and reinstating alterations made in properties following the termination of a property lease. This provision of £0.312m was fully used in the 2012-13 financial year.

Aftercare services provision (£0.101m) – A provision of £0.101m was added in 2012-13 for Aftercare services. This was not used in 2013-14 but is expected to be used in 2014-15.

Business Rates Appeals (£6.043m) – The provision reflects the estimate of the amount of Business Rates to be repaid to ratepayers, following any future successful appeals against rateable values.

Note 18. Unusable Reserves

2012-13 Restated £000		2013-14 £000
231,947	(a) Revaluation Reserve	177,945
410,620	(b) Capital Adjustment Account	259,285
-6,763	(c) Financial Instruments Adjustment Account	-6,383
-813,890	(d) Pensions reserve	-612,686
340	(e) Deferred capital receipts reserve	306
-419	(f) Collection Fund Adjustment Account	-4,212
-14,632	(g) Accumulated Absences Account	-12,775
-192,797	**Total Unusable Reserves**	**-198,520**

a) Revaluation Reserve

The Revaluation Reserve is a store of changes to the measurable value of assets compared to the cost of acquiring them. In 2013-14, the Reserve has decreased from £231.947m to £177.945m, a decrease of £54.002m.

2012-13 Restated £000		2013-14 £000
228,363	**Balance at 1 April**	**231,947**
37,341	Upward revaluation of assets	25,154
-17,252	Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-47,664
0	Impairments not charged to the Surplus or deficit on the Provision of Services	-2,940
20,089	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**-25,450**
-6,482	Difference between fair value depreciation and historical cost depreciation	-5,916
-10,023	Accumulated gains on assets sold or scrapped	-22,636
-16,505	**Amount written off to the Capital Adjustment Account**	**-28,552**
231,947	**Balance at 31 March**	**177,945**

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

2012-13 £000		2013-14 £000
388,983	**Balance at 1 April**	**410,620**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
-44,329	- Charges for depreciation and impairment of non-current assets	-46,193
-27,235	- Revaluation losses on Property, Plant and Equipment	-93,782
-1,860	- Amortisation of Intangible Assets	-1,880
-65	- Revenue expenditure funded from capital under statute (REFCUS)	-3,741
-28,225	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 31)	-116,720
16,505	Adjusting amounts written out of the Revaluation Reserve	28,552
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year :	
3,687	- Use of the Capital Receipts Reserve to finance new capital expenditure	4,919
26,893	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	17,246
25,610	- Application of grants to capital financing from the Capital Grants Unapplied Account	20,339
1,913	- Allocation of grants to capital financing from the Capital Grants Receipts in Advance Account	1,674
33,278	- Statutory provision for the financing of capital investment charged against the General Fund	29,323
11,804	- Capital expenditure charged against the General Fund balance	8,946
3,661	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-18
410,620	**Balance at 31 March**	**259,285**

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2012-13 £000		2013-14 £000
-7,334	**Balance at 1 April**	**-6,763**
679	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	395
-108	Removal of Effective Interest Rate on stepped interest loans	-15
571	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	380
-6,763	**Balance at 31 March**	**6,383**

d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. See Note 28 for full explanation.

2012-13 Restated £000		2013-14 £000
-765,506	**Balance at 1 April**	**-813,890**
-6,654	Actuarial gains or losses on pensions assets or liabilities	234,671
-86,089	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-83,614
44,359	Employer's pensions contributions and direct payments to pensioners payable in the year	50,147
-813,890	**Balance at 31 March**	**-612,686**

e) Deferred Capital Receipts

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

2012-13 £000		2013-14 £000
488	**Balance at 1 April**	**340**
-148	Transfer to the Capital Receipts Reserve upon receipt of cash	-34
340	**Balance at 31 March**	**306**

f) Collection Fund Adjustment Account

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

2012-13 £000		2013-14 £000
-552	**Balance at 1 April**	**-419**
133	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-3,793
-419	**Balance at 31 March**	**-4,212**

g) Accumulated Absences Account

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

2012-13 £000		2013-14 £000
-13,821	**Balance at 1 April**	**-14,632**
13,821	Settlement or cancellation of the accrual made at the end of the preceding year	14,632
-14,632	Amounts accrued at the end of the current year	-12,775
-811	**Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year in accordance with statutory requirements**.	**1,857**
-14,632	**Balance at 31 March**	**-12,775**

Note 19. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2012-13 Restated £000		2013-14 £000
17,782	Net (surplus) or deficit on the provision of services (see d)	208,557
-184,115	Adjustments to surplus or deficit for non-cash movements (See d)	-311,164
69,430	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	45,355
-1,420	Interest Received	-1,521
44,241	Interest paid	46,675
-802	Dividends Received	-722
-54,884	**Net cash flows from operating activities**	**-12,820**

b) Investing Activities

The cash flows for investing activities include the following items:

2012-13 £000		2013-14 £000
85,523	Purchase of property, plant and equipment, investment property and intangible assets	78,846
150,777	Purchase of short term and long term investments	234,606
0	Other payments for investing activities	0
-3,984	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-5,347
-61,855	Capital grants	-38,727
-92,111	Proceeds from short term and long term investments	-271,172
78,350	**Net cash flows from investing activities**	**-1,794**

c) Financing Activities

The cash flows for financing activities include the following items:

2012-13 £000		2013-14 £000
-19,300	Cash receipts of short and long term borrowing	-16,000
0	Other receipts from financing activities	-1,075
9,448	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	6,648
19,300	Repayments of short and long term borrowing	16,000
4,177	Other payments for financing activities	0
13,625	**Net cash flows from financing activities**	**5,573**

