

**CITY OF WAKEFIELD**

**METROPOLITAN DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS**

**2008/09**

**This Statement can be provided in large type, Cassette, Braille or in another format or language if required.**

**Please contact Financial Reporting on 01924 306430 or via email on [finrep@wakefield.gov.uk](mailto:finrep@wakefield.gov.uk) to discuss your requirements.**

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## Independent auditor's report to Members of City of Wakefield Metropolitan District Council

### Opinion on the financial statements

I have audited the Authority accounting statements and related notes of City of Wakefield MDC for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

### Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

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

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

## Basis of audit opinion

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

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

## Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

## Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

### Authority's Responsibilities

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

### Auditor's Responsibilities

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

### Conclusion

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

### Certificate

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

Paul Lundy  
District Auditor  
Kernel House  
Killingbeck Drive  
Killingbeck  
Leeds  
LS14 6JD  
September 2009



**Peter Box**  
**Leader of the Council**



**Joanne Roney**  
**Chief Executive of the Council**

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The following pages set out our accounts for 2008/09 and provide information on how the Council continues to use its resources to provide better services to the people of the district, both through delivering services ourselves, and by working with our partners.

Again our resources have been used effectively, and we remain committed to keeping Council Tax levels as low as possible, as well as ensuring that we provide value for money and the highest possible quality, in both our spending decisions and the services local people receive. We also recognise the need to continue to safeguard our resources and spend wisely, particularly in a time of global economic downturn.

These accounts demonstrate that Wakefield continues to be financially healthy and well managed. This gives us the capacity to plan for, and to meet, the challenges ahead of us. We are managing our resources well. We again welcome the fact that this has been recognised by our 3 star rating from the Audit Commission for our Use of Resources.

2008/09 saw the Council continue with its pace of rapid change and improvement. We have again exceeded the Governments target for efficiency and productivity savings. Our GCSE results are again the best ever, helping to secure a prosperous future for our young people. We are also particularly proud to have been recognised by the Audit Commission as an Excellent 4 Star Council in the Comprehensive Performance Assessment (CPA).

The Council continues to prioritise investment in and around our strategic priorities. Three of these strategic priorities are those shared with our partners in our Local Strategic Partnership, 'Wakefield Together' in the Community Strategy; 'Safer and Stronger Communities', 'Healthier Communities' and 'Skills Enterprise and Work'. We maintain our focus on listening to citizens and meeting their needs and aspirations, both through our own services and with our partners.

Our fourth strategic priority is 'Organisational Transformation'. We review continually how we provide services and we want to ensure that all services received by the citizens of this district are high quality, convenient, easy to use and represent good value for money to users and taxpayers. Our three year transformation programme 'Beyond Excellence' is taking this agenda forward across all of our corporate and service areas.

## INTRODUCTION BY THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE

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We believe that Wakefield Council already provides many good quality services, but there is always more to be done. We are fully committed to challenging what we do, how we do it, and what it costs. Sound financial management and budgeting, and aligning our resources to meet citizen priorities, are key part of this. This report demonstrates Wakefield's commitment to sound financial management, as well as our commitment to using our resources to the maximum benefit of local people and communities.



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**Peter Box**  
**Leader of the Council**



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**Joanne Roney**  
**Chief Executive of the Council**

## INTRODUCTION

This document is the Statement of Accounts for Wakefield MDC. It has been prepared in accordance with the accounting principles specified in the 2008 Statement of Recommended Practice (SORP) and complies with the 2008 Best Value Accounting Code of Practice (BVACOP). It covers the financial year from 1 April 2008 to 31 March 2009 and shows the financial position of the Council and the cost of services it provides. These are illustrated in the bar charts on the following pages. The foreword and financial summary provides a guide to the most significant matters in the financial statements. In order to provide easily understood information, facts and figures have been presented as simply and clearly as possible.

## 1. ACCOUNTABILITY AND FINANCIAL REPORTING

Local Authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the Council is required to produce a set of accounts in order to inform you, as a stakeholder of the Council, that it has properly accounted for all the public money it has received and spent and that the financial standing of the Council is on a secure footing.

## 2. THE STATEMENTS

The following core financial statements show the financial activity of the Council in relation to the services provided. These have been prepared in accordance with the SORP 2008, which includes some less significant changes than those in the SORPs of the previous two years. Where appropriate, figures for 2007/08 have been restated to make them comparable with 2008/09 (see note 1 to the Core Financial Statements).

- The Income and Expenditure Account. This shows the income receivable and expenditure incurred in the year by the Council in carrying out its functions.
- The Statement of Movement on the General Fund Balance (SMGFB). This shows the amounts, in addition to the Income and Expenditure Account surplus or deficit that are required by statute and non-statutory proper practices to be charged or credited to the General Fund. The balance shown represents the General Fund balance available to be carried forward to meet future year's expenditure.
- The Statement of Total Recognised Gains and Losses (STRGL). This shows all the gains and losses experienced by the Council during the year and explains the increase or decrease in reserves as shown in the Net Worth in the Balance Sheet.
- The Balance Sheet. This shows the position of all the Council's assets and liabilities as at 31 March 2009. The Council's reserves represent the balance of assets and liabilities as shown on the Balance Sheet.
- The Cash Flow Statement. This summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.
- The Collection Fund. This shows the transactions relating to National Non-Domestic Rates and Council Tax and how these were distributed to precepting authorities and the General Fund.

Other statements included are:

- The Statement of Responsibilities for the Statement of Accounts. This sets out the respective responsibilities of the Council and the Director of Finance.

- The Annual Governance Statement. This sets out the framework designed to ensure that the Council operates a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Wherever possible technical accounting terms have been explained in the main text or in the glossary at the back of this publication.

### 3. FINANCIAL SUMMARY

#### REVENUE EXPENDITURE

Revenue expenditure is the day-to-day running costs of providing the Council's services and includes expenses such as salaries, heating, cleaning, repairs and maintenance, and capital financing costs.

The Council spent £790.9m on services in 2008/09. An analysis of this expenditure by service is shown in the chart on Page 9. This expenditure is funded from a number of sources including General and Specific Government Grant, Council Tax, Redistribution of National Non-Domestic Rates and income from the Fees and Charges which the Council levies on some of its services.

At its meeting on 3 March 2008, the Council set a budget of £237.5m for the financial year 2008/09 to provide for the delivery of general services, other than schools. This is the net budget after taking account of all income and grant which is received directly by services. Net expenditure for the year was met from within this budget and a small contribution of £58k from the Invest to Save Reserve.

The Council funds revenue expenditure on schools primarily from grant monies provided by the Department for Children, Schools and Families (DCSF) through the Dedicated Schools Grant (DSG). This grant is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget.

The DSG allocation for 2008/09 was £181.6m which together with the allocation of £16.1m brought forward from 2007/08 gave total available funding of £ 197.7m. Actual expenditure against this funding was £182.7m, leaving £15.0m funds to carry forward into 2009/10.

Within this overall financial outturn position for 2008/09, the Council has also placed into reserves some funds which were provided for within the budget but not required to be used in 2008/09 for the purposes for which they were allocated :

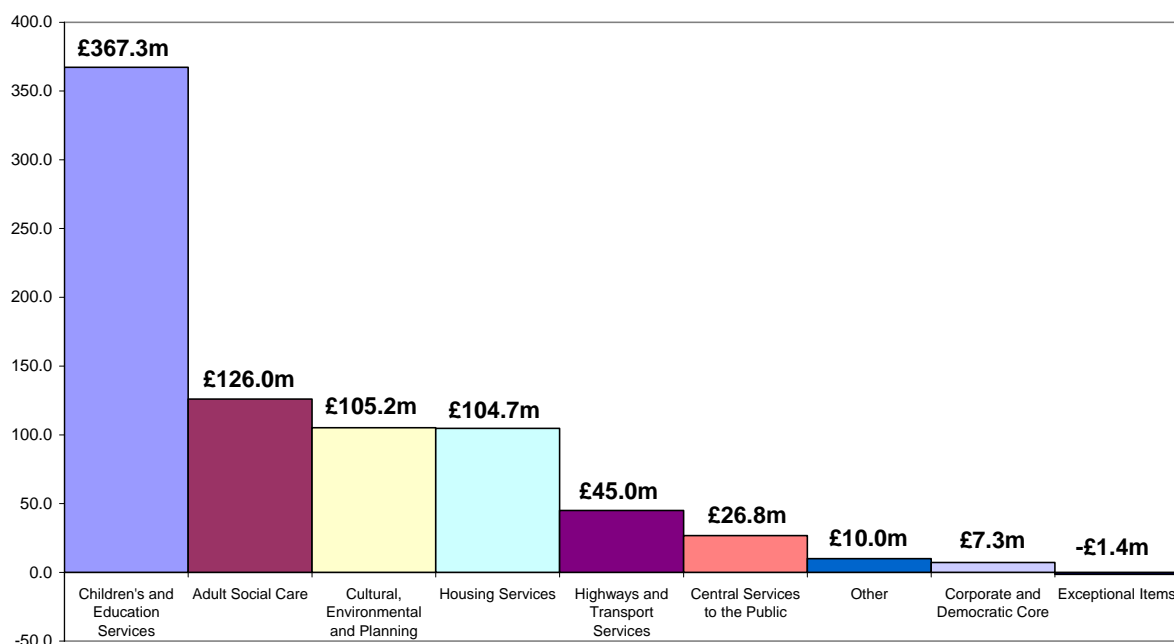
- £2.4m was allocated for Waste Management PFI Contract Payments but not used due to delays to the contract start date. The funding has been transferred to the Capital Expenditure Reserve to contribute to the capital costs of implementing the Waste Strategy.
- £2.4m of savings have been generated within the Treasury Management budget which have been reserved to help manage the impact on that budget in 2009/10 and the Medium Term of the current downturn in investment income and interest rates.
- £1.4m of funding from Wakefield Primary Care Trust to support initiatives to deal with Health Inequalities has been put into an earmarked reserve for this purpose.

General Reserves were increased during the year from £5.6m to £6.1m by repayment of funds from the Worksmart Project and additional savings from the 2008/09 budget setting process.

The total net impact of the revenue outturn on the General Fund Balance is a decrease of £0.6m which is a combination of reduced DSG balances of £1.1m and payments into General Reserves of £0.5m.

The chart below illustrates the distribution of gross revenue expenditure on the major services the Council provides. More detail is contained in the Income and Expenditure Account

**Gross Revenue Expenditure on Continuing Services (£790.9m)**



### CAPITAL EXPENDITURE

Capital expenditure is expenditure on tangible fixed assets (buildings & equipment) and intangible fixed assets (software etc.) the benefits of which last more than one year. It also includes some expenditure which is revenue by nature but is capitalised under statutory notice. The Council applies definitions of capital expenditure which comply with those set out in the SORP.

The regulatory framework governing capital expenditure is incorporated in the Local Government Act 2003.

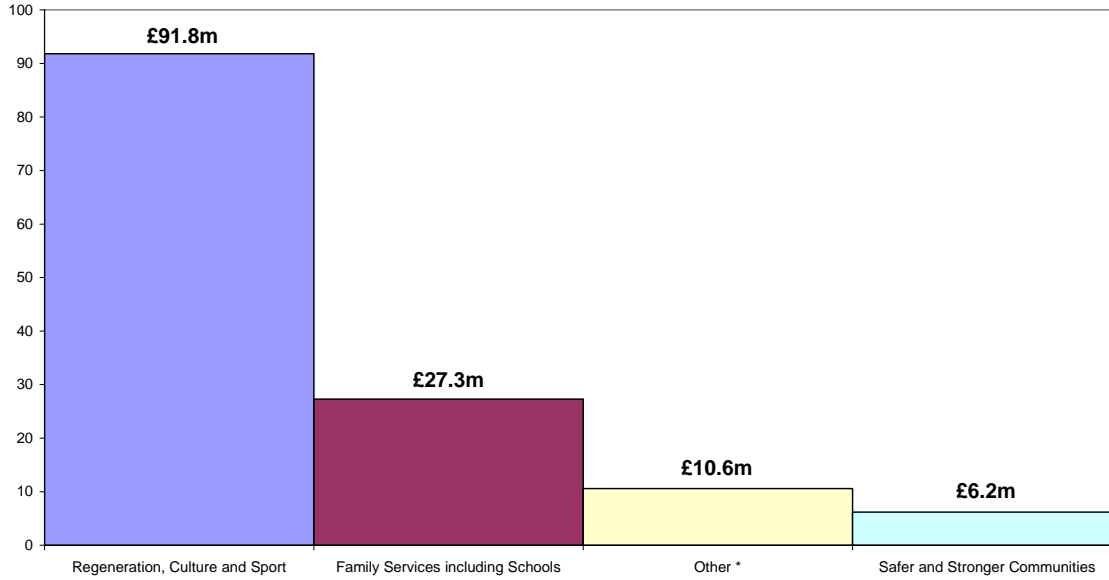
The Council approved a Capital Programme for 2008/09 of £95.3m at its meeting in March 2008. This increased during the year, primarily due to Programme slippage from 2007/08, additional Government Grant allocations and external resources levered in to support delivery of the Programme. The final revised Programme was £143.8m against which the actual expenditure was £124.8m representing 87% of the revised Programme, with the majority of the balance being re-phased into 2009/10.

In addition capital expenditure shows £11.1m expenditure on assets which are being provided within partnership developments between the Council, Government Agencies and the Private Sector.