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

2012-13 Restated £000	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow	2013-14 £000
17,782	**Net deficit / surplus (-) for year on the Comprehensive Income and Expenditure Account (I & E)**	**208,557**
	Add back non cash I & E items:	
-73,074	Depreciation & impairment, revaluation gains and losses, market value movements, and amortisation (see Note 1)	-141,873
0	Aborted cost on prior year capital expenditure	-645
-41,730	IAS19 Pension adjustments	-33,467
	Items on accruals basis:	
-502	Decrease (-) / Increase in stocks	474
-2,638	Decrease (-) / increase in amounts due to Council (debtors)	17,430
-4,062	Decrease / increase (-) in amounts due from Council (creditors)	9,048
-28,225	Carrying amount of disposals	-116,721
8,947	Movement provisions	-2,836
-812	Net movement on Employee Benefit accrual	1,858
-142,096	Removal of non-cash items included in Deficit/Surplus on Provision of services	*-266,732*
	Removal of interest received and paid already included in Surplus/Deficit so that this can be shown separately:	
-44,241	Interest paid	-46,675
1,420	Interest received	1,521
802	Dividends received	722
-42,019	Interest received and paid	*-44,432*
-184,115	**Adjustments to surplus or deficit for non-cash movements (Per Cash Flow Statement)**	**-311,164**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
65,503	Capital Grants credited to surplus or deficit on the provision of services	40,041
3,927	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,314
69,430	**Sub-total items for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	**45,355**
42,019	**Interest and dividends received & paid shown separately (see above)**	**44,432**
-54,884	**Operating activities - net cash flow**	**-12,820**

Note 20. Amounts Reported for Resource Allocation

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

Service Analysis

The income and expenditure of the Council's services reported in the Council's Financial Review Outturn Statement for 31 March 2014 is shown below. An adjustment for internal vehicle maintenance charges and Bradford and Airedale Community Equipment Service (BACES) pooled budget means that Environmental Services and Adult Services expenditure and income are £8.784m and £1.147m lower than the gross position reported to Members.

Service Income and Expenditure 2013-14	Children's Services	Environment & Sport	Public Health	Adults and Community	Regeneration & Culture	Central, Corporate & Non Service	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-35,902	-26,137	-792	-29,139	-62,086	-12,109	-166,165
Government grants & contributions	-484,989	-690	-31,562	-17,734	-5,416	-187,411	-727,802
Total Income	**-520,891**	**-26,827**	**-32,354**	**-46,873**	**-67,502**	**-199,520**	**-893,967**
Employee Expenses	380,953	42,695	2,551	33,929	48,921	42,030	551,079
Other service expenses	205,619	32,302	29,541	146,503	64,794	207,601	686,360
Capital Charges	107,202	4,298	0	1,021	27,421	2,469	142,411
Support services recharges	0	0	0	0	0	0	0
Total Expenditure	**693,774**	**79,295**	**32,092**	**181,453**	**141,136**	**252,100**	**1,379,850**
Net Expenditure	**172,883**	**52,468**	**-262**	**134,580**	**73,634**	**52,580**	**485,883**

The income and expenditure of the Council's services reported in the Council's Financial Review Outturn Statement for 31 March 2013 is as follows:

Service Income and Expenditure 2012-13	Children's Services	Environment & Sport	Public Health	Adults and Community	Regeneration & Culture	Central, Corporate & Non Service	Total
	Restated	**Restated**		**Restated**	**Restated**	**Restated**	**Restated**
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-39,994	-36,106	-178	-30,876	-57,183	-11,786	-176,123
Government grants & contributions	-511,073	-2,548	-124	-21,032	-4,959	-221,944	-761,680
Total Income	**-551,067**	**-38,654**	**-302**	**-51,908**	**-62,142**	**-233,730**	**-937,803**
Employee Expenses	395,668	38,685	0	32,185	46,709	50,480	563,727
Other service expenses	196,843	45,692	49	151,151	54,810	244,578	693,123
Capital Charges	37,336	2,972	0	4,669	28,377	2,238	75,592
Support services recharges	0	0	0	0	0	0	0
Total Expenditure	**629,847**	**87,349**	**49**	**188,005**	**129,896**	**297,296**	**1,332,442**
Net Expenditure	**78,780**	**48,695**	**-253**	**136,097**	**67,754**	**63,566**	**394,639**

Reconciliation of Service Income and Expenditure to Costs of Services in the Comprehensive Income and Expenditure Statement for 2013-14

The Net Cost of Services total of £485.883m is different to the Net Cost of Services of £507.051m included in the Comprehensive Income and Expenditure Statement in the Statement of Accounts. The differences, totalling £21.168m, are explained in the reconciliation statement below.

	2012-13 Restated	**2013-14**
	£000	**£000**
Net expenditure included in Service Analysis	**394,639**	**485,883**
Adjustments to Reconcile to pre IFRS Income and Expenditure Account :		
Add West Yorkshire Integrated Transport Authority (WYITA) levy	22,592	23,542
NHS support for Social Care	-6,003	0
One-off lump sum payment to WYPF shown in Outturn report under Central Budgets	0	4,355
Pension capitalisation costs	0	-645
Writeback of excess provision for single status	0	-7,678
Local Council Tax Support Grant paid to Parish Councils	0	159
Other	0	4
Amounts in the Comprehensive income and Expenditure Statement not reported to management in the analysis	**16,589**	**19,737**
Exclude grants included in services for budget reporting, but excluded from the Statement of Accounts as included under Taxation and Non-Specific Grant Income	44,359	350
Trading Services deficit	-1,964	-2,254
Investment Adjustments	0	416
Interest Received	2,543	1,998
Exclude income and expenditure in relation to changes in fair value of investment properties	1,819	921
Revaluation & impairment loss on Assets Held for Sale	0	0
Cost of disposals	0	0
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**46,757**	**1,431**
Cost of Services in the Comprehensive income and Expenditure Statement	**457,985**	**507,051**

2013/14 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services of £208.557m included in the Comprehensive Income and Expenditure Statement (CIES).

	Service Analysis (excluding support services)	Services & support not included in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-141,934	-22,233	0	17,860	22,233	-124,074	0	-124,074
Interest and investment income	-1,998	0	0	1,998	0	0	-2,038	-2,038
Council Tax income	0	0	0	0	0	0	-141,993	-141,993
Government grants & contributions	-727,418	-384	0	927	384	-726,491	-349,014	-1,075,505
Total Income	**-871,350**	**-22,617**	**0**	**20,785**	**22,617**	**-850,565**	**-493,045**	**-1,343,610**
Employee expenses in Surplus/Deficit	506,554	44,525	-3,972	-10,831	0	536,276	0	536,276
Other service expenses	646,893	39,467	167	-5,658	0	680,869	0	680,869
Support Service recharges	0	-74,956	0	-2,208	52,339	-24,825	0	-24,825
Depreciation, amortisation and impairment	128,830	13,581	0	-66	0	142,345	0	142,345
Interest payments	0	0	0	0	0	0	46,718	46,718
Net Pension Interest Cost	0	0	0	0	0	0	34,442	34,442
Precepts & levies	0	0	23,542	0	0	23,542	1,053	24,595
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	14	14
Gain or loss on trading accounts	0	0	0	0	0	0	2,254	2,254
Gain or loss on investment properties	0	0	0	-591	0	-591	-3,023	-3,614
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	113,093	113,093
Impairment loss on assets held for sale	0	0	0	0	0	0	0	0
Total Expenditure	**1,282,277**	**22,617**	**19,737**	**-19,354**	**52,339**	**1,357,616**	**194,551**	**1,552,167**
Surplus or deficit on the provision of services	**410,927**	**0**	**19,737**	**1,431**	**74,956**	**507,051**	**-298,494**	**208,557**

2012-13 Comparative Figures

	Service Analysis (excluding support services) Restated	Services & support not included in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of recharges	Cost of Services Restated	Corporate Amounts	Total Restated
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-150,492	-9,772	0	18,939	19,777	-121,548	0	-121,548
Interest and investment income	-2,543	0	0	2,543	0	0	-2,583	-2,583
Council Tax income	0	0	0	0	0	0	-164,206	-164,206
Government grants & contributions	-764,693	-298	-6,003	44,711	298	-725,985	-373,988	-1,099,973
Total Income	**-917,728**	**-10,070**	**-6,003**	**66,193**	**20,075**	**-847,533**	**-540,777**	**-1,388,310**
Employee expenses in Surplus/Deficit	524,544	31,512	0	-10,959	0	545,097	0	545,097
Other service expenses	653,915	36,874	0	-6,312	0	684,477	0	684,477
Support Service recharges	0	-61,410	0	-2,099	41,335	-22,174	0	-22,174
Depreciation, amortisation and impairment	72,498	3,094	0	-66	0	75,526	0	75,526
Interest payments	0	0	0	0	0	0	44,352	44,352
Net Pension Interest Cost	0	0	0	0	0	0	34,533	34,533
Precepts & levies	0	0	22,592	0	0	22,592	887	23,479
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	19	19
Gain or loss on trading accounts	0	0	0	0	0	0	1,964	1,964
Gain or loss on investment properties	0	0	0	0	0	0	-6,154	-6,154
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	24,973	24,973
Impairment loss on assets held for sale	0	0	0	0	0	0	0	0
Total Expenditure	**1,250,957**	**10,070**	**22,592**	**-19,436**	**41,335**	**1,305,518**	**100,574**	**1,406,092**
Surplus or deficit on the provision of services	**333,229**	**0**	**16,589**	**46,757**	**61,410**	**457,985**	**-440,203**	**17,782**

Note 21. Acquired and Discontinued Operations

From 1st April 2013, responsibility for Public Health transferred to the Council. This increased gross expenditure in the 2013-14 Comprehensive Income and Expenditure by £34.168m and gross income by £34.150m. In addition, in February 2014, around 40 members of staff transferred to the Council from Housing Options (One of these staff transferred from Keyhouse). Housing Options provided housing advice and support, for instance on the prevention of Homelessness.

Note 22. Trading Services

Trading services are mainly activities of a commercial nature, which are financed substantially by charges made to recipients of the service. The tables below show the financial performance of trading services in 2012-13 and 2013-14:

Trading Services Surplus (-) / Deficit

2012-13 Surplus (-) /Deficit £000		2013-14 Turnover £000	2013-14 Surplus (-) /Deficit £000
1,017	School & welfare catering	-14,381	1,109
0	Non-Bradford school catering	0	0
272	Other catering	-756	358
675	Building cleaning	-1,371	787
1,964	**Total**	**-16,508**	**2,254**

Trading Services Included in Net Cost of Services

2012-13 Surplus (-) /Deficit £000		2013-14 Turnover	2013-14 Surplus (-) /Deficit £000
5,086	Markets	-2,870	-834
-2,611	Car parks	-4,614	-3,356
135	Trade refuse	-2,929	10
2,610	**Total**	**-10,413**	**-4,180**

The services have been shown in the Comprehensive Income and Expenditure Statement in accordance with SeRCOP. Those in the first table have been included in Financing & Investment Income and Expenditure (see note 5b). The services in the second table have been included in the cost of services.

Note 23. Agency Services

The Council provides payroll services to a number of external organisations, including Academy Schools and Colleges of Further Education. The payroll records for the external organisations do not form part of the Council's financial statements. However, the costs of administrating this service and the income received from the external organisations in return for the service are included in the Council's financial statements. In 2013-14, the Council received £0.521m income (£0.568m in 2012-13) from external organisations.

The Council also provides accountancy support to a number of external Trusts.

Note 24. Road Charging Schemes

The Council did not undertake or operate any road charging schemes in 2013-14 or 2012-13.

Note 25. Pooled Budgets Arrangements Under Section 31 of the Health Act 1999, and Section 75 of the Health Act 2006

Community Equipment Service Section 31 Agreement

The Council entered into a formal Section 31 pooled budget arrangement for this service from April 2004. From 2013-14, this arrangement was with the Care Commissioning Group (CCG). A summary of contributions and expenditure is shown below.

	2012-13	2013-14
	£000	**£000**
Funding provided		
Council	1,147	1,147
CCG	1,147	1,147
	2,294	**2,294**
Expenditure	2,483	2,566
Net overspend	**189**	**272**
Council share of the net overspend arising on the pooled budget	189	272

In 2013-14 there was an agreement between the Council and the CCG that any overspend on the pooled budget would be met by the Council.

Note 26. Termination Benefits

In 2013-14 the Council incurred voluntary and compulsory redundancy costs of £0.390m (£0.334m in 2012-13) together with £1.036m (£1.483m in 2012-13) for early retirement pension costs. The costs relate to the Council's plans to reduce its expenditure to help to offset the impact of significant Government grant reductions.

Note 27. Pension Schemes Accounted For As Defined Contribution Schemes

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

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total expected contributions into the Teachers' Pension Scheme during the year ending 31 March 2014, the Authority's own contributions equate to approximately 0.42%.

In 2013-14, the Council paid £20.326m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012-13 were £23.684m and 14.1%. There were contributions remaining payable at the year-end of £1.620m. The contributions due to be paid in the next financial year are estimated to be £20.519m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 28.

The Council is not liable to the scheme for any other entities obligations under the plan.