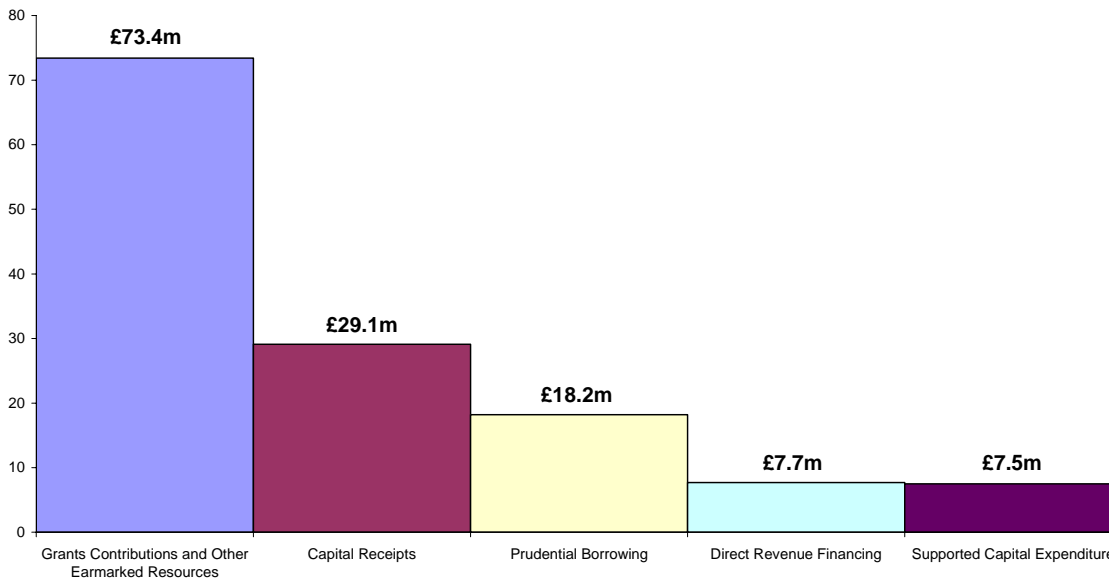
## FOREWORD AND FINANCIAL SUMMARY BY THE DIRECTOR OF FINANCE

The charts below illustrate this total expenditure by Service and how the expenditure was funded. More detail is contained in Note 20 to the Core Financial Statements.

**2008/09 Capital Expenditure by Service (£135.9m)**



**Funding of Capital Expenditure in 2008/09 (£135.9m)**



**4. SIGNIFICANT ISSUES AND NEW DEVELOPMENTS 2008/09**

The following paragraphs describe briefly the significant issues and new developments that the Council has had to address in preparing this statement for 2008/09.

**IMPACT OF THE SORP 2008**

A number of less significant changes have been introduced by the SORP 2008 than in the previous two years. This year has seen the introduction of the Area Based Grant (ABG) which has replaced the Local Area Agreement (LAA) Grant and has resulted in the grant income being moved from the net cost of services section to the sources of finance section in the Income and Expenditure Account. Further details can be found in note 16 to the Core Financial Statements.

**PENSION LIABILITY**

The Council is required to recognise the cost of retirement benefits when employees earn them, rather than when they are actually paid to pensioners and show the net liability in the Balance Sheet. The estimated FRS17 net pensions liability has reduced by £37.0m, from £388.5m to £351.5m, with a corresponding decrease in the deficit on the Pensions Reserve. This is due to:

	£ million
A reduction in the value of liabilities due to falling inflation and the use of a higher discount rate as a result of higher yields on bonds	197.7
Less:	
Reduction in the value of assets due to poorer returns on investments	(160.7)
	37.0
<b>Reduction in Net Pension Liability</b>	<b>37.0</b>

Pension contribution rates are set by the actuary to recover the deficit over the longer term.

**PRIVATE FINANCE INITIATIVE (PFI)**

The Private Finance Initiative is a source of funding used for long-term major projects. The Council is developing a PFI scheme as part of implementing its Municipal Waste Management strategy. The scheme has reached the Preferred Bidder stage with an expectation of completing the procurement process by late summer 2009

Further information on PFI, including the existing Street Lighting PFI scheme, is included in the Statement of Accounting Policies and in note 42 to the Core Financial Statements.

**EQUAL PAY**

The impact of settlement of Equal Pay claims is shown as an exceptional item within the accounts as a credit balance of £1.4m. In 2007/08 a provision was made of £15.0m for anticipated future payments. Payments have been made during the year to the value of £5.9m, and the provision for future payments is now estimated to be £7.7m, a total of £13.6m (net £1.4m credit). Of the £13.6m, £9.6m was funded from capital following receipt of a capitalisation directive from Communities and Local Government (CLG) and the remainder funded from revenue. For further details see note 3 to the Core Financial Statements.

### GROUP ACCOUNTS

The Council has considered the SORP requirements for local authorities to produce group accounts. The outcome of the review is that the Council does not have any interests in outside companies or organisations, which are sufficiently material to require the production of group accounts in 2008/09.

### VALUE FOR MONEY (VFM)

The application of improved arrangements for managing and achieving VFM is a key element of demonstrating that the Council is using its resources effectively.

The Council has a process of service VFM self assessment which is undertaken as part of the business planning process. These self assessments are explored and challenged in order to help identify key areas of service delivery that are then subject to focused activity ranging from “transformation “ through increased efficiency or resource prioritization (more for the same), “sustained performance” (same for less) or reduced investment, all linked to the Council’s corporate priorities. The Council has a good track record of delivering efficiencies and value for money. An above target £17.2m of efficiencies was delivered during the last Spending Review period to 2007/08 and the Council remains on track to continue to deliver a level of efficiencies which is above national expectations within the current Spending Review period to 2010/11.

### BORROWING

The Council reduced its long-term borrowing by £12.3m from £232.9m as at 31 March 2008 to £220.6m as at 31 March 2009. Initially, new borrowing of £5.7m was taken out in May 2008 within the Council’s borrowing requirement held over from the previous financial year. However, as part of the treasury management strategy to maintain the optimum balance of debt and investments and having regard to the current economic climate, £17.8m of loans were repaid during January and February 2009. The net impact of these actions together with scheduled debt repayments of £0.2m results in the reduction to long-term borrowing of £12.3m.

### MINIMUM REVENUE PROVISION (MRP) CHANGES

Local Authorities are normally required each year to set aside some of their revenues as provision for debt. This is known as the minimum revenue provision (MRP).

Regulations amending the system for making MRP came into existence on 31 March 2008 and have to be applied to capital expenditure incurred from 1 April 2008. The detailed rules are replaced with a simple duty for an authority each year to make an amount of MRP which it considers to be “prudent”.

Statutory MRP Guidance has been issued by the Communities and Local Government (CLG) which provides options by which Local Authorities can determine prudent provision. The Council’s MRP policy complying with this guidance is set out in the Treasury Management section of the annual Budget Report.

### PRUDENTIAL CODE

To facilitate the decision-making process and support capital investment decisions, the Prudential Code requires the Council to approve and monitor a number of Prudential Indicators. These indicators are mandatory and cover affordability, prudence, capital expenditure, external debt and treasury management and must be approved before the start of the financial year.

Performance against all the approved indicators is monitored monthly and performance against key indicators is reported quarterly through the budget clinic process. The Treasury Management Outturn report submitted annually to Cabinet compares actual performance for the year against all the indicators as approved by Council at the start of that year.

### SCHOOLS OBTAINING TRUST STATUS

Trust schools are state-funded foundation schools supported by a charitable trust. In 2008/09 two trusts were established to build long term relationships with new partners and other schools in the area:

- The Aspire Trust - which consists of three of the District's High Schools (Outwood Grange, Horbury and Wakefield City)
- The Education Ossett Community Trust - which consists of nine schools in the Ossett area.

As part of this process, the land and assets of the schools involved have been transferred from the Council to the respective Trusts in accordance with Education legislation. The value of Tangible Fixed Assets on the Balance Sheet has been reduced to reflect this transfer. For further details see Note 17 to the Core Financial Statements.

Annual funding to the Trust schools is still provided by the Council in exactly the same way as for other Council maintained schools, mostly from the Dedicated Schools Grant.

During 2008/09, Outwood Grange College and the Council submitted an Expression of Interest to the Department for Children, Schools and Families (DCSF) for the College to become an "Academy of Excellence" in 2009/10. On achieving Academy status, the College's principal source of funding would be from a General Annual Grant receivable directly from DCSF and the Council's Dedicated Schools Grant allocation would be reduced accordingly.

### INVESTMENTS IN ICELANDIC BANKS

Early in October 2008 the entire Icelandic Banking system collapsed. At that time the Authority was holding £9m of investments, £3m each with Icelandic Banks Landsbanki Islands HF and Glitnir and £3m with Heritable, a UK subsidiary of Landsbanki.

The current situation with regards to recovery of these deposits varies between each institution, but overall the Council expects that it will recover in excess of 90% of these deposits by means of staged payments commencing in July/August 2009 and concluding by 2013. Further details of Icelandic Bank deposits and expected recovery are included within Note 35 to the Core Financial Statements.

## 5. LOOKING FORWARD

### MEDIUM TERM FINANCIAL STRATEGY

The Council's Medium Term Financial Strategy has a three year forward looking perspective and highlights the principles and resourcing issues that shape the Council's financial strategy and annual budgets. Key financial challenges for the Council across the next three years are:

- Resourcing the Council's Municipal Waste Management Strategy – annual investment in excess of £13m by 2011/12.
- Equal Pay legislation – estimated back payments in excess of £24m.
- Pay & Reward Framework – estimated costs of £16.6m to 2010/11 and £5.3m per year thereafter .
- Managing the impact of the economic downturn on Council income and Council services.

Also, the Chancellor's budget of April 2009 contained strong indications of tight financial settlements for Local Authorities within the next Spending Review period commencing April 2011 and this is being recognised within the Council's updates to its forward looking financial and business plans.

### CAPITAL STRATEGY AND PLANS

The Council's Capital Strategy is an integral part of the Council's financial and business planning processes and provides the framework for the development of capital plans and informs the Medium Term Financial Strategy. The Capital Strategy outlines the Council's approach to capital investment in seeking to ensure that capital resources are used effectively in meeting the Council's corporate priorities.

The Council's approved Capital Programme developed within this Strategy provides for £267m capital investment over the next four years. This investment is funded from a variety of sources including Government allocations, specific grants, capital receipts and prudential borrowing.

The programme is currently over-committed by £15m in comparison to resource forecasts. This is partly because of a significant reduction to capital receipts which is being experienced due to the impact of the current economic climate in general and the property market in particular, and partly because the Council considers that a manageable level of over-programming is desirable in that it provides more scope for accelerating capital projects if other projects slip in order to maximise use of available capital investment funds.

### MOVEMENT TOWARDS INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements of the Council are currently prepared using accounting policies based on UK Generally Accepted Accounting Practices (GAAP). In order to improve consistency and comparability between financial reports in a global economy, the Council will have to prepare its accounts using International Reporting Standards (IFRS), adapted as necessary for the public sector. 2010/11 will be the first year that the accounts will have to be prepared on an IFRS basis and comparative figures for 2009/10 will have to be produced. In order to do this and provide figures for Whole of Government Accounts purposes, the accounts for 2008/09 will need to be adjusted to an IFRS basis.

CONCLUSION

The Council continues to be successful in managing its finances and has maintained a sound financial base from which it can meet increasing demands and for the Council's future development.

I would like to thank all Members and Officers who have made 2008/09 a success and would particularly like to thank colleagues in Financial Services for their hard work and commitment in completing this Statement of Accounts and all the supporting information.

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Judith Badger CPFA  
Director of Finance  
28 September 2009

### THE COUNCIL'S RESPONSIBILITIES

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Wakefield Metropolitan District Council, that officer is the Director of Finance.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts.

### THE RESPONSIBILITIES OF THE DIRECTOR OF FINANCE

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/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice on Local Authority Accounting in the United Kingdom 2008"), and is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing this statement of accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Applied the accounting concept of a "going concern" by assuming that the Council's services will continue to operate for the foreseeable future;
- Kept proper accounting records, which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### THE DIRECTOR OF FINANCE'S CERTIFICATE

I certify that the Statement of Accounts presents fairly the financial position of Wakefield Metropolitan District Council at 31 March 2009 and its income and expenditure for the year then ended.

---

Judith Badger CPFA  
Director of Finance  
28 September 2009

APPROVAL OF THE ACCOUNTS

As Chair of the Body considering the Wakefield Metropolitan District Council Statement of Accounts for 2008/09, I certify that the Accounts have been approved by the Audit Committee on 28 September 2009.

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Mark Crowther  
Chair of the Audit Committee  
28 September 2009

## 1. SCOPE OF RESPONSIBILITY

- 1.1 Wakefield Metropolitan District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is included in the Council Constitution. This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control, (Annual Governance statement).

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Council adopted a revised Local Code of Corporate Governance ('the Code') in March 2009 which complies with a guidance note on 'Delivering Good Governance in Local Government' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 2.3 There are six core principles that good governance is based on:
  - i. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
  - ii. Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- iii. Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
  - iv. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
  - v. Developing the capacity and capability of Members and officers to be effective;
  - vi. Engaging with local people and other stakeholders to ensure robust public accountability.
- 2.4 The governance framework has been in place in the Council for the year ended 31<sup>st</sup> March 2009 and up to the date of approval of the Statement of Accounts for 2008/09.

### 3. THE COUNCIL'S GOVERNANCE FRAMEWORK

- 3.1 The following section describes the key elements of the systems and processes that comprise the Council's governance arrangements which were in place during the year linked to the six core principles mentioned in paragraph 2.3 above.

#### **Core Principles of the Council's Code of Corporate Governance**

#### **3.2 Core Principle 1 – Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**

- 3.2.1 The overarching vision for the Council is set out in the Council's Corporate Plan, and is:

- To deliver high quality, citizen focused services.
- To work with partners to ensure citizens and communities achieve their full potential.
- To be among the best performing councils.

The Corporate Plan also sets out the Council's core values.

- **Ambition** - Setting high standards of service delivery by focusing on continuous improvement and putting citizens at the heart of everything we do.
- **Respect** - In how we treat each other and our customers.
- **Integrity** - Ensuring probity in our processes, being open and honest in decision making and fostering a learning culture in the organisation

- 3.2.2 The Council puts citizens at the heart of everything it does and provides a range of services directly or in partnership to meet the needs of its citizens.