A number of Council employees are also members of the NHS Pension Scheme, administered by NHS Pensions on behalf of the Department for Health (DoH). The Scheme provides the relevant employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 11,000 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total expected contributions into the NHS Pension Scheme during the year ending 31 March 2014, the Authority's own contributions equate to approximately 0.003%.

In 2013-14, the Council paid £0.242m to NHS Pensions in respect of the relevant employees' retirement benefits, representing 14% of pensionable pay. There were no comparable figures for 2012-13. There were contributions remaining payable at the year-end of £0.038m. The contributions due to be paid in the next financial year are estimated to be £0.245m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS Pension Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 28.
The Council is not liable to the scheme for any other entities obligations under the plan.

Note 28. Defined Benefit Pension Schemes

Changes to IAS 19 Accounting Standard (IAS 19R)

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

The principal changes are as follows:

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

The above changes have led to higher charges to the Surplus or Deficit on the Provision of Services for the restated 2012-13 year. There is no effect on the Balance Sheet. The impact of the changes is summarised in the disclosure on Prior Period Adjustments in the Statement of Significant Accounting Policies.

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered through a number of separate regional funds. The Council is a member of the West Yorkshire Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets, determined by the fund's professionally qualified actuary at 31 March 2013 for the three years 1 April 2014 to 31 March 2017. The contribution rates set by the actuary are intended to balance the fund's liabilities with the investment assets over the period. The employer contribution rate for the year 2013-14 in respect of Bradford members of the West Yorkshire Pension Fund was 15.0%.

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

The West Yorkshire Pension Fund pension scheme is operated under the regulatory framework for the Local Government Pension Scheme. City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF) with statutory responsibility for the management and administration of the Fund, has delegated legal and strategic responsibility for the WYPF to the Governance and Audit Committee. The Council has established two bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Policy is determined in accordance with the Pensions Fund Regulations. The Fund's entire investment portfolio is managed on a day to day basis in-house supported by the Fund's external advisers.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax (i.e. the statutory amount charged against the General Fund balance) is based on the cash payable in the year (i.e. the total contribution paid by the Council under the pension regulations), so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total	
	2012-13 £000 Restated	2013-14 £000	2012-13 £000 Restated	2013-14 £000	2012-13 £000 Restated	2013-14 £000	2012-13 £000 Restated	2013-14 £000
Comprehensive Income and Expenditure Statement								
Cost of Services:								
• Current service cost*	50,095	55,676	0	0	0	0	50,095	55,676
• Past service costs	1,461	659	0	0	0	0	1,461	659
• Gain (-) / loss from settlements	0	-7,163	0	0	0	0	0	-7,163
Financing and Investment Income and Expenditure								
• Net interest expense	28,360	28,697	2,306	2,137	3,867	3,608	34,533	34,442
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**79,916**	**77,869**	**2,306**	**2,137**	**3,867**	**3,608**	**86,089**	**83,614**
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement								
Re-measurement of the net defined benefit liability comprising:								
• Return on plan assets (excluding the amount included in the net interest expense)	-123,972	-19,442	0	0	0	0	-123,972	-19,442
• Actuarial gains (-) and losses arising on changes in demographic assumptions	0	-35,355	0	1,686	0	3,009	0	-30,660
• Actuarial gains (-) and losses arising on changes in financial assumptions	123,602	-128,173	3,412	-2,565	6,128	-4,553	133,142	-135,291
• Actuarial gains (-) and losses due to liability experience	-2,251	-50,407	-99	49	-166	1,080	-2,516	-49,278
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**77,295**	**-155,508**	**5,619**	**1,307**	**9,829**	**3,144**	**92,743**	**-151,057**
Movement in Reserves Statement								
• Reversal of net charges made to the Surplus or Deficit for the Provision of Service for post-employment retirement benefits in accordance with the Code	-79,916	-77,869	-2,306	-2,137	-3,867	-3,608	-86,089	-83,614
Actual amount charged against the General Fund balance for pensions in the year:								
• Employers' contributions payable to the scheme	**34,846**	**40,657**	**0**	**0**	**0**	**0**	**34,846**	**40,657**
• Retirement benefits payable to pensioners	**0**	**0**	**3,620**	**3,607**	**5,893**	**5,883**	**9,513**	**9,490**

* The current service cost includes an allowance for the administration expenses of £0.668m in 2013-14 (£0.878m in 2012-13).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total Per Balance sheet	
	2012-13 Restated £000	2013-14 £000	2012-13 Restated £000	2013-14 £000	2012-13 Restated £000	2013-14 £000	2012-13 Restated £000	2013-14 £000
Present value of the defined benefit obligation	2,186,535	2,055,667	53,911	51,611	90,917	88,178	2,331,363	2,195,456
Fair value of plan assets	1,517,473	1,582,770	0	0	0	0	1,517,473	1,582,770
Impact of Minimum Funding Requirement / Asset Ceiling	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation - Closing balance at 31 March	**669,062**	**472,897**	**53,911**	**51,611**	**90,917**	**88,178**	**813,890**	**612,686**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total	
	2012-13 £000 Restated	2013-14 £000	2012-13 £000 Restated	2013-14 £000	2012-13 £000 Restated	2013-14 £000	2012-13 £000 Restated	2013-14 £000
Opening balance at 1 April	**1,339,274**	**1,517,473**	**0**	**0**	**0**	**0**	**1,339,274**	**1,517,473**
Interest income on assets	62,737	66,516	0	0	0	0	62,737	66,516
Re-measurement gains and losses (-) on assets	123,972	19,442	0	0	0	0	123,972	19,442
Contributions from employer	34,846	40,657	3,620	3,607	5,893	5,883	44,359	50,147
Contributions from employees into the scheme	14,046	14,243	0	0	0	0	14,046	14,243
Benefits paid*	-57,402	-60,566	-3,620	-3,607	-5,893	-5,883	-66,915	-70,056
Settlements	0	-14,995	0	0	0	0	0	-14,995
Closing balance at 31 March	**1,517,473**	**1,582,770**	**0**	**0**	**0**	**0**	**1,517,473**	**1,582,770**

* consists of net benefits cash-flow out of the Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Local Government Pension Scheme Discretionary Benefits		Unfunded Liabilities: Teachers Voluntary Early Retirement Discretionary Benefits		Total	
	2012-13	**2013-14**	**2012-13**	**2013-14**	**2012-13**	**2013-14**	**2012-13**	**2013-14**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
	Restated		**Restated**		**Restated**		**Restated**	
Opening balance at 1 April	**1,965,887**	**2,186,535**	**51,912**	**53,911**	**86,981**	**90,917**	**2,104,780**	**2,331,363**
Current service cost	50,095	55,676	0	0	0	0	50,095	55,676
Interest cost	91,097	95,213	2,306	2,137	3,867	3,608	97,270	100,958
Contributions from scheme participants	14,046	14,243	0	0	0	0	14,046	14,243
Re-measurement gains (-) and losses:								
Actuarial gains (-) and losses arising from changes in demographic assumptions	0	-35,355	0	1,686	0	3,009	0	-30,660
Actuarial gains (-) and losses arising from changes in financial assumptions	123,602	-128,173	3,412	-2,565	6,128	-4,553	133,142	-135,291
Actuarial gains (-) and losses due to liability experience	-2,251	-50,407	-99	49	-166	1,080	-2,516	-49,278
Past service costs	1,461	659	0	0	0	0	1,461	659
Benefits paid	-57,402	-60,566	-3,620	-3,607	-5,893	-5,883	-66,915	-70,056
Liabilities extinguished on settlements	0	-22,158	0	0	0	0	0	-22,158
Closing balance at 31 March	**2,186,535**	**2,055,667**	**53,911**	**51,611**	**90,917**	**88,178**	**2,331,363**	**2,195,456**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active Members	39%
Deferred Pensioners	14%
Pensioners	47%

Local Government Pension Scheme Assets

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

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

Asset Category	**31 March 2013**	**31 March 2013**	**31 March 2014**	**31 March 2014**	**31 March 2014**	**31 March 2014**	**31 March 2014**	**31 March 2014**
	£000	**%**	**£000**	**%**	**£000**	**%**	**£000**	**%**
	Total	**Total**	**Quoted**	**Quoted**	**Unquoted**	**Unquoted**	**Total**	**Total**
Equity investments	1,100,168	72.5	1,109,522	70.1	82,304	5.2	1,191,826	75.3
Government bonds	180,579	11.9	166,191	10.5	0	0	166,191	10.5
Other bonds	86,496	5.7	85,469	5.4	0	0	85,469	5.4
Cash	54,629	3.6	49,066	3.1	0	0	49,066	3.1
Property	47,042	3.1	50,649	3.2	0	0	50,649	3.2
Other assets	48,559	3.2	0	0	39.569	2.5	39,569	2.5
Total	**1,517,473**	**100**	**1,460,897**	**92.3**	**121,873**	**7.7**	**1,582,770**	**100**

For a disaggregation of the fair value of the plan assets into classes that distinguish the nature and risks of those assets, please refer to:

- the West Yorkshire Pension Fund Financial Statements and Explanatory Notes in City of Bradford Metropolitan District Council's accounts, available at www.bradford.gov.uk
- the West Yorkshire Pension Fund Report and Accounts, available at www.wypf.org.uk

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, with estimates for the West Yorkshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013. The significant assumptions used in the Actuary's assessments of assets and liabilities have been:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014
Mortality Assumptions	years		years		years	years
Longevity at 65 for current pensioners (aged 65 at accounting date):						
Men	22.1	22.5	22.1	22.5	22.1	22.5
Women	24.3	25.4	24.3	25.4	24.3	25.4
Longevity at 65 for future pensioners (aged 45 at accounting date):						
Men	23.9	24.7	-	-	-	-
Women	26.2	27.7	-	-	-	-
Commutation i.e. take-up of option to convert annual pension into retirement lump sum	Each member was assumed to exchange 50% of the maximum amount permitted of their pre-1 April 2010 pension entitlements, for additional lump sum. Each member was assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.	-	-	-	-
Financial assumptions	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Rate of RPI inflation	3.6	3.4	3.5	3.2	3.5	3.2
Rate of CPI Inflation	2.7	2.4	2.6	2.2	2.6	2.2
Rate of increase in salaries	4.6	3.9	-	-	-	-
Rate of increase in pensions	2.7	2.4	2.6	2.2	2.6	2.2
Discount rate	4.4	4.3	4.1	4.2	4.1	4.2

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in mortality/longevity, for example, assume that post-retirement mortality age rating increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

Impact on the Defined Benefit Obligation in the Scheme

	Present Value of the Defined Benefit Obligation After Increase in Assumption	Change in Present Value of Defined Benefit Obligation	Present Value of Defined Obligation Benefit After Decrease in Assumption	Change in Present Value of Defined Benefit Obligation
	£000	%	£000	%
Mortality/Longevity i.e. Post-retirement mortality age rating * - increase or decrease by 1 year	2,007,991	-2.3	2,103,171	2.3
Rate of increase in salaries - increase or decrease by 0.1%	2,064,695	0.4	2,046,730	-0.4
Rate of increase in pensions - increase or decrease by 0.1%	2,084,047	1.4	2,027,944	-1.3
Discount rate i.e. Rate for discounting scheme liabilities - increase or decrease by 0.1%	2,018,498	-1.8	2,093,518	1.8

* an increase by 1 year means that members are assumed to follow the mortality pattern for an individual that is 1 year older than them.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 are £32.863m. Expected contributions for the Local Government Pension Scheme Discretionary Benefits scheme and the Teachers Voluntary Early Retirement Discretionary Benefits scheme in the year to 31 March 2015 are £3.677m and £6.014m, respectively.

The weighted average duration of the funded defined benefit obligation for the Local Government Pension Scheme (LGPS) is 18.4 years at 31 March 2014 (17.8 years at 31 March 2013).

The weighted average duration of the unfunded defined benefit obligation for Local Government Pension Scheme (LGPS) Discretionary Benefits & Teachers Voluntary Early Retirement Discretionary Benefits is 12 years at 31 March 2014 (12 years at 31 March 2013).

Note 29. Members' Allowances

- The total cost to the Council in respect of Members' allowances in 2013-14 was £2,038,894 and £27,881 expenses (£2,020,263 and £18,340 expenses in 2012-13).

Note 30. Employees' Remuneration

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

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

Number of Employees 2012-13 (Restated)	Employees Emoluments	Number of Employees 2013-14
140	£50,000 - £54,999	133
127	£55,000 - £59,999	108
76	£60,000 - £64,999	66
51	£65,000 - £69,999	52
25	£70,000 - £74,999	26
22	£75,000 - £79,999	25
16	£80,000 - £84,999	12
8	£85,000 - £89,999	12
7	£90,000 - £94,999	8
4	£95,000 - £99,999	2
0	£100,000 - £104,999	1
0	£105,000 - £109,999	1
3	£110,000 - £114,999	1
1	£115,000 - £119,999	0
0	£120,000 - £124,999	1
0	£125,000 - £129,999	1
480	Total	449

The above figures include 357 teachers (382 in 2012-13).