- 3.2.3 The collective ambition and vision for the Wakefield district is set out in the community strategy, [Developing Knowledge Communities 2006](#) which was developed through extensive citizen and partner engagement. The strategy provides

a sharp focus on shared priorities for the district's 25 year vision for the district as a place:

- Moving forward, motivated by pride and heritage
- Where people look after themselves and each other so they are safe and healthy, having the skills and confidence to take more control over their lives.
- With places that are attractive to live, learn, work and invest in and where diverse towns and villages work together to promote the well being of the whole of the district.
- Where together with the younger people of the district, we will ensure the work we do now stands the test of time.

3.2.4 This vision is being delivered through three district-wide priorities that are helping to ensure fundamental improvements in the social, economic and environmental wellbeing of the Council's communities. These are:

- Skills, Enterprise and Work – creating sustainable communities by developing skills for life and employment of local people, as well as encouraging inward investment and the creation/ growth of local businesses.
- Safer and Stronger Communities – developing sustainable communities through tackling issues around crime and community safety and improving the cleanliness of neighbourhoods and quality of public spaces.
- Healthier Communities – developing sustainable communities by increasing life expectancy, encouraging people to adopt healthier lifestyles and promoting the take up of leisure and cultural activities.

3.2.5 The revised community strategy, Developing Knowledge Communities, has 3 underpinning principles of Cohesion, Engagement and Sustainability with 3 cross-cutting challenges, Children and Young People, VCS and Culture that are helping to focus district-wide efforts to make sure these principles and challenges are embedded in the Council's day to day working practices.

3.2.6 The Wakefield Local Area Agreement, developed through Wakefield Together, the Local Strategic Partnership, is the joint, three year delivery plan for the community strategy.

3.3 **Core Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles;**

3.3.1 The roles and responsibilities of executive and non-executive members are clearly set out in the Council's constitution which includes a scheme of delegation and relevant codes of practice. Cabinet and Corporate Management Team provide strategic leadership in the overall co-ordination of Council policies, strategies and service delivery. The Council has continued to review these processes and responsibilities to ensure it meets all legislative requirements, as well as strengthening the effectiveness of political leadership in achieving the desired outcomes for the district.

- 3.4 Core Principle 3 - Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
- 3.4.1 The Standards Committee is chaired by an independent co-opted member and works to promote and maintain high ethical standards. The member and officer Code of Conduct reinforces the Council's commitment to all related statutory and ethical duties and is publicly available to citizens and other stakeholders to ensure transparency. Ethical standards are embedded through training and induction for both members and officers and reviewed regularly.
- 3.4.2 The Council has a number of Corporate Working Groups looking at a range of key issues for the Authority. The Service Management Team (SMT) that meets monthly and consists of all Service Directors has a particular focus to ensure a corporate approach to Council initiatives. In addition, the Council has a Corporate Performance Officer Working Group that is linked to the SMT and is charged with ensuring all aspects of performance management (including issues such as data quality) are developed and implemented in line with corporate standards. Furthermore, a high level Internal Control (AGS) Group is now firmly established which is chaired by the Service Director for Legal and Democratic Services and has specific responsibility for all governance issues, and the production of an action plan, and monitoring of actions contained in the AGS, including the requirement of the amended Accounts & Audit Regulations to undertake an annual review of the effectiveness of the Internal Audit function.
- 3.5 Core Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**
- 3.5.1 Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are published in the Forward Plan and the officer delegation scheme ensures that routine decisions are made at the right level, with Cabinet focusing on policy development, strategic and cross cutting issues. Scrutiny processes are robust and effective. Five specific committees and ad hoc, cross cutting working groups provide overview and challenge to both Council and partner services.
- 3.5.2 The Council's approach to strategic and operational risk management is robust, with members playing a key role and receiving training from senior officers. Audit Committee members receive bespoke training on finance, audit and governance. Risk is reviewed regularly as part of the Audit Committee agenda and Cabinet and CMT hold joint workshops to review the Council's strategic risks as part of the business planning process.
- 3.5.3 Risk Management arrangements centre around the Council's Risk Management Policy and Strategic Framework. This Framework is supported by an Action Plan for further developing and embedding risk management throughout the whole of the Council's activity. The Risk and Insurance Manager, (supported by a corporate Risk Management Sub-Group), is charged with responsibility for implementing the Action Plan, maintenance of the Council's risk register and regular review of risks by trained staff.

- 3.6 **Core Principle 5 - Developing the capacity and capability of Members and Officers to be effective.**
- 3.6.1 The Council considers member and officer training to be critical to further their future development. The Council has in place a development programme that covers topics such as leadership skills, ethics and standards; elements of the member programme are delivered jointly with CMT and aligned to the Council's management development programme. Both elected and co-opted members also have training plans.
- 3.6.2 Officers have an annual appraisal that includes reviewing and updating personal development plans.
- 3.7 **Core Principle 6 - Engaging with customers and other stakeholders to ensure robust public accountability.**
- 3.7.1 The Council's Engagement Framework has been developed with partner organisations, its aim is to ensure that effective, two way dialogue with citizens is undertaken and the results used to inform decision making and priority setting. It also forms the basis of how the Council and partners engage with citizens, including hard to reach groups such as older people, younger people, people with disabilities and faith groups.

#### 4. REVIEW OF EFFECTIVENESS

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Members, Corporate Directors, Service Directors and other managers of the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Maintaining and reviewing the effectiveness of the system of governance is achieved through:
- A. ***The assessment of the Council under the CPA Framework by the Audit Commission (including the annual Use of Resources Assessment).*** The 2008/09 Use of Resources Assessment showed that the Council maintained a score of 3. The CPA inspection held in September 2008 improved the star rating of the Council from a 3 star to a 4 star Council.
- B. ***Regular reviews of ethical standards policies and procedures by the Ethical Issues Sub-Group (EISG).*** The remit of the Sub-Group includes development and review of ethical standards policies, procedures and training. The outcomes of these reviews are reported to the Standards Committee and where appropriate the Audit Committee and Cabinet. During 2008/09 the EISG recommended changes to the Anti Fraud and Corruption Policy.
- C. ***Review and update of the corporate strategic risk register to reflect the changing nature of the strategic risks faced by the Council.*** The register was reviewed during the second half of the year and a revised register was approved by Cabinet and entered onto the formal risk management database in early 2009.

- D. **The annual review of the effectiveness of the system of Internal Audit.** This review has been carried out by the AGS Group, which concluded, as in the previous year, that “the system is effective, with only minor areas for development in order to ensure full compliance with the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006”.
- E. **Consideration of any determinations by the Ombudsman.** For the 2008/09 reporting period, Wakefield Council has not been the subject of a determination by the Ombudsman.
- F. **Taking account of any breaches of the Code of Conduct by Members.** No elected Member of Wakefield MDC was found to be in breach of the Code of Conduct during 2008/09.
- G. **The annual opinion of the Head of Internal Audit on the adequacy of internal control arrangements based on the outcomes of individual audit reviews.** The 2008/09 opinion is:  
  
“From the work undertaken by Internal Audit and reported upon during 2008/09, the opinion of the Senior Internal Audit Manager is that systems of Internal Control were, in general, adequate to prevent potential material risks of a strategic and operational nature, becoming real. Whilst this opinion is unqualified, it should be noted that a number of key areas for further improvement were identified from Internal Audit work, most notably within the areas of partnership governance, various land and property management issues, insurance arrangements and building on officer and Member risk management training and awareness to further embed the process throughout the organisation. These issues are referred to within the content of Section 5 of this Statement, and the continuing implementation of identified control improvements are necessary to further enhance the existing systems of internal control during 2009/10”.
- H. **Annual assurance statement (AAS) returns from Service Directors.** The completed 2008/09 statements have indicated that there are no specific areas where controls are not adequate.
- I. **Consideration of complaints made under the formal complaints procedure.** The Council’s complaints policy and procedure has not identified areas for improvement.
- J. **Outcomes of external reviews.** A number of external reviews have taken place during 2008/09 including an Audit Commission Use of Resources and Direction of Travel assessment and CPA Inspection. The outcome of all inspections and audits, including the Annual Audit and Inspection Letter, (AAIL) are used to plan and improve Council services. The 2007/08 AAIL was the most positive one received by the Council with only a small number of recommendations for improvement made.
- K. **The ongoing review and development of the Performance Management Framework.** The Performance Clinic Process was subject to a systematic review during 2008/09. In August 2008, Corporate Management Team (CMT) agreed a revised list of priority performance measures to be subject to challenge through Corporate Performance Clinics. At the same time, arrangements for the Directorate Management Team (DMT) clinics were strengthened. Moreover, in January 2009, CMT agreed to a revised clinic process - with a single integrated corporate clinic to jointly consider financial, performance, and risk management information in a single arena. The arrangements were developed in order to ensure that senior managers have access to relevant and timely information to support effective decision-making.

L. Whilst there have been no major reportable incidents under the Health and Safety Regulations in 2008/09, the council will be working with the Health and Safety Executive to ensure that compliance with the Health and Safety at Work legislation is embedded across the Council. This is recorded as an initiative to be taken forward during 2009/10 within Section 5 of this statement.

4.2 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the AGS Officer Group and Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place

## 5. SIGNIFICANT GOVERNANCE ISSUES

5.1 In considering the significant internal control issues contained within the 2007/08 AGS, it is noted that the following enhancements have been achieved:

- A. Implementation of the Audit Commission recommendations as part of the 2007/08 Close of Accounts process has led to enhanced reporting arrangements.
- B. Ethical Standards workshops have been held to continue to embed a counter – fraud culture across the Council, to inform officers of the requirements of the revised Anti Fraud & Corruption Policy and Fraud Response Plan, and raise staff awareness of obligations under the Employee Code of Conduct.
- C. Improvements have been made to controls around the reconciliation processes relating to the Midland/Trent Payroll system and payroll related controls.

5.2 In addition to the above, a number of issues referred to in the 2007/08 AGS have been partially actioned and will be further progressed during 2009/10 and beyond, being:

- A. Co-ordinating corporate information regarding Partnerships, and further embedding the principles of sound governance in respect of Partnerships.
- B. Finalise the Single Status exercise.
- C. Further embed the Corporate Data Quality Strategy across the Council.
- D. Further review the effectiveness of system controls including CorVu (the Councils electronic Performance Management system) and management information within the Council to support improved service delivery.
- E. Further develop financial and governance arrangements relating to major land and property management issues.

5.3 The AGS and supporting documentation provides clear evidence of improvements in the Council's governance arrangements in 2008/09. In looking towards 2009/10 and beyond it is acknowledged there are a number of initiatives to be implemented /

embedded to further enhance the existing governance environment in addition to those recorded in 5.2 above. These key issues are:

- A. Carry out a detailed review of the adequacy of the Council's insurance contract arrangements.
  - B. Sound governance arrangements in place for Schools relating to governance and data quality arrangements of those services within schools which have been transferred from local authority service provision.
  - C. Further to earlier officer and Member training relating to effective risk management, to continue to embed the process throughout all levels of the organisation in line with the Council's Policy and Strategic Framework, with specific reference to links with financial and performance management.
  - D. Work with the Health and Safety Executive on health and safety issues to embed compliance with the Health and Safety at Work legislation across the Council.
- 5.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**BY ORDER OF THE AUTHORITY**



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**Peter Box**  
Leader of the Council  
Dated: 30 June 2009



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**Joanne Roney**  
Chief Executive of the Council  
Dated: 30 June 2009

This statement explains the basis of the figures in the accounts.

### 1. GENERAL PRINCIPLES

The accounts have been prepared in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2008 (the SORP). They comply with the Best Value Accounting Code of Practice 2008 (BVACOP), which establishes proper practices in consistent financial reporting below the Statement of Accounts level, and therefore aids comparability with other local authorities. Also they have been produced as required by the Audit and Accounts Regulations 2003 (as amended).

The following policies have been adopted in compiling the accounts:

- Fundamental Accounting Concepts:
  - a) The accounts have been prepared on a historical cost basis, except that certain categories of assets are re-valued at regular intervals. (See accounting policy 10).
  - b) The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.
  - c) Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
  - d) Income has only been recognised within the accounts where there is a reasonable certainty, and proper allowances have been made for all foreseeable losses and liabilities.
  - e) The accounts have been prepared on a going concern basis.
  - f) The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.
  - g) As allowed under the SORP the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.
  - h) Where estimating techniques are required to enable the accounting practices adopted to be applied, 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, where practical, the effect on the results for the current period are separately disclosed.
  - i) In accordance with the SORP, where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts.

### 2. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, rather than being simply based on when cash is paid or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the goods or services.
- Supplies are accounted for as expenditure when they are consumed. Where there is a gap between the date the supplies are received and their consumption, they are carried as stocks in the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress in the Balance Sheet.
- Employee costs have been charged to the period within which the employees worked, except for a few cases that are immaterial.
- Interest payable and receivable is accounted for in the period to which it relates on a basis that reflects the overall economic effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. (see Accounting Policy 3)
- Income and expenditure are credited and debited to the Income and Expenditure Account, unless they properly represent capital receipts or capital expenditure.

### 3. PROVISION FOR BAD AND DOUBTFUL DEBTS

The carrying amount of debtors has been adjusted for doubtful debts. This has been done by analysing the age of debt and using past experience to assess the amount of debt likely to be uncollected, based on perceived risks and taking into account the current economic climate. Significant debts have been assessed individually. Other debts and those assessed individually but found to require no specific provision, have been assessed collectively in groups based on similar risks. Known uncollectable debts have been written off in full.

### 4. PROVISIONS

Provisions are recognised in the accounts, where:

- a) The Council has a present obligation (legal or constructive) as a result of a past event,
- b) It is probable that a transfer of economic benefits will be required to settle the obligation, but the timing of the transfer is uncertain; and
- c) A reliable estimate can be made of the amount of the obligation.

Contributions to provisions are charged to the appropriate revenue account and any subsequent expenditure arising, to which the provision relates, is charged to the provision. The level of each provision is reviewed at the year end and, if appropriate, adjusted by reversing the contribution to the provision and crediting the relevant service revenue account. The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the council implemented its equal pay strategy.

### 5. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These include statutory reserves, such as the General Fund, and other reserves to meet specific future expenditure.

Reserves are created by appropriating amounts from the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate part of the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance, so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible assets and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies below.

Note 31 to the Core Financial Statements analyses movements on reserves.

### 6. GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants and subsidies and third party contributions have been credited to the appropriate accounts on an accruals basis, provided that the conditions of entitlement to the grant or contribution have been satisfied and there is a reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants, if possible, are matched in service revenue accounts with service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited in the Sources of Finance section of the Income and Expenditure Account, after Net Operating Expenditure.

Government Grants and Contributions relating to fixed assets are credited to the Government Grants and Contributions Deferred Accounts and released to the service revenue account in line with the depreciation or amortisation of the asset.

### 7. RETIREMENT BENEFITS

Employees of the Council may choose to be members of a pension scheme.

Within the Council the schemes are:

- the Teachers' Pension Scheme (teaching staff only), administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF)
- the Local Government Pensions Scheme, known as the West Yorkshire Pension Fund and administered by Bradford Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

#### **Teachers' Pension Scheme**

The arrangements for the teachers' scheme mean that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme, so that no liability for future payments of benefits is recognised in the

Balance Sheet and the service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

### **The Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefits scheme, which means that:

- 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, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 7.1% based on a weighted average of “spot yields” 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 – a professional estimate of fair value
  - unitised securities – current bid price
  - property – market value.

Previously the policy had been to measure fair value at mid-market value. The effect of the change of policy is explained in Note 11 to the Core Financial Statements.

- The change in the net pensions liability is made up of seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of 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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
  - gains/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 to the Net Cost of Services in the Income and Expenditure Account as part of Non- Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – these are recognised in the Statement of Total Recognised Gains and Losses and reflected by a corresponding change in the Pension Reserve

- contributions paid to the West Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amounts payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. This means that, in the Statement of Movement on the General Fund Balance, 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 any amounts payable to the fund but unpaid at the year-end.

### **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.

## 8. TAXATION

Local authorities are exempt from Income, Corporation and Capital Gains Taxes. Income and expenditure normally excludes amounts relating to Value Added Tax (VAT), as VAT collected is payable to HM Revenue and Customs and VAT paid is normally recoverable from it. Exceptionally, if VAT is irrecoverable, it is charged to service revenue expenditure or capital expenditure as appropriate.

## 9. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those services that benefit from the supply of the service, in accordance with the costing principles of the BVACOP 2008. 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 (e.g. costs of discretionary benefits awarded to employees retiring early).

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

## 10. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council, and the

services it provides, for more than one year. The only exception to this is that, for certain types of assets, items under a de minimis level of £5,000 are not capitalised, but charged to revenue, unless they are grant funded.

The non-operational category of Fixed Assets includes those used by Joint Committees, where the Council is the Lead Authority and the Land and Buildings are vested in the Council.

### **Measurement**

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

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Revaluations of tangible fixed assets are planned through a five-year rolling programme, although some changes to General Fund asset valuations are made in the interim period following completion of the scheme where expenditure is in excess of £75,000. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they are directly related to the reversal of an impairment loss previously charged to a service revenue account.

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.

### **Depreciation**

Depreciation has been provided for using the straight-line method on Land and Buildings (excluding non-depreciable land and non-operational investment properties), Vehicles, Plant and Equipment, Infrastructure and Community Assets. The useful lives of the various assets held on the Asset Register are as follows: -

- Vehicles, plant and equipment up to 9 years.
- Schools up to 70 years.
- Libraries and administration offices up to 100 years
- Car Parks up to 45 years
- Farms, golf clubs, cemeteries and markets up to 70 years
- Infrastructure Asset up to 40 years
- All other significant properties up to 100 years

- The majority of land assets have a life expectancy of 999 years.

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.

### **Impairment**

The values of each category of assets, and of material individual assets that are not being depreciated, are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefit, the loss is charged to the relevant service revenue account.
- Otherwise the loss is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

### **Grants and Contributions**

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants and Contributions Deferred Accounts. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## **11. INTANGIBLE FIXED ASSETS**

Intangible fixed assets are assets that do not have any physical substance but which the Council controls access to the future economic benefits derived from them, either through custody or legal protection. They include the purchase of computer software licences and associated implementation costs.

### **Recognition**

Expenditure on intangible fixed assets is accounted for on an accruals basis and is capitalised, provided that it yields benefits to the Council and the services it provides for more than one year. The only exception to this is that items under the de-minimis level of £5,000 are not capitalised, but charged to revenue, unless they are grant funded.

### **Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet at cost less amortisation charges.

### **Amortisation charges**

The value of Intangible Fixed Assets is amortised to the relevant service revenue account, using the straight-line method, over the economic lives of the assets.

### **Impairment**

Intangible Fixed Assets are reviewed for any impairment loss. Where an impairment loss has occurred, it is charged to the relevant service revenue account.

### **Grants and Contributions**

Where grants and contributions are received that are identifiable to assets with a finite useful life, the amounts are credited to the Government Grants and Contributions Deferred Accounts. The balance is then written down to revenue to offset amortisation charges made for the related assets in the relevant service revenue account.

## **12. DISPOSAL OF ASSETS**

When an asset is disposed of, or decommissioned, the gain or loss on the disposal is credited or charged to the Net Operating Expenditure Section of the Income and Expenditure account. The gain or loss is calculated by reference to the difference between the sale proceeds of the asset and the value of the asset in the Balance Sheet plus any costs of disposal. Any revaluation gains in the Revaluation Reserve, relating to the asset disposed of, are transferred to the Capital Adjustment Account.

Receipts from disposals in excess of £10,000 are classified as capital receipts. A proportion of receipts relating to housing disposals is payable to the government. The remaining receipts are required to be credited to the Usable Capital Receipts Reserve, and can be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The carrying amount of disposals written off to the Income and Expenditure Account is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. These amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

## **13. CHARGES TO REVENUE FOR FIXED ASSETS**

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

- depreciation attributable to the tangible fixed assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute

towards the reduction in its overall borrowing requirement. For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the Minimum Revenue Provision (MRP) will follow the existing practice outlined in the former CLG Regulations. From 1 April 2008, for all unsupported borrowing, the MRP will be based on the estimated life of the assets, in accordance with current Regulations. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### 14. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of fixed assets, has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to revenue in the Statement of Movement on the General Fund Balance so there is no net impact on the General Fund.

Previously such expenditure was taken to the Balance Sheet and then amortised. This represents a change in accounting policy and the comparative figures for 2007/08 have been restated accordingly.

Similarly Grants received in respect of Revenue Expenditure Funded from Capital Under Statute are credited to revenue and transferred to the Capital Adjustment Account in the Statement of Movement in General Fund Balance.

### 15. LEASES

#### **Finance Leases**

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed Assets held under finance leases are accounted for as part of Tangible Fixed Assets.

#### **Operating Leases**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable, net of benefits received or receivable, are charged to revenue on a straight line basis over the term of the lease.

#### **The Council as Lessor**

Where the Council is the lessor in an operating lease, it retains the property as a Fixed Asset in the Balance Sheet and credits rentals, net of benefits received or receivable, to revenue on a straight line basis over the term of the lease.

### 16. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the longer of the outstanding term of the replaced loan or the term of the replacement loan and the gain/loss over the term of the replaced loan or 10 years if shorter. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

### 17. FINANCIAL ASSETS

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments
- Fair Value through Profit and Loss (Income and Expenditure Account) – Financial Instruments held for trading.

#### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, any material loss is recorded in the

Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

### **Available-for-sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

### **Instruments Entered Into Before 1 April 2006**

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required (see policy 4) or a contingent liability note is needed.

### **Fair Value through Profit and Loss (Income and Expenditure Account)**

A financial instrument that is 'held for trading' should be classified as 'fair value through profit and loss'. The definition is met if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking
- A derivative

The Council has used forward contracts to purchase investment assets. Such forward contracts are 'derivatives' between the trade and settlement date. On the trade date the fair value of the derivative will be nil but if the fair value of the 'underlying' derivative (i.e. the financial asset) increases the derivative will have a positive value and if it decreases it will have a negative value. The derivative is settled on the settlement date by the delivery of the financial asset and payment of the consideration. The financial asset is recognized at fair value on the settlement date. The difference between the fair value on the settlement date and the consideration paid under the forward contract is the gain or loss on the forward contract derivative. The gain or loss on the derivative is taken to the Income and Expenditure Account. If a forward contract is open at the year-end the gain or loss on the forward contract is taken to the Income and Expenditure. If the forward contract has a positive value it is shown as a financial asset in the Balance Sheet. If it has a negative value it is shown as a financial liability in the Balance Sheet.

## **18. STOCKS AND WORK IN PROGRESS**

Stocks are valued annually wherever possible in accordance with the SORP, at the lower of actual cost or net realisable value, or an approximation thereof. However, certain stocks are valued at latest purchase price due to computerised stock systems. Work in progress is included at the cost of work done at 31 March together with a prudent estimate of any attributable profit or foreseeable loss.

## **19. INTERESTS IN COMPANIES AND OTHER ENTITIES**

Local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures are required to prepare summarised Group Accounts. To assess whether it needs to prepare Group Accounts, the Council has undertaken a mapping exercise to identify its interest in all companies (see note 44 to the Core Financial Statements). This exercise showed that these interests were such that Group Accounts are not required.

In the Council's own accounts, interest in companies and other entities are recorded as investments and shown at cost less any provision for losses.

### 20. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS & PRIOR YEAR ADJUSTMENTS

Any material exceptional or extraordinary items are separately disclosed in the accounts.

Material prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes, together with the cumulative effect on reserves. The effect of material prior period adjustments is disclosed separately in note 1 to the Core Financial Statements.

### 21. PRIVATE FINANCE INITIATIVES

- **Street Lighting**

The Council's Private Finance Initiative Street Lighting contract has been accounted for in accordance with Application Note F of Financial Reporting Standard 5, which specifies that properties used to provide services under PFI contracts should be recognised as an asset by whichever party has access to the risks and benefits of the property. Following a review of the Street Lighting contract, the Council concluded that no item is required to be recognised as an asset on its balance sheet as a result of the contract. As a consequence of this, in accordance with the Local Authorities (Capital Finance) Regulations 1997, payments made under the contract are accounted for as expenditure for capital purposes in relation to a credit arrangement with nil initial value, and hence with no requirement for credit cover to be set aside. The overall effect of this is that the payments made under the contract are charged to the revenue account.

Those assets, which have been contributed to the contract by the Council, are accounted for as a long-term debtor, which will be written down in equal annual instalments to the revenue account over the life of the contract.

The acquisition of those assets which will transfer to the Council's ownership at the end of the contract at nil cost is being accounted for by identifying the element of the contract payments which notionally relates to their acquisition and treating it as a prepayment, creating a long term debtor which will be built up over the life of the contract.

Application Note F of FRS 5 requires that the value of the long-term debtor balance to be built up should be the value, which, at the time that the contract is entered into, the Council expects, would be the fair value of these assets at the time of their transfer. In order to arrive at an estimate of the value, which the Street Lighting assets will have in 2029, the Council has initially valued the assets in accordance with the Council's accounting policy number 10 for tangible fixed assets, which requires infrastructure assets to be valued at construction cost. Depreciation has then been applied to this initial value on a straight-line basis, using the 40 year life for the street lighting assets specified in the contract.

If during the life of the contract the expected transfer value of the Street Lighting assets falls, this will be treated as an impairment and a provision for the fall in the expected value will be created. Further information, including details of the Street Lighting PFI transactions, is included within note 42 to the Core Financial Statements.

- **Municipal Waste Management**

The Council is in the process of developing a PFI scheme as part of implementing its Municipal Waste Management Strategy, for which development costs have been incurred. These have been charged to the revenue account. The procurement process had not been concluded at 31st March 2009, so there are no accounting implications for 2008/09.

### 22. ACQUIRED OR DISCONTINUED OPERATIONS

The Council will identify material operations, which it acquired or which were discontinued in the year.

### 23. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are reflected in the accounts up to the date when the Statement of Accounts was authorised for issue.

Where an event arises which provides additional evidence relating to conditions existing at the Balance Sheet date, or which indicates that application of the going concern concept to a material part of the Council is not appropriate, (an adjusting event), then adjustments have been made to the accounts, where the amounts are material.

Any material event, which concerns conditions that did not exist at the Balance Sheet date (a non-adjusting event), has been disclosed as a note to the Core Financial Statements. The note states the nature of the event and, where possible, an estimate of its financial effect.

### 24. FOREIGN CURRENCY TRANSLATION

Income and expenditure arising from a transaction denominated in a foreign currency is translated into sterling at the exchange rate in operation on the date on which the transaction occurred.

### 25. LANDFILL ALLOWANCE TRADING SCHEME

The Landfill Allowance Trading Scheme is a “cap and trade” scheme under which the Department for Environment Food and Rural Affairs (DEFRA) allocates tradable allowances to each Waste Disposal Authority (WDA) annually up to the amount of its cap. The allowances are used to discharge the WDAs liability for the usage of Biodegradable Municipal Waste (BMW) landfill space. If the WDA exceeds this allowance, it can purchase allowances from other authorities, borrow from the following year’s allowance within limits and subject to certain criteria, or pay a penalty to DEFRA.

The value of the allowances issued by DEFRA is measured initially at their fair value. This is treated as deferred income in the Balance Sheet and subsequently recognised as income in the year in which they are issued. Allowances purchased from other Waste Disposal Authorities are accounted for in the same way.

As landfill is used, a liability is recognised for actual BMW landfill usage. This liability is treated as a provision in the Balance Sheet and is discharged by using allowances to meet the liability, or by paying a penalty to DEFRA. The liability is measured at the best estimate of

the expenditure required to meet the obligation at the balance sheet date. This is normally the present market price at the balance sheet date of the number of allowances needed to cover actual BMW landfill usage for the year. However, if any part of the obligation is to be met by paying a cash penalty to DEFRA, that part of the liability is measured at the cost of the penalty rather than at the market price of the relevant number of allowances.

At the Balance Sheet date, the value of unused allowances is remeasured at the lower of cost and net realisable value.