The above table does not include the employees shown in the Senior Officers Remuneration note below. Therefore the figures in the above table for 2012-2013 have been restated in order to remove senior officers from the note and, as noted, these senior officers are shown below.

Senior Officers Remuneration

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

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

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

2013-14 Senior Officers with a salary less than £150k per annum (excluding Employer Pension contributions)

Post Title	Note	Salary including fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Strategic Director Adult & Community Services	F	111,283	0	0	0	111,283	16,692	127,975
(Previous) Strategic Director – Business Support	G	34,663	603	56,375	0	91,641	12,530	104,171
(Previous) Strategic Director – Children's Services	H	136,647	1,136	0	0	137,783	20,472	158,255
(New) Strategic Director – Children's Services	I	5,452	0	0	0	5,452	818	6,270
Interim Head of Human Resources	J	82,922	1,145	0	0	84,067	12,438	96,505
(Previous) Strategic Director - Environment & Sport	K	107,784	1,136	0	0	108,920	16,168	125,088
(New) Interim Strategic Director Environment & Sport	L	8,782	103	0	0	8,885	1,318	10,203
(Previous) Strategic Director - Regeneration and Culture	M	115,020	1,216	0	0	116,236	17,358	133,594
(New) Interim Strategic Director Regeneration and Culture	N	2,106	25	0	0	2,131	402	2,533
City Solicitor	E	94,488	1,239	0	0	95,727	14,173	109,900
Director of Finance		110,000	1,239	0	0	111,239	16,500	127,739
Director of Public Health	O	104,410	190	0	0	104,600	14,617	119,217
Director of West Yorkshire Pension Fund		94,488	1,239	0	0	95,727	14,173	109,900

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

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

Senior Officers' Remuneration

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

2013-14 Senior Officers with salary more than £150k per annum (excluding Employer Pension contributions)								
Post Title and Holder	**Note**	Salary including Fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive - Tony Reeves	E	178,476	1,239	0	0	179,715	26,771	206,486

2012-13 Senior Officers with salary more than £150k per annum (excluding Employer Pension contributions)								
Post Title and Holder	**Note**	Salary including Fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive - Tony Reeves	E,C	204,948	1,239	0	0	206,187	30,555	236,742

Notes:

A. Contracted annualised salary excludes honorariums, extra duty payments and transport allowances, as well an expense allowances and employer pension contributions. They also show the cost for a full financial year, regardless of how long the postholder was in post. The contracted annualised salaries of the Senior Officers posts are as follows:

<u>Annualised Salary for 2013-14</u>

Chief Executive – Tony Reeves - £178,476
Director of Finance - £110,000
Strategic Director Business Support - £117,583 (as at 25 September 2013)
Strategic Director Children's Services – £136,480
Strategic Director Children's Services - £135,221
Strategic Director Adult and Community Services – (£87,139 as at 5 May 2013 as Interim Strategic Director; £111,283 as at 6 May 2013 as Strategic Director)
Strategic Director Regeneration and Culture – £117,583
Interim Strategic Director Regeneration and Culture - £107,086
Strategic Director Environment and Sport – £115,486
Interim Strategic Director Environment and Sport – £107,086
City Solicitor – £94,488
Director West Yorkshire Pension Fund – £94,488
Director of Health - £99,910
Interim Head of Human Resources - £89,238

<u>Annualised Salary for 2012-13</u>

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

B. The Interim Strategic Director Adult & Community Services was appointed on 13 February 2012 and was therefore in post for the whole of the 2012-13 financial year.

C. The Salary including Fees and Allowances shown in the tables above for 2012-13, includes a transport allowance, which ended in November 2012 and was no longer payable after this date and in the 2013-14 financial year.

D. The Strategic Director Council Change Programme left on 1 June 2012. Therefore a salary is shown for 2012-13 but not 2013-14.

E. The following amounts were paid in 2013-14 for election duties and are included in salaries.
Chief Executive – Tony Reeves- £0 (£25,222 2012-13)
City Solicitor - £0 (£12,776 2012-13)

F. The Strategic Director Adult & Community Services at the end of 2013-14 is the same person in the role of Interim Strategic Director Adult & Community Services in the 2012-13 financial year (see B). On 5 May 2013, the Interim Strategic Director was appointed Strategic Director.

G. The Strategic Director Business Support left the employment of the Council on 25 September 2013. This post was deleted as part of the top management restructure. Regarding this post, during the 2013-14 financial year, the net Salary, including Fees and Allowances, incurred by CBMDC was £34,663. This £34,663 cost is net of funding of £22,495 received by the City of York Council as part of a secondment by the postholder.

H. The Strategic Director Children's Services left the employment of the Council on 31 March 2014 and was therefore in post for the whole of the 2013-14 financial year.

I. The new Strategic Director of Children's Services started in the post on 17 March 2014. The crossover period with the previous Strategic Director of Children's Services covered a period of leave taken by the previous Strategic Director.

J. The Interim Head of Human Resources was appointed to this role on 29 April 2013 and at this point became a member of the Corporate Management Team. The salary cost shown relates to 29 April 2013 to 31 March 2014.

K. The Strategic Director of Environment and Sport left the employment of the Council on 28 February 2014

L. The Interim Strategic Director of Environment and Sport started in the post on 1 March 2014 and therefore has performed this role for one month during the 2013-14 financial year.

M. The Strategic Director Regeneration and Culture left the employment of the Council on 24 March 2014.

N. The new Interim Strategic Director of Regeneration and Culture started in the post on 25 March 2014.

O. The Director of Public Health joined the Council on 1 April 2014 as part of the transfer of Public Health to the remit of the Council at the start of the 2013-14 financial year.

Exit Packages

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

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

Compulsory Redundancies				
Number of Exit Packages 2012-13	**Cost to Council 2012-13**	**Cost Bandings**	**Number of Exit Packages 2013-14**	**Cost to Council 2013-14**
	£			**£**
17	122,590	£0 - £19,999	9	31,761
1	26,784	£20,000 - £39,999	2	49,341
0	0	£40,000 - £59,999	0	0
1	60,400	£60,000 - £79,999	0	0
0	0	£80,000 - £99,999	0	0
0	0	£100,000 - £149,999	0	0
0	0	£150,000 - £199,000	0	0
19	**209,775**	**Total**	**11**	**81,102**

Other Departures				
Number of Exit Packages 2012-13	**Cost to Council 2012-13**	**Cost Bandings**	**Number of Exit Packages 2013-14**	**Cost to Council 2013-14**
	£			
191	1,273,607	£0 - £19,999	70	409,440
33	948,644	£20,000 - £39,999	10	286,231
9	436,317	£40,000 - £59,999	9	445,781
8	556,905	£60,000 - £79,999	2	132,067
1	90,931	£80,000 - £99,999	0	0
1	106,414	£100,000 - £149,999	1	117,834
0	0	£150,000 - £199,000	1	150,955
243	**3,412,818**	**Total**	**93**	**1,542,308**

Note 31. Capital Charges and the Repayment of External Loans

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

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

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

In their place, the Council is required to make a statutory minimum revenue provision for the repayment of debt**.** The Council has based the 2013-14 statutory general fund minimum revenue provision (MRP) on 4% of the opening capital financing requirement for supported borrowing and on the asset life method for unsupported borrowing.

The MRP for 2013-14 is £29.323m (2012-13 £33.278m).

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

Capital Expenditure Charged to General Fund Balance

Authorities are allowed to finance capital expenditure through their revenue accounts. The expenditure of £8.946m in 2013-14 (£11.804m in 2012-13) is not shown in the Comprehensive Income and Expenditure Account but is charged to the General Fund and shown in the Movement in Reserves Statement. The amount of £8.946m includes £0.6m transferred from earmarked reserves and which was originally funded from grants received in previous years.

Profit or Loss on the Disposal of Assets and Investments

Profits or losses arising on the disposal of assets are charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The loss on disposal of £111.407m in 2013-14 is made up of £116.720m from the de-recognition of assets and £5.313m in capital receipts. There is a significant loss on disposal in 2013-14 largely because of the 12 schools that were de-recognised from assets when they converted to Academies and one Trust. The Council does not receive capital receipts when schools convert to academies or a Trust and the valued removed off the Balance Sheet is £99.4m for academies and £4.8m for the Trust School, totalling £104.2m.

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

Note 32. Leases

Council as Lessee

Finance Leases

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

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

31 March 2013	Finance Leases as Lessee	31 March 2014
£000		£000
169	Other land and Buildings	145
826	Vehicles, Plant, Furniture and Equipment	804
995	**Total**	**949**

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

31 March 2013	**Finance Lease liabilities** (net present value of minimum lease payments)	31 March 2014
£000		£000
255	Current	248
617	Non-current	684
251	Finance costs payable in future years	200
1,123	**Total Minimum Lease Payments**	**1,132**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Not later than one year	331	314	255	248
Later than one year and not later than five years	676	765	521	637
Later than five years	116	53	96	47
	1,123	**1,132**	**872**	**932**

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

The Council has sub-let some of the Industrial Units held under the finance lease. As at the 31 March 2014 the forecast rental income for 2014-15 is £71,000.

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

Operating Leases

The Council has entered into a number of operating leases for buildings, vehicles, photocopiers and office equipment. The amount charged under these arrangements in the Comprehensive Income and Expenditure Statement during 2013-14 was £2.9m (£2.6m 2012-13).

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

31 March 2013 £000		31 March 2014 £000
2,110	Not later than one year	1,986
4,481	Later than one year and not later than five years	4,475
4,884	Later than five years	4,239
11,475	**Total**	**10,700**

Council as Lessor

Finance Leases

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

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

31 March 2013 £000	Finance lease debtor (net present value of minimum lease payments)	31 March 2014 £000
1	Current	1
225	Non-current	224
2,749	Unearned finance income	2,711
0	Unguaranteed residual value of property	0
2,975	**Gross Investment in the Lease**	**2,936**

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
Not later than one year	38	38	38	38
Later than one year and not later than five years	154	142	154	142
Later than five years	2,783	2,756	2,783	2,756
	2,975	**2,936**	**2,975**	**2,936**

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

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

Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- 3 academy schools that are on short-term 6 year leases

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

31 March 2013 £000		31 March 2014 £000
2,354	Not later than one year	2,129
5,785	Later than one year and not later than five years	4,349
65,075	Later than five years	62,258
73,214	**Total**	**68,736**

The minimum leases payments receivable do not include rents that are contingent on events after the lease was entered into, such as income based on a percentage of income receipts. In 2013-14 £0.632m contingent rents were receivable by the Council (2012-13 £0.775m).

Note 33. Private Finance Initiative (PFI)

BSF Phase 1 – Provision of three schools

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

2012-13 £000	BSF Private Financing Initiative	2013-14 £000
	Charges to Net Cost of Services	
4,054	Unitary Payments to the Contractor for services provided	4,133
4,054	**Total charges to the revenue account**	**4,133**
	Net Operating Expenditure	
5,799	Interest element of finance lease payments	6,465
	Movement in Reserves Statement	
2,127	Capital element of finance lease	1,341
11,980	**Total PFI charges**	**11,939**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
4,168	Education	4,493
13,173	**Total Financing**	**13,498**
1,193	**Transfer to BSF PFI Reserve**	**1,559**

The assets used to provide services at the schools are recognised on the Council's Balance Sheet, as regards one Community School. One Special School and One Academy on a short term 6 year lease. The other school assets are de-recognised because they are Academies or Trusts. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 6.

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The figures used to calculate PFI balances include indexation. Estimated cash payments remaining to be made under the PFI contract at 31 March 2014 are as follows:

Year	Unitary Charge £000	Principal £000	Interest £000	Service charge and life cycle costs £000
Within 1 year	11,648	2,201	6,528	2,919
2-5	47,794	9,614	24,522	13,658
6-10	62,677	14,305	25,477	22,895
11-15	66,337	21,535	19,082	25,720
16-20	61,550	27,940	8,699	24,911
21-25				
Total	**250,006**	**75,595**	**84,308**	**90,103**

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

2012-13 £000	Analysis of Outstanding Liability for BSF Phase 1	2013-14 £000
79,063	**Balance outstanding at 31 March**	**76,936**
-2,127	Payments during the year	-1,341
76,936	**Balance outstanding at year end**	**75,595**

The closing value of assets held under the scheme at 31 March 2014 was £20.517m (£29.963m 31 March 2013) in respect of the BSF Phase 1 scheme.