### 26. CONTINGENT LIABILITIES

Contingent Liabilities are not accrued in the accounting statements. Material Contingent Liabilities are identified in note 46 to the Core Financial Statements if there is a possible obligation, which may require a payment or a transfer of economic benefits.

### 27. CONTINGENT ASSETS

Contingent Assets are not accrued in the accounting statements. Material Contingent Assets are identified in note 46 to the Core Financial Statements if the inflow of a receipt or economic benefit is probable.

### 28. JOINT ARRANGEMENT NOT AN ENTITY (JANE)

A JANE is defined as a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity. Each participant in the arrangement accounts separately for its own transactions arising within the agreement including the assets, liabilities, income, expenditure and cash flows which are held or arise within the JANE.

Where its involvement is considered material the Council's accounts include:

- its share of the jointly controlled assets
- any liabilities the Council has incurred directly
- its share or any liabilities incurred jointly with other partners
- any income from sale or use of its share output, together with its share of any expenses that it has incurred in respect of its interest in the arrangement.

## INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account shows the net cost for the year of the functions for which the Council is responsible, and how that cost has been financed. The amounts that the Council is required to credit or charge to the General Fund, to determine its budgetary requirement and its Council Tax demand, are defined by statute and non-statutory proper practices.

The Statement of Movement on the General Fund Balance (SMGFB) reconciles the Surplus/Deficit on the Income and Expenditure Account to the General Fund Balance. Note 1 explains the differences in detail and note 2 analyses the General Fund Balance between that generally available to the Council and that held by governors under schemes to finance schools.

2007/08 Net Expenditure £000	Income and Expenditure Account	2008/09			Notes
		Gross Expenditure £000	Gross Income £000	Net £000	
	<b>Expenditure on Services :</b>				
2,051	Central Services to the Public	26,841	(23,416)	3,425	
458	Court Services	1,643	(1,147)	496	
54,550	Cultural, Environmental, Regulatory & Planning Services	105,234	(38,551)	66,682	
58,361	Children's and Education Services	367,324	(288,267)	79,057	
26,576	Highways & Transport Services	45,000	(17,295)	27,704	
5,851	Housing Services	104,655	(98,874)	5,781	
69,673	Adult Social Care	125,997	(46,515)	79,482	
7,635	Corporate and Democratic Core	7,316	(129)	7,187	
13,775	Non Distributed Costs	8,361	(280)	8,081	
17,005	Exceptional items	(1,434)	-	(1,434)	
<b>255,935</b>	<b>Net Cost of Services</b>	<b>790,937</b>	<b>(514,474)</b>	<b>276,461</b>	3
2,426	Net (Surplus) / Deficit of Trading Operations			(234)	14
(10,317)	(Gain) / Losses on disposal of fixed assets			83,575	15
(11,555)	Gain in respect of Unattached Capital Receipts			(5,602)	15
(7,892)	(Gain) / Losses on disposal of long term investments			40	35
11,739	Interest Payable and similar charges			13,882	35
81	Contribution of Housing Capital Receipts to Government Pool			106	
(4,806)	Interest and Investment Income			(5,398)	35
-	(Gains) / Losses on the repurchase or early settlement of borrowing			2,939	
1,893	Collection Fund - Parish Precepts Paid			2,084	
(1,960)	Pensions Interest Cost and Expected Return on Pension Assets			16,345	11
<b>235,544</b>	<b>Net Operating Expenditure</b>			<b>384,198</b>	
	<b>Sources of Finance</b>				
(99,802)	Demands on the Collection Fund			(105,651)	
(332)	Transfer of Collection Fund Surplus			(1,506)	
(17,239)	General Government Grants			(34,058)	16
(102,721)	Distribution from the non-domestic rate pool			(116,283)	
<b>(220,094)</b>	<b>Total Sources of Finance</b>			<b>(257,498)</b>	
15,450	(Surplus) / Deficit for the year			126,700	

2007/08 £000	Statement of Movement on the General Fund Balance	2008/09 £000	Notes
	(Increase) / Decrease in the General Fund Balance for the year :		
15,450	Net (Surplus) / Deficit for the year on Income and Expenditure Account	126,700	
(10,934)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(126,101)	
<b>4,516</b>	<b>(Increase)/Decrease in the General Fund Balance for the year:</b>	<b>599</b>	31
(26,180)	General Fund Balance brought forward	(21,664)	31
<b>(21,664)</b>	<b>General Fund Balance carried forward</b>	<b>(21,065)</b>	31

## NOTES TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 £000	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	2008/09 £000	Notes
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining Movement on General Fund Balance for the year</b>			
(36,615)	Depreciation and impairment of fixed assets	(56,064)	
(10,142)	Revenue Expenditure Funded from Capital Under Statute	(16,894)	
6,524	Government Grants Deferred amortisation matching depreciation and impairments	7,405	
120	Amortisation of Grants in respect of Long Term Debtors and Long Term Investments	507	
10,317	Net Gain / (Loss) on Fixed Asset Disposal	(83,575)	15
11,555	Gain in respect of Unattached Capital Receipts	5,602	15
7,892	Net Gain / (Loss) on disposal of long term investments	-	
	Differences between amounts debited / credited to the Income and Expenditure Account and amounts payable / receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	(3,408)	
640		(49,725)	
(36,281)	Net charge made for retirement benefits in accordance with FRS17	(49,725)	11
361	PFI transactions - new assets acquired less annual charge for assets transferred	361	33
(12,346)	Transfer from Unequal Pay Back Pay Account	15,021	31
(451)	Adjustment in respect of the transition to changes relating to Financial Instruments	-	
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining Movement on General Fund Balance for the year</b>			
8,034	Statutory provision for the repayment of debt	8,253	33
3,020	Capital expenditure charged to General Fund	7,690	33
(81)	Transfer from Usable Capital Receipts equal to amount payable into Housing Capital Receipts Pool	(106)	32
27,816	Employer's contributions payable to the West Yorkshire Pensions Fund	31,699	11
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
8,703	Net transfer to/(from) earmarked reserves	7,133	
<b>(10,934)</b>		<b>(126,101)</b>	

2007/08 £000	Analysis of the General Fund Balance	2008/09 £000	Note
5,548	Amount generally available to meet costs of any unforeseen events and realisation of any contingent liabilities	6,109	
16,116	Amount held by governors under schemes to finance schools	14,956	
<b>21,664</b>	<b>General Fund Balance Carried Forward</b>	<b>21,065</b>	31

**Judith Badger CPFA**  
**Director of Finance**  
**28 September 2009**

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement summarises all the gains and losses experienced by the Council for the year and shows the aggregate increase or decrease in its net worth. In addition to those reflected in the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.

2007/08 £000	2007/08 Restated £000	Statement of Total Recognised Gains and Losses	2008/09 £000	Note
(15,450)	(15,450)	Surplus / (deficit) for the year on Income and Expenditure Account	(126,700)	
57,232	57,232	Surplus / (deficit) on revaluation of Fixed Assets	26,471	(i)
(6,249)	(6,249)	Adjustment to 1 April Revaluation	-	
(166,862)	(167,026)	Actuarial Gains / (losses) relating to pensions	55,026	(ii)
(15,977)	(15,977)	Transitional arrangements in respect of financial instruments	-	
(407)	(407)	Movement on the Collection Fund balance	(1,833)	
(2,555)	(2,555)	Other gains / (losses)	440	(iii)
<b>(150,268)</b>	<b>(150,432)</b>	<b>Total Recognised Gains / (Losses)</b>	<b>(46,596)</b>	

The cumulative effect of the Prior Period Adjustments disclosed in Note 1 to the Core Financial Statements is an increase in Reserves of £0.164m that relates to the Pensions Reserve (see Note 11 to the Core Financial Statements).

(i) Of the £26.471m, £33.826m represents the revaluations of Fixed Assets from 1 April 2008 included in the Revaluation Reserve (See Note 34), and (£7.355m) represents a reduction in respect of the write back of notional acquisition costs that have been added to Tangible Fixed Assets in previous years. This practice has been reviewed and is considered no longer appropriate (see Note 33 and 34 to the Core Financial Statements).

(ii) More detail on the Actuarial Gains/ (losses) is included in Note 11.

(iii) This figure relates mainly to the write down of the amount owing to the other West Yorkshire Districts in respect of the former West Yorkshire Waste Management Joint Committee (WYWMJC) referred to in Notes 30 and 33 to the Core Financial Statements (£0.366m).

## BALANCE SHEET

The Balance Sheet summarises the financial position of the Council, including the Collection Fund. It shows the value of the Council's assets and liabilities at the end of the financial year. It excludes Trust Funds and Pension Fund balances.

Original 31 March 2008 £000	Restated 31 March 2008 £000	Balance Sheet	31 March 2009 £000	Note
		<b>ASSETS AND LIABILITIES</b>		
		<b>Long Term Assets</b>		
2,684	2,684	Intangible Fixed Assets	1,879	19
804,975	804,975	Tangible Fixed Assets	783,501	17
18,442	18,442	Long Term Investments	14,231	35
34,263	34,263	Long Term Debtors	31,797	23
<b>860,364</b>	<b>860,364</b>	<b>Total Long Term Assets</b>	<b>831,408</b>	
		<b>Current Assets</b>		
913	913	Stock & Work in Progress	930	24
87,616	87,616	Debtors & Payments in Advance	64,338	25
70,508	70,508	Short Term Investments	71,775	35
829	829	Cash in Hands of Officers & Cash in Transit	689	39
30	30	Cash in Bank	-	
<b>159,896</b>	<b>159,896</b>	<b>Total Current Assets</b>	<b>137,732</b>	
		<b>Current Liabilities</b>		
(74,286)	(74,286)	Creditors & Receipts in Advance	(69,243)	27
(10,460)	(10,460)	Short Term Borrowing	(17,165)	35
-	-	Cash Overdrawn	(12,473)	39
<b>(84,746)</b>	<b>(84,746)</b>	<b>Total Current Liabilities</b>	<b>(98,881)</b>	
<b>935,514</b>	<b>935,514</b>	<b>Total Assets Less Current Liabilities</b>	<b>870,259</b>	
		<b>Long Term Liabilities</b>		
(234,464)	(234,464)	Long Term Borrowing	(222,179)	35
(21,285)	(21,285)	Provisions	(13,822)	29
(2,515)	(2,515)	Deferred Liabilities	(2,067)	30
(135,449)	(135,449)	Deferred Government Grants	(172,022)	28
(24,018)	(24,018)	Deferred Contributions	(26,403)	28
(27,056)	(27,056)	Grants & Contributions Unapplied	(26,635)	32
(388,666)	(388,502)	Pension Fund	(351,502)	11
<b>(833,453)</b>	<b>(833,289)</b>	<b>Total Long Term Liabilities</b>	<b>(814,630)</b>	
<b>102,061</b>	<b>102,225</b>	<b>Total Assets Less Liabilities</b>	<b>55,629</b>	
		<b>FINANCED BY</b>		
394,753	394,753	Capital Adjustment Account	306,164	31 & 33
48,625	48,625	Revaluation Reserve	59,766	31 & 34
(16,820)	(16,820)	Financial Instruments Adjustment Account	(20,228)	31
-	-	Available-for-sale Financial Instruments Reserve	-	31
22,276	22,276	Usable Capital Receipts Reserve	2,144	31 & 32
(388,666)	(388,502)	Pension Reserve	(351,502)	11
29,622	29,622	Earmarked Reserves	36,755	31
21,664	21,664	General Fund Reserve	21,065	31
(15,021)	(15,021)	Unequal Pay Back Pay Account	-	31
1,915	1,915	Collection Fund Reserve	82	31
3,713	3,713	Deferred Credits (including Deferred Capital Receipts)	1,383	36
<b>102,061</b>	<b>102,225</b>	<b>Net Worth</b>	<b>55,629</b>	

I certify that the Balance Sheet presents fairly the position of Wakefield Metropolitan District Council as at 31 March 2009.

**Judith Badger CPFA**  
**Director of Finance**  
**28 September 2009**

## CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Original 2007/08 £000	Restated 2007/08 £000	Cash Flow Statement	2008/09 £000	Notes
19,342	11,876	<b>Revenue Activities Net Cash Flow</b>	<b>21,973</b>	38
19,342	11,876		21,973	
(15,453)	(15,453)	Returns on Investments and Servicing of Finance :		
(17)	(17)	Cash Outflows		
		- Interest Paid	(15,066)	
		- Interest Element of Finance Leases	(6)	
5,208	5,208	Cash Inflows	4,680	
-	-	- Interest Received		
		- Discount Received	-	
<b>(10,262)</b>	<b>(10,262)</b>	<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>	<b>(10,392)</b>	
		<b>Capital Activities - Cash Outflows</b>		
(64,369)	(64,369)	Purchase of Fixed Assets	(89,530)	
(10,000)	(10,000)	Purchase of Long Term Investments	(5,302)	
(24,538)	(1,499)	Other Capital cash payments	(781)	
		<b>Capital Activities - Cash Inflows</b>		
4,863	4,863	Sale of Fixed Assets	6,310	
58,851	43,278	Capital grants received	34,215	
12,678	12,678	Other Capital cash receipts	29,598	
<b>(22,515)</b>	<b>(15,049)</b>	<b>Net Cash Outflow from Capital Activities</b>	<b>(25,490)</b>	
		<b>Acquisitions and Disposals - Cash Inflows</b>		
8,612	8,612	Sale of Investments in Joint Ventures and Associates	367	
8,612	8,612	<b>Net Cash Inflow from Acquisitions and Disposals</b>	<b>367</b>	
<b>(4,823)</b>	<b>(4,823)</b>	<b>Net Cash Outflow before financing</b>	<b>(13,542)</b>	
		<b>Management of Liquid Resources</b>		
-	-	Net (increase) / decrease in short term deposits	(7,900)	
2,020	2,020	Net (increase) / decrease in other liquid resources	14,468	
<b>2,020</b>	<b>2,020</b>	<b>Total Management of Liquid Resources</b>	<b>6,568</b>	39
		<b>Financing</b>		
(158,970)	(158,970)	Cash Outflows		
(113)	(113)	Repayment of amounts borrowed	(168,678)	
		Capital Element of Finance Lease	(101)	
		Cash Inflows		
6,000	6,000	New long term loans raised	5,700	
161,370	161,370	New short term loans raised	157,410	
<b>8,287</b>	<b>8,287</b>	<b>Total Financing</b>	<b>(5,669)</b>	39
<b>5,484</b>	<b>5,484</b>	<b>Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(12,643)</b>	39

The following notes provide more detailed information in order to assist understanding of the main financial statements.

### 1. PRIOR YEAR ADJUSTMENTS

The comparable figures for 2007/08 have been restated to reflect the following changes

- Adjustments to FRS17 requirements recognised in the SORP 2008 and an adjustment in respect of the transfer of employees to Wakefield District Housing. See Note 11 to the Core Financial Statements for further information.
- The 2008 SORP replaced the concept of Deferred Charges with Revenue Expenditure Funded from Capital Under Statute and prescribes the change as a change in accounting policy. Where appropriate, narratives in respect of former Deferred Charges have been replaced as Revenue Expenditure Funded from Capital Under Statute and the 2007/08 figures have been restated in Notes 20 and 32 to the Core Financial Statements, and the Cash Flow Statement and associated notes.
- Reclassification of fixed asset category values as at 1<sup>st</sup> April 2008 in note 17 to the Core Financial Statements.

### 2. NET COST OF SERVICES

The definitions of services are based upon accounting codes of practice and broadly translate as:

- Central Services – Elections, registrations of births, deaths and marriages and collection of local taxes, and administration of council tax benefits.
- Court Services – Mainly Coroners and Magistrates Courts.
- Cultural, Environmental, Regulatory and Planning Services – Museums, art galleries, theatres, recreation and sport, tourism, libraries, environmental health, bereavement services, waste collection and disposal, planning and economic development.
- Children's and Education Services – Social care of children, Council schools, adult and community education, student awards and youth centres.
- Highways and Transport Services – Maintenance of highways and footpaths, traffic management and road safety, car parking and support for public transport.
- Housing Service – Housing advice, support to the homeless, housing benefits and private sector housing renewal.
- Adult Social Care – Social work and other social services for adults
- Other Services – Corporate support services not allocated to the services above.

### 3. EXCEPTIONAL ITEMS

The Council is in the process of settling liabilities in respect of equal pay claims under the Equal Pay Act 1970. Compensation offers have been made to employees in “rated as equivalent” posts, although new claims are still being received. No compensation offers have been made to male claimants (in “rated as equivalent” posts) or in respect of equal value claims as these are awaiting outcomes of employment tribunal. In 2007/08 a provision was made of £15.02m for anticipated future payments. The Council has made payments in 2008/09 of £5.9m and provided £7.7m for outstanding claims – a total of £13.6m. The figure included in the Income and Expenditure account (£1.43m credit) represents that level of provision made in 2007/08 which it is judged is not now required. Of the £13.6m payments in 2008/09 £9.56m has been accounted for as Revenue Expenditure Funded from Capital Under Statute following receipt of approval to capitalise from CLG and has no impact on the Council’s General Reserve. The remainder of the £13.6m has been funded from revenue.

### 4. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is primarily funded by grant monies provided by the Department for Children, Schools and Families (DCSF) and the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Detail of the deployment of DSG receivable for 2008/09 is as follows:

	School Budget Funded by Dedicated Schools Grant		
	Central Expenditure £000	Individual Schools Budget £000	Total £000
Brought Forward from 2007/08	2,035	14,082	16,117
Final DSG for 2008/09	13,060	168,491	181,552
Agreed budgeted distribution in 2008/09	13,792	182,573	196,365
Actual central expenditure	13,574	-	13,574
Actual ISB deployed to schools	-	169,036	169,036
Local authority contribution for 2008/09	-	-	-
<b>Carry forward to 2009/10</b>	<b>218</b>	<b>13,537</b>	<b>13,755</b>
<b>Carry forward to 2009/10 agreed in advance</b>	<b>1,201</b>	-	<b>1,201</b>
<b>Total carry forward to 2009/10</b>	<b>1,419</b>	<b>13,537</b>	<b>14,956</b>

### 5. LEASES

The Statement of Recommended Practice requires the authority to disclose its obligations under operating and finance leases, and a statement on the assets it holds and leases out to third parties. A finance lease is one which transfers substantially all of the risks and rewards of ownership of the asset to the lessee. If the terms of a lease mean that the risks and rewards of ownership remain with the lessor, then the lease is accounted for as an operating lease.

- **Finance Leases**

The following values of assets are held under finance leases by the Council, accounted for as part of Tangible Fixed Assets:

Finance Leases	Other Land & Buildings £000	Veh, Plant & Equip £000	Total £000
Historic Cost	598	161	759
Cumulative Depreciation	(598)	(112)	(710)
<b>Value at 1 April 2008</b>	<b>-</b>	<b>49</b>	<b>49</b>
Additions	151	-	151
Revaluations	-	-	-
Depreciation	(103)	(49)	(152)
Disposals	-	-	-
<b>Value at 31 March 2009</b>	<b>48</b>	<b>-</b>	<b>48</b>

There are no further obligations to make payments under these finance leases, however, although the lease on 18 King Street was due to terminate in April 2007 it will most likely continue on the same terms until at least April 2010.

- **Operating leases:**

All property leases entered into during 2004/05 to 2008/09 have been reviewed and categorised as operating leases. Payments made under operating leases during 2008/09 were £1.469m (2007/08 £0.895m) in respect of property leases and £0.78m (2007/08 £1.115m) in respect of vehicles and equipment.

The Authority was committed at 31 March 2009 to making future payments of £5.679m under operating leases comprising of the following elements:

Future Operating Lease Commitments	Other land & buildings £000	Veh, Plant & Equip £000	Total £000
Obligations payable in 2009/10	1,339	684	2,023
Obligations payable between 2010/11 and 2013/14	3,036	293	3,329
Obligations payable after 2013/14	327	-	327
	<b>4,702</b>	<b>977</b>	<b>5,679</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The 2009/10 operating lease commitments are as follows:

<b>2009/10 Operating Lease Commitments</b>	Other land & Buildings £000	Veh, Plant & Equip £000	Total £000
Leases expiring in 2009/10	961	98	1,059
Leases expiring between 2010/11 and 2013/14	168	586	754
Leases expiring after 2013/14	210	0	210
	1,339	684	2,023

The Council acts as lessor of a number of commercial properties, industrial units and land. The following table shows the value of assets held, the related accumulated depreciation and income received:

Income from leases	2007/08			2008/09		
	Gross value	Depreciation to date	Income	Gross value	Depreciation to date	Income
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Total	22,537	582	1,612	26,086	652	1,708

### 6. BUILDING CONTROL

The Building Act 1984 and specifically the Local Authority Building Control Charges Regulations (SI 1998/3129) requires local authorities to disclose the nature, turnover and profits/losses of the Building Control account. The transactions appear in the cost of the Cultural, Environmental, Regulatory and Planning Services in the Income and Expenditure account. Certain activities performed by the Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

	2007/08	2008/09		
	Total Building Control Account £000	Chargeable £000	Non-chargeable £000	Total Building Control £000
<b>BUILDING CONTROL ACCOUNT</b>				
Total Expenditure	968	848	169	1,017
Total Income	(869)	(789)	-	(789)
<b>(SURPLUS)/DEFICIT FOR YEAR</b>	99	59	169	228

**7. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970**

Section 1 of this Act authorises local authorities to supply goods and professional and technical services to a number of other public bodies. The income and expenditure in respect of these activities is included in the Income and Expenditure account as shown below.

INCOME AND EXPENDITURE UNDER THE GOODS AND SERVICES ACT 1970	2007/08		2008/09	
	Income £000	Expenditure £000	Income £000	Expenditure £000
TOTAL	9,705	8,689	10,487	9,450

**8. PUBLICITY**

The Local Government Act 1986 requires a local authority to keep a separate account of expenditure on publicity. The transactions appear in the Net Cost of Services in the Income and Expenditure account.

PUBLICITY EXPENDITURE	2007/08 £000	2008/09 £000
Recruitment Advertising	821	886
Publicity	318	254
Promotions	453	547
Other Advertising	333	301
<b>TOTAL</b>	<b>1,925</b>	<b>1,988</b>

**9. REMUNERATION OF SENIOR STAFF**

The table indicates the numbers of employees whose remuneration was greater than £50,000. Remuneration is defined as amounts paid to or receivable by an employee, including payments in kind, expenses allowances that would be chargeable to UK Income Tax and employees' pension contributions. Termination payments are also included, which can lead to year on year comparisons being distorted.

In 2008/09, 262 officers (201 in 2007/08) received remuneration in excess of £50,000, including 92 head teachers and 71 other teaching staff (83 and 48 in 2007/08). The increase between 2007/08 and 2008/09 is mainly due to additional staff being included as a result of termination payments and the impact of inflation on salaries.

<b>REMUNERATION BAND</b>	<b>Number of Employees</b>	
	<b>2007/08</b>	<b>2008/09</b>
<b>£</b>	<b>No.</b>	<b>No.</b>
50,000 - 59,999	144	184
60,000 - 69,999	21	28
70,000 - 79,999	18	23
80,000 - 89,999	9	15
90,000 - 99,999	2	2
100,000 - 109,999	3	3
110,000 - 119,999	1	2
120,000 - 129,999	1	2
130,000 - 139,999	0	0
140,000 - 149,999	1	3
540,000 - 549,999	1	0
<b>TOTAL</b>	<b>201</b>	<b>262</b>

#### **10. MEMBERS' REMUNERATION**

The Statutory Register showing the remuneration paid to each Councillor is published at the end of the financial year. The end of year figures are also published in the local press. A copy of the Register is on deposit at County Hall, Wakefield and is available for viewing by the public.

The following table shows the total of members' remuneration paid in the year:

<b>MEMBERS' REMUNERATION</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
<b>TOTAL</b>	<b>992</b>	<b>1,033</b>

## **11. RETIREMENT BENEFITS**

As a result of amendments to FRS17 the disclosures required by the SORP have been revised. This note has been prepared in accordance with the new requirements.

### **Participation in pension schemes**

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

The Council participates in the Local Government Pension Scheme, via the West Yorkshire Pension Fund (WYPF), and the Teacher's Pension Scheme.

### **The Local Government Pension Scheme**

The West Yorkshire Pension Fund (WYPF) is a funded scheme for staff, other than teachers, into which employees and the Council pay contributions. It is a defined benefit final salary scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level that is intended to balance the pensions liabilities with investment assets. Pension benefits are index linked. The employer's rate of contribution for 2008/09 was 13.4% and employees contributed at rates between 5.25% and 7.5% depending on salary.

At the year end an amount of £1.80m was owed to the West Yorkshire Pension Fund in respect of employer's contributions.

### **The Teacher's Pension Scheme**

Teachers employed by the Council are members of the Teacher's Pension Scheme, which is an unfunded national scheme that is administered by Capita Teachers Pensions on behalf of the Department for Children, Schools and Families (DCSF). The Scheme is a defined benefit scheme and the Council and the employees contribute to the cost by making contributions based on a percentage of members' pensionable salaries. It is a final salary scheme and pension benefits are index linked. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability.

The Council's contributions are set by reference to the current period and for 2008/09 the contribution rate was 14.1% (2007/08 14.1%). Employees contributed at a rate of 6.4% for 2008/09 (2007/08 6.4%). In 2008/09 the Council paid £13.14m (2007/08 £13.58m) in respect of teachers pension costs. In addition £2.71m (2007/08 £2.65m) was paid to retired teachers in respect of the Council's obligations to pay added years. At the year end an amount of £1.10m was owed to the DCSF.

**Prior period adjustments**

The comparable figures for 2007/08 have been restated to reflect the following changes:

- Under the 2008 SORP the Council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change in accounting policy is that the value of scheme assets at 31 March 2008 has decreased by £2.16m.
- A more accurate assessment of the pension deficit transferred to WDH in 2005 showed that the liabilities transferred were understated by £2.32m. This has been corrected by the transfer of that value of assets from WDH to Wakefield MDC.

The effect of these prior period adjustments is a net reduction in the pension deficit of £0.16m from £388.66m to £388.50m.

**Transactions relating to retirement benefits**

Under FRS 17, the Council is required to recognise the cost of retirement benefits in the Net Cost of Service when employees earn them, rather than when they are actually paid to pensioners. However the charge made against the Council Tax is limited to the employer's contributions payable to the Pensions Fund in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year.

	2007/08 (restated)		2008/09	
	WYPF £ 000	Teachers £ 000	WYPF £ 000	Teachers £ 000
<b>Income and Expenditure Account</b>				
Net Cost of Services:				
Current Service Cost	26,390	-	29,162	-
Past Service Costs/(Gain)	8,828	-	-	440
Curtailment Cost	2,150	873	3,778	-
Net Operating Expenditure:				
Interest on Pension Liabilities	56,548	1,779	73,387	2,306
Expected Return on Assets	(60,298)	-	(59,348)	-
<b>Net Charge to the Income and Expenditure Account</b>	<b>33,618</b>	<b>2,652</b>	<b>46,979</b>	<b>2,746</b>
<b>Statement of Movement in the General Fund Balance</b>				
Reversal of net charges made for retirement benefits in accordance with FRS17	(33,618)	(2,652)	(46,979)	(2,746)
Actual amount charged against the General Fund Balance for pensions in the year:				
- employer's contributions to the pension scheme	25,165	-	28,988	-
- retirement benefits payable to pensioners		2,651		2,711

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £55.03m (loss of £166.86m in 2007/08 as restated) were included

in the Statement of Total Recognised Gains and Losses. Since the introduction of FRS17, the cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a net gain of £58.55m.