The liabilities (i.e the total principal repayments due over the life of the scheme) due on these assets at 31 March 2014 were £75.595m (£76.936m at 31 March 2013). The decrease of £1.341m is due to payments during the year.

BSF Phase 2

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

2012-13 £000	BSF Private Financing Initiative	2013-14 £000
	Charges to the Revenue Account	
8,487	Unitary Payments to the Contractor for services provided	8,804
8,487	**Total charges to the revenue account**	**8,804**
	Net Operating Expenditure	
10,604	Interest element of finance lease payments	12,300
	Statement of Movement on the General Fund Balance	
6,549	Capital element of finance lease	4,996
25,640	**Total PFI charges**	**26,100**
	Financed By	
18,296	Government PFI Revenue Grant	18,296
7,762	Education	8,013
26,058	**Total Financing**	**26,309**
418	**Transfer to BSF PFI Reserve**	**209**

The assets that were handed over to the Council before 31 March 2014 have been recognised on the Balance Sheet as an addition to Property, Plant and Equipment.

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

Year	Unitary Charge £000	Principal £000	Interest £000	Service charge and life cycle costs £000
Within 1 yr	24,422	5,793	11,822	6,807
2-5	100,046	23,441	46,335	30,270
6-10	130,812	26,257	54,203	50,352
11-15	137,992	30,154	50,573	57,265
16-20	146,112	34,184	42,951	68,977
21-25	59,589	15,088	14,467	30,034
Total	**598,973**	**134,917**	**220,351**	**243,705**

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

2012-13 £000	Analysis of Outstanding Liability for BSF Phase 2	2013-14 £000
146,715	**Balance outstanding at 31 March**	**139,913**
-6,802	Payments during the year	-4,996
0	Capital Expenditure incurred in the year	0
139,913	**Balance outstanding at year end**	**134,917**

The closing value of assets held under the scheme at 31 March 2014 was £22.666m (£82.755m £2012-13) in respect of the BSF Phase 2 scheme. The liabilities (i.e. the total principal repayments due over the life of the scheme) due on these assets at 31 March 2014 were £134.917m (£139.9m 31 March 2013).

The excess of the liabilities over the assets arises because schools are de-recognised when they convert from Community or Special Schools to Academies on long leases or Trust status. This excess of the liabilities will be financed in future years by government grants. However, in line with accounting standards and the Code, these government grants are not shown on the Council's balance sheet.

The remaining BSF Phase 2 scheme assets of £22.666m, combined with the remaining BSF Phase 1 assets of £20.517 per above, totals £43.183m, per Note 6, page 3. The BSF Phase 2 liabilities of £134.917m, combined with the BSF Phase 1 liabilities of £75.595m total £211.512m. The total excess of liabilities over assets for BSF Phase 1 and 2 is £168.329m. This reduces the Council's Net Assets as shown in its Balance Sheet, on page 3, by £168.329m.

Note 34. Capital Expenditure and Financing

The Capital Financing Requirement is shown below:

2012-13 £000		2013-14 £000
	Capital Expenditure and Capital Financing Requirement	**689,319**
704,191	**Opening Capital Financing Requirement**	
	Capital investment	
88,162	Property, Plant and Equipment	75,753
0	Aborted cost on prior year capital expenditure	-645
181	Investment properties	309
81	Intangible Assets	1,787
0	Heritage Assets	86
8,455	Revenue Expenditure funded from Capital under statute	14,213
	Sources of Finance	
-3,687	Capital Receipts Applied	-4,919
-62,804	Government grants and other contributions	-49,730
-11,804	Sums set aside from revenue	-8,946
-9,194	Repayment of Principal on PFI and Other Finance Leases	-6,748
-24,083	MRP/loans fund principal	-22,374
0	Miscellaneous other	0
-179	Payments of Principal on Long-Term Debtors	-200
689,319	**Closing Capital Financing Requirement**	**687,905**
	Explanation of movements in year	
0	Increase in underlying need to borrow (supported by government financial assistance)	0
-15,107	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	-1,885
235	Assets acquired under finance leases	471
0	Assets acquired under PFI contracts	0
-14,872	**Increase/ (decrease) in Capital Financing Requirement**	**-1,414**

Note 35. Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

There was no balance brought forward at the start of the year. The cost of revenue expenditure funded from capital under statute (REFCUS) in the year was £14.213m (£8.455m in 2012-13). Grants of £10.472m received in year (£5.497m in 2012-13) and £8.496m transferred from the Capital Grants Unapplied reserve were used to fund the REFCUS charges (£2.893m in 2012-13).

Note 36. Other Long Term Liabilities

The total deferred liabilities at 31 March 2014 are £820.849m compared to a total of £1,027.713m at 31 March 2013. The main liability is in respect of the actuarially calculated pension liability which is £201.204m lower at 31 March 2014 when compared to 31 March 2013.

Other significant liabilities are :

a) PFI principal repayments due over the remaining life of the BSF Phase 1 and Phase 2 contracts. The total outstanding PFI liability as at 31 March 2014 was £210.5m (£216.8m at 31 March 2013), of which £202.518m is a deferred liability and £7.994m a creditor in respect of the 2013-14 principal repayment.

b) former West Yorkshire Waste Management Joint Committee debt. This is managed on the Council's behalf by Wakefield Metropolitan District Council. The deferred liability outstanding at 31 March 2014 was £4.432m (£4.617m at 31 March 2013).

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

2012-13 £000	Other Long Term Liabilities	2013-14 £000
813,890	Pension Liability	612,686
	BSF	
74,691	Phase 1	73,394
133,300	Phase 2	129,124
4,617	Waste Management Joint Committee Debt	4,432
1,215	Other	1,214
1,027,713		**820,850**

Appendix B

Amended material misstatement	Impact	SOA Balance Sheet	Value £m Cr	£m Dr
3 Schools were originally carried at historical value in the balance sheet in the draft 2013-14 Statement of Accounts. These school assets should have been carried at valuation and the audited Statement of Accounts have been corrected accordingly.	The value of Property, Plant and Equipment shown on the balance sheet was reduced by £14.9m			
		Property, Plant & Equipment	14.9	
		Revaluation Reserve	7.6	
		Capital Adjustment Account		22.5