**Change of estimation technique**

The Local Government Pension Scheme (Amendment) Regulations 2006 made a number of changes to the LGPS benefits with effect from 1 April 2006. This included the right of scheme members to elect to take an enhanced lump sum in return for a reduced annual pension. In previous years an assumption was made that 50% of members would take this option and the actuary estimated pension liabilities accordingly. For 2008/09, due to the availability of actual take-up figures for 3 years, actual take-up has been used to estimate liabilities. The effect of this change to the way liabilities are estimated has been to reduce liabilities by £2.74m.

**Assets and liabilities in relation to retirement benefits**

Reconciliation of present value of the scheme liabilities:

Reconciliation of the Present Value of Scheme Liabilities	2007/08		2008/09	
	WYPF £m	Teachers £m	WYPF £m	Teachers £m
Balance at 1st April	(1,050.4)	(34.3)	(1,205.7)	(39.2)
Current service cost	(26.4)	-	(29.2)	-
Interest cost	(56.6)	(1.8)	(73.4)	(2.3)
Contributions by scheme participants	(9.6)	-	(10.3)	-
Actuarial gains and losses	(94.2)	(4.9)	264.3	5.3
Benefits paid	42.5	2.7	44.8	2.7
Past Service costs and curtailments	(11.0)	(0.9)	(3.8)	(0.4)
<b>Balance at 31st March</b>	<b>(1,205.7)</b>	<b>(39.2)</b>	<b>(1,013.3)</b>	<b>(33.9)</b>

Reconciliation of fair value of the scheme assets:

Reconciliation of the Fair Value of Scheme Assets (WYPF)	2007/08 (as restated) £ m	2008/09 £ m
Balance at 1st April	871.5	856.3
Expected return on assets	60.3	59.3
Actuarial gains and losses	(67.8)	(214.6)
Employer contributions	25.2	29.0
Contributions by scheme participants	9.6	10.4
Benefits paid	(42.5)	(44.8)
<b>Balance at 31st March</b>	<b>856.3</b>	<b>695.6</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £155.27m (2007/08 loss of £3.39m).

**Scheme history**

Scheme history	2004/05 £m	2005/06 £m	2006/07 (as restated) £m	2007/08 (as restated) £m	2008/09 £m
Present value of liabilities:					
WYPF	(903.8)	(1,048.4)	(1,050.4)	(1,205.7)	(1,013.2)
Teachers	(32.3)	(34.6)	(34.3)	(39.2)	(33.9)
Total	(936.1)	(1,083.0)	(1,084.7)	(1,244.9)	(1,047.1)
Fair Value of assets					
WYPF	653.3	815.5	871.3	856.3	695.6
Surplus/(deficit) in scheme:					
WYPF	(250.5)	(232.9)	(179.1)	(349.4)	(317.6)
Teachers	(32.3)	(34.6)	(34.3)	(39.2)	(33.9)
Total	(282.8)	(267.5)	(213.4)	(388.6)	(351.5)

The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised) as the amounts are not considered to be material.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £351.5m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £55.63m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficits on the schemes will be made good by increased contributions over the remaining working life of employees.

The contributions expected to be made by the Council to the Local Government Pension Scheme in the year to 31 March 2010 are £30.64m. Expected contributions for the Teachers Pension Scheme in the year to 31 March 2010 are £13.43m.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. Both the West Yorkshire Pension Fund and the Teachers Pension schemes liabilities have been assessed by Mercer Human Resources Consulting Ltd, an independent firm of actuaries. Estimates for the West Yorkshire Pension Fund have been based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2007.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The principal assumptions used by the actuary have been:

Assumptions used in estimating assets and liabilities	2007/08		2008/09	
	WYPF	Teachers	WYPF	Teachers
Long-term expected rate of return on assets in the scheme:				
Equities	7.5%		7.5%	
Bonds	5.1%		4.7%	
Other	6.6%		5.5%	
Mortality assumptions:				
Longevity at 65 for future pensioners:				
Men	21.3 years		21.3 years	
Women	25.0 years		25.0 years	
Longevity at 65 for current pensioners:				
Men	20.3 years		20.3 years	
Women	24.0 years		24.0 years	
Rate of inflation	3.6%	3.6%	3.3%	3.3%
Rate of increase in salaries	5.4%	5.4%	5.1%	5.1%
Rate of increase in pensions	3.6%	3.6%	3.3%	3.3%
Rate for discounting scheme liabilities	6.1%	6.1%	7.1%	7.1%
Take-up of option to convert annual pension into retirement lump sum	50%		59%	

The WYPF's assets consist of the following categories, by proportion of the total assets held:

Analysis of Total assets (WYPF)	31 March 2008	31 March 2009
	%	%
Equity investments	71.7	62.0
Bonds	13.4	18.3
Other assets	14.9	19.7
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

History of experience gains and losses	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	as restated %	as restated %	%
Differences between the expected and actual return on assets					
WYPF	5.7%	14.6%	1.1%	-7.9%	-30.9%
Experience gains and losses on liabilities					
WYPF	4.4%	2.1%	0%	-3.4%	0%
Teachers	-0.1%	0%	0%	-1.8%	0%

**12. AUDIT COSTS**

The following fees were paid to the external auditors for services carried out:

<b>Audit Costs</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	354	332
Fees payable to the Audit Commission in respect of statutory inspection	22	127
Fees payable to the Audit Commission for the certification of grant claims and returns	115	86
<b>Total</b>	<b>491</b>	<b>545</b>

**13. SECTION 137 OF THE LOCAL GOVERNMENT ACT**

Under the powers granted by Section 137 of the Local Government Act 1972 (as amended), the authority is empowered to incur expenditure which it considers to be in the interests of the inhabitants of its area. The actual expenditure under this provision in 2008/09 was £76,505 (2007/08 £74,942) mainly on grants to voluntary associations within Family Services.

**14. TRADING OPERATIONS**

The following operations are largely the former statutory DSOs and DLO, together with other services that are defined as Trading Operations in accordance with the BVACOP.

<b>Trading Operation</b>	<b>2007/08 Surplus / (Deficit) £000</b>	<b>2008/09</b>		
		<b>Income £000</b>	<b>Expenditure £000</b>	<b>Surplus / (Deficit) £000</b>
Building Maintenance	(957)	13,677	13,303	374
Cleaning of Buildings	(445)	6,074	6,669	(595)
Ground Maintenance	86	1,645	1,563	82
Transport Services	(102)	4,684	4,382	302
Kingswood Catering	(286)	17,273	17,131	142
Design & Print Services	(310)	-	-	-
Other	(412)	2,045	2,116	(71)
<b>Total</b>	<b>(2,426)</b>	<b>45,398</b>	<b>45,164</b>	<b>234</b>

The following services are trading services with the public or with other third parties and are defined by the BVACOP as a type of trading operation run by authorities. The expenditure and income relating to these is included in the appropriate service in the Income and Expenditure Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2007/08	2008/09		
	Surplus / (Deficit) £000	Income £000	Expenditure £000	Surplus / (Deficit) £000
<b>Trading Operation</b>				
Markets	14	1,821	8,943	(7,122)
Managed Property	875	1,634	1,286	348
Car Parks	1,758	3,132	1,508	1,624
Trade Refuse	247	2,146	1,982	164
Building Control	62	789	848	(59)
<b>Total</b>	<b>2,956</b>	<b>9,522</b>	<b>14,567</b>	<b>(5,045)</b>

### Markets

In 2007/08 the land and building were capitalised as assets under construction on a historic cost basis. In 2008/09 it became an operational asset and was revalued appropriately resulting in a £6.5m impairment charge.

### 15. GAIN/LOSS ON DISPOSAL OF FIXED ASSETS

The loss on disposal of fixed assets of £83.575m is mainly in respect of the transfer of assets to the two School Trusts (£71.865m) that have been established in year for no consideration in accordance with the appropriate legislative requirements.

The gain in respect of 'Unattached Capital Receipts' (£5.602m) relates mainly to income in respect of the Council's share of the preserved right-to-buy agreement (£2.57m), and the first receipts from the VAT Shelter agreement (£2.86m) both with Wakefield District Housing.

### 16. GENERAL GOVERNMENT GRANTS

These are revenue government grants that do not relate to the performance of a specific service and are shown under Sources of Finance on the face of the Income and Expenditure Account. The following is a breakdown of the grants received in 2008/09.

General Government Grants	2007/08 £000	2008/09 £000
Revenue Support Grant	(17,239)	(16,188)
Area Based Grant	-	(17,870)
<b>Total</b>	<b>(17,239)</b>	<b>(34,058)</b>

In 2008/09 Area Based Grant has replaced the Local Area Agreement Grant that was previously included as Service Area Income in the Income and Expenditure Account.

**17. MOVEMENT OF TANGIBLE FIXED ASSETS**

Tangible Fixed Assets Operational Assets	Operational Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000	Community Assets £000	Total Operational Assets £000
<b>Cost or valuation</b>					
At 1st April 2008	557,498	46,338	155,095	5,007	763,938
Restated at 1st April 2008	561,596	46,843	154,985	5,639	769,063
Additions	22,640	11,464	16,840	736	51,680
Donations					-
Disposals	(97,319)	(46)	-	-	(97,365)
Reclassifications	14,449	-	7,672	150	22,271
Impairment	(15,126)	-	-	(183)	(15,309)
Revaluations	12,055	-	-	4	12,059
<b>At 31st March 2009</b>	<b>498,295</b>	<b>58,261</b>	<b>179,497</b>	<b>6,346</b>	<b>742,399</b>
<b>Depreciation and impairments</b>					
At 1st April 2008	(36,097)	(22,046)	(22,617)	(202)	(80,962)
Restated at 1st April 2008	(39,821)	(22,276)	(22,618)	(203)	(84,918)
Charge for depreciation 2008/09	(15,680)	(6,770)	(4,123)	-	(26,573)
Disposals	8,053	46	-	-	8,099
Reclassifications	1,477	-	(2)	-	1,475
Impairment	(7,303)	-	-	(27)	(7,330)
Revaluations	9,857	-	-	-	9,857
<b>At 31st March 2009</b>	<b>(43,417)</b>	<b>(29,000)</b>	<b>(26,743)</b>	<b>(230)</b>	<b>(99,390)</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>521,401</b>	<b>24,292</b>	<b>132,478</b>	<b>4,805</b>	<b>682,976</b>
<b>Restated Balance Sheet amount at 1 April 2008</b>	<b>521,775</b>	<b>24,567</b>	<b>132,367</b>	<b>5,436</b>	<b>684,145</b>
<b>Balance Sheet amount at 31st March 2009</b>	<b>454,878</b>	<b>29,261</b>	<b>152,754</b>	<b>6,116</b>	<b>643,009</b>
<b>Nature of asset holding</b>					
Owned	454,878	29,261	152,754	6,116	643,009
Finance lease	-	-	-	-	-
PFI	-	-	-	-	-
<b>Total</b>	<b>454,878</b>	<b>29,261</b>	<b>152,754</b>	<b>6,116</b>	<b>643,009</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Tangible Fixed Assets Non-Operational Assets	Surplus Assets £000	Assets Under Construction £000	Investment Properties £000	Total Non Operational Assets £000	Total £000
<b>Cost or valuation</b>					
At 1st April 2008	37,854	48,766	38,036	124,656	888,594
Restated at 1st April 2008	43,371	41,215	38,214	122,800	891,863
Additions	2,083	47,908	2	49,993	101,673
Donations	-	-	-	-	-
Disposals	(5,802)	(4)	-	(5,806)	(103,171)
Reclassifications	3,440	(25,471)	(240)	(22,271)	-
Impairment	(3,329)	-	(3)	(3,332)	(18,641)
Revaluations	5,505	-	-	5,505	17,564
<b>At 31st March 2009</b>	<b>45,268</b>	<b>63,648</b>	<b>37,973</b>	<b>146,889</b>	<b>889,288</b>
<b>Depreciation and impairments</b>					
At 1st April 2008	(907)	(2)	(1,748)	(2,657)	(83,619)
Restated at 1st April 2008	(217)	(2)	(1,751)	(1,970)	(86,888)
Charge for depreciation 2008/09	(302)	-	(1,074)	(1,376)	(27,949)
Disposals	-	-	-	-	8,099
Reclassifications	(1,477)	2	-	(1,475)	-
Impairment	(2,843)	-	(2)	(2,845)	(10,175)
Revaluations	1,269	-	-	1,269	11,126
<b>At 31st March 2009</b>	<b>(3,570)</b>	<b>-</b>	<b>(2,827)</b>	<b>(6,397)</b>	<b>(105,787)</b>
<b>Balance Sheet amount at 1 April 2008</b>	<b>36,947</b>	<b>48,764</b>	<b>36,288</b>	<b>121,999</b>	<b>804,975</b>
<b>Restated Balance Sheet amount at 1 April 2008</b>	<b>43,154</b>	<b>41,213</b>	<b>36,463</b>	<b>120,830</b>	<b>804,975</b>
<b>Balance Sheet amount at 31st March 2009</b>	<b>41,698</b>	<b>63,648</b>	<b>35,146</b>	<b>140,492</b>	<b>783,501</b>
<b>Nature of asset holding</b>					
Owned	41,650	63,648	35,146	140,444	783,453
Finance lease	48	-	-	48	48
PFI	-	-	-	-	-
<b>Total</b>	<b>41,698</b>	<b>63,648</b>	<b>35,146</b>	<b>140,492</b>	<b>783,501</b>

The above tables show the changes in the value of fixed assets in the year as a result of acquisitions, revaluations, reclassifications, disposals, depreciation and impairment. Non-operational assets include land and buildings used by Joint Committees which vest in the Council as a result of its role as lead authority for the Yorkshire Purchasing Organisation and West Yorkshire Joint Services Committee.

- In 2008/09 the classification of the Council's assets has been reviewed in line with the Council's asset register. This has resulted in a number of changes to the category values as at 1 April 2008 but the total figure remains unchanged. The main change is in respect of assets under construction where reclassification to other categories has taken place in year.
- 2008/09 has seen a significantly high value of asset disposals. This is mainly due to the transfer of ownership of schools for no consideration to the two school trusts (£71.865m), and the transfer of ownership of some Voluntary Controlled and Voluntary Aided schools to the schools (£17.4m).

**18. TANGIBLE FIXED ASSETS**

The table below lists the Major Fixed Assets held as at 31 March 2009:

<b>TANGIBLE FIXED ASSETS</b>		<b>31st March 2008 Number</b>	<b>31st March 2009 Number</b>
<b>Council Dwellings</b>			
	Housing Stock	123	50
	Homeless Persons Units	28	27
	Service Tenancy Properties (Parks)	13	12
<b>Operational Buildings</b>			
	Town Hall & Administrative Offices	27	23
	Depots & Workshops	11	10
	Household Waste Sites	7	7
	Magistrates Courts	0	0
<b>Non operational assets</b>			
	Registry of Deeds	1	1
	YPO assets	2	2
<b>Community Facilities-</b>			
	for Children & Families	10	9
	for Older People	14	14
	for Physical / Sensory disabilities	1	1
	for Learning disability clients	15	15
	for Mental Health clients	2	3
	Other	14	14
	Enterprise / Resource Centres	10	10
<b>Leisure Facilities</b>			
	Leisure Centres & Pools	7	7
	Watersports Centre	1	1
	Golf Courses	2	2
	Athletics Stadia	1	1
	Public Halls	5	5
	Libraries	27	27
<b>Schools-</b>			
	Nursery	3	3
	Primary	106	92
	Secondary	16	11
	Special	7	6
	Other	14	36
<b>Car Parks</b>			
	Multi-Storey Car Parks	1	1
	Off-Street Car Parks	57	52
<b>Cemeteries &amp; Crematoria</b>			
	Cemeteries	19	19
	Crematoria	2	2
	Museums & Art Galleries	5	4
	Castles	2	2
	Markets	6	6
	Commercial Property	115	109
	Information & Interpretation Centre	1	1
<b>Infrastructure Assets</b>			
	Highways (kilometres)	1351	1378
	Bridges etc		
	Bridges	67	69
	Culverts	92	95
	Footbridges	56	57
	Subways	8	6
	Sign Gantries	10	10
<b>Community Assets</b>			
	Parks & Recreation Grounds	39	39
	Urban Parks	22	22
	Country Parks	7	7

The reduction in the number of housing stock is due to the demolition of properties at West End, Hemsworth and Girnhill Lane Estate, Featherstone.

**19. MOVEMENT OF INTANGIBLE FIXED ASSETS**

Intangible fixed assets are assets that do not have any physical substance but which the Council controls access to the future economic benefits either through custody or legal protection. See Statement of Accounting Policies number 11 for further information.

The SORP requires the Council to separately identify and account for intangible fixed assets. These assets are depreciated in line with Council policy commencing in the year following the acquisition of the assets. The table below shows the movement of intangible fixed assets:

<b>Intangible Fixed Assets</b>	<b>£000</b>
Value at cost at 1st April 2008	6,658
Accumulated amortisation at 1st April 2008	(3,974)
<b>Net Book Value at 1 April 2008</b>	<b>2,684</b>
<b>Movement in 2008/09 :</b>	
Additions	582
Amortisation	(1,387)
<b>Total Movements</b>	<b>(805)</b>
Value at cost at 31st March 2009	7,240
Accumulated amortisation at 31st March 2009	(5,361)
<b>Net Book Value at 31st March 2009</b>	<b>1,879</b>

**20. CAPITAL FINANCING REQUIREMENT**

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The CFR increases whenever capital expenditure is incurred. However, where capital expenditure is resourced immediately by usable capital receipts, direct charge to revenue or a capital grant or contribution, then the CFR will reduce at the same time as the capital expenditure is incurred resulting in no net increase in the CFR.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Note to Consolidated Balance Sheet on How Capital Expenditure has been Financed	2007/08 £000	2007/08 Restated £000	2008/09 £000
<b>Opening Capital Financing Requirement</b>	208,625	208,625	212,733
<b>Adjustment to Opening CFR</b>			
Magistrates Courts/Probation Deferred Liability	364	364	-
<b>Capital Investment</b>			
Operational Assets	37,022	37,022	51,680
Non-Operational Assets	32,064	32,064	50,042
Intangible Assets	1,455	1,455	582
Deferred Charges	26,592	-	-
Revenue Expenditure Funded from Capital under Statute (REFCUS) *	-	26,471	33,079
Long-Term Debtors/Investments	-	121	507
Other	73	73	-
<b>Sources of Finance</b>			
Government Grants and Contributions	(57,249)	(57,249)	(73,443)
Capital Receipts	(25,159)	(25,159)	(29,055)
Direct Revenue Funding	(3,020)	(3,020)	(7,690)
Minimum Revenue Provision	(8,088)	(8,088)	(8,253)
Commutation	54	54	-
<b>Closing Capital Financing Requirement</b>	<b>212,733</b>	<b>212,733</b>	<b>230,182</b>
<b>Explanation of movements in year</b>			
Increase in underlying need to borrow (supported by Government financial assistance)	9,232	9,232	7,526
Increase in underlying need to borrow (unsupported by Government financial assistance)	2,546	2,546	18,176
Reduction for MRP	(8,034)	(8,034)	(8,253)
Adjustments in respect of deferred liabilities	364	364	-
	<b>4,108</b>	<b>4,108</b>	<b>17,449</b>

CAPITAL EXPENDITURE AND FINANCING	2007/08 £000	2007/08 Restated £000	2008/09 £000
Fixed Assets	69,159	69,159	101,722
Intangible Assets	1,455	1,455	582
Deferred Charges	26,471	-	-
Revenue Expenditure Funded from Capital under Statute (REFCUS) *	-	26,471	33,079
Long Term Debtors	97	97	205
Long Term Investments	24	24	302
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>97,206</b>	<b>97,206</b>	<b>135,890</b>
<b>Sources of Finance</b>			
Supported Capital Expenditure (revenue)	9,232	9,232	7,526
Capital Receipts	25,159	25,159	29,053
Grants & Contributions	57,249	40,920	57,258
Grants in respect of REFCUS *	-	16,329	16,186
Direct Revenue Financing	3,020	3,020	7,691
Prudential Borrowing	2,546	2,546	18,176
<b>TOTAL CAPITAL FINANCING</b>	<b>97,206</b>	<b>97,206</b>	<b>135,890</b>

\* The 2007/08 figures have been restated to reflect the change in the SORP 2008 in respect of REFCUS. The expenditure and related grant income form part of the deficit on the Income and Expenditure account.

**21. MAJOR CAPITAL COMMITMENTS**

The Council has entered into a number of contracts for future capital investment. The following are those contractual commitments that are in excess of £1m over the period 2009/10 to 2011/12:

Scheme details	£000
Wakefield Westgate - Infrastructure, site reclamation, highway and property development in partnership with private sector and external funding bodies	9,072
Construction of The Hepworth, Wakefield	6,165
Hemsworth A1 Link Road - Major new road and bridge scheme	6,076
Reclamation of former Rabbit Ings Colliery in partnership with Homes & Communities Agency	5,000
Convergence contract - replacement of telephone and internet	1,170

**22. FIXED ASSET VALUATION**

The freehold and leasehold properties, which comprise the Council's property portfolio, have been valued in accordance with the Statements of Asset Valuation Practice and Guidance notes of the Royal Institution of Chartered Surveyors.

Revaluations of fixed assets are planned through a five year rolling programme. Properties regarded as operational were valued on the basis of existing use value or, where this could not be assessed because there was no market for the subject asset, by the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of market value. Vehicles, Plant and Equipment, Community, and Infrastructure assets have been included on the Asset Register at their historic cost as a proxy for current value.

The Responsible Officer for valuations for the Council was Simon West, MRICS, Head of Property Management, who is the Council's officer responsible for all land and buildings held on the asset register.

The tables overleaf summarise when the most recent valuations were carried out in each asset category, showing the progress of the Council's rolling five year programme for revaluation. The Revaluation Reserve reflects the revaluation surpluses arising from revaluations undertaken from 1 April 2007 in accordance with recommended practice.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Operational Tangible Fixed Assets	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000	Community Assets £000	Total Operational Assets £000
Valued at Historical Cost	296	29,261	152,754	154	<b>182,465</b>
Valued at Current Value in:					
2004/05	58,929			1,207	<b>60,136</b>
2005/06	66,519			1,076	<b>67,595</b>
2006/07	119,420			887	<b>120,307</b>
2007/08	97,223			2,500	<b>99,723</b>
2008/09	112,491			292	<b>112,783</b>
	<b>454,878</b>	<b>29,261</b>	<b>152,754</b>	<b>6,116</b>	<b>643,009</b>

Non-Operational Tangible Fixed Assets	Surplus Assets £000	Assets under Construction £000	Investment Properties £000	Total Non-Operational Assets £000	Total Tangible Fixed Assets £000
Valued at Historical Cost	8,777	63,646	107	<b>72,530</b>	<b>254,995</b>
Valued at Current Value in:					
2004/05	4,679		1,563	<b>6,242</b>	<b>66,378</b>
2005/06	6,544		12,402	<b>18,946</b>	<b>86,541</b>
2006/07	5,418		8,113	<b>13,531</b>	<b>133,838</b>
2007/08	6,149		12,927	<b>19,076</b>	<b>118,799</b>
2008/09	10,133		34	<b>10,167</b>	<b>122,950</b>
	<b>41,700</b>	<b>63,646</b>	<b>35,146</b>	<b>140,492</b>	<b>783,501</b>

### 23. LONG TERM DEBTORS

These are debts that fall due over a period of more than one year, analysed as follows:

Long Term Debtors	31 March 2008 £000	31 March 2009 £000	Note
House Purchase and Improvement Loans	155	83	
Loans to Other Authorities & Bodies	21,684	20,795	(i)
Loans to Employees	271	438	
Relocation / Mortgage Assistance Loans	1,129	1,334	(ii)
Deferred Consideration			
Street Lighting PFI - Estimated Values of Assets acquired each year	2,467	3,084	(iii)
Street Lighting PFI - Value of Assets transferred to contractor	5,071	4,815	(iv)
Sale of land - Ackton Pastures	3,486	1,248	(v)
<b>Total</b>	<b>34,263</b>	<b>31,797</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

(i) The loans to Other Authorities and Bodies include £19.7m, which represents assets transferred in respect of the former West Yorkshire Waste Management Joint Committee.

(ii) This represents housing relocation loans and mortgage assistance loans provided to citizens. In respect of the relocation loans a legal charge is placed on the properties and the loans are repaid when the properties are sold. The mortgage assistance loans are repayable after three years.

(iii) The estimated value of assets acquired under the Street Lighting PFI is £3.084m at 31 March 2009. This debtor, which is notional, and is a deferred consideration, will increase each year by £0.617m in line with accepted accounting practice. When the PFI contract ends in 2029, the balance on this account, which should equal the estimated value of the street lighting assets at that date, will be transferred to the Council's balance sheet, since the contractor will relinquish any rights to those assets at the end of the contract.

(iv) The Council transferred assets valued at £6.4m approximately to the Street Lighting PFI contractor to assist contract delivery. The debtor, which is notional, is being written down by equal annual instalments of £0.256m to the PFI revenue account (see note 42).

(v) Land at Ackton Pastures is being sold for a housing development phased over several years. The sale agreement provides for the land to be sold in tranches for the market price at the date of development, and therefore the sum of £1.248m, which is estimated to be due after 1 April 2010, may fluctuate (see note 36). The movement in 2008/09 relates mainly to an adjustment from 2007/08 (£2.271m) which has been processed in 2008/09.

### 24. STOCKS AND WORK IN PROGRESS

Stocks and Work in Progress	31 March 2008 £000	31 March 2009 £000
<b>Stocks :</b>		
Trading Operations	402	450
Other Services	511	480
<b>Total Stocks</b>	<b>913</b>	<b>930</b>
Work in Progress	-	-
<b>Total</b>	<b>913</b>	<b>930</b>

**25. DEBTORS AND PAYMENTS IN ADVANCE**

Debtors represent monies owed to the Council at the Balance Sheet date, which are yet to be received as cash. The Council also makes provision for outstanding monies that it is anticipated will not be recovered. An analysis of the provisions for bad and doubtful debts is included below. The net position is shown in the balance sheet.

<b>Debtors and Payments in Advance</b>	<b>31 March 2008 £000</b>	<b>31 March 2009 £000</b>
<b>Amounts falling due in one year :</b>		
Council Tax	16,482	18,616
Community Charge	49	11
Government Departments	25,690	19,259
HM Revenue & Customs	3,030	3,357
Other Local Authorities & Public Bodies	7,733	5,179
Other Debtors	39,753	23,992
Payments In Advance	1,677	1,646
<b>Total amounts falling due in one year</b>	<b>94,414</b>	<b>72,060</b>
<b>Provison for Bad &amp; Doubtful Debts :</b>		
Council Tax	(1,902)	(2,494)
Community Charge	(119)	(11)
Other	(4,777)	(5,217)
<b>Total Provison for Bad &amp; Doubtful Debts :</b>	<b>(6,798)</b>	<b>(7,722)</b>
<b>Total</b>	<b>87,616</b>	<b>64,338</b>

**26. LANDFILL ALLOWANCE TRADING SCHEME**

The Government introduced the Landfill Allowance Trading Scheme on 1 April 2005 for all Waste Disposal Authorities (WDAs) in England. The scheme is intended to underpin the duty on WDAs to reduce the amount of Biodegradable Municipal Waste disposed of to landfill.

In 2008/09 the Council was allocated 98,644 allowances. Liability for landfill usage during the year has been estimated at 79,980 allowances. The Council did not undertake any trading of allowances in 2008/09. The Council carried forward an unused allowance of 72,664 from three previous years' allocation (2005/06, 2006/07 and 2007/08); these allowances had a nil value at 31 March 2008. The net realisable value of all unused allowances of 91,328 at 31 March 2009 is estimated at nil (in line with other WDA's).

Due to the anticipated level of unused allowances in 2008/09 a decision was made to try and sell them before the year end. This is because 2009/10 is a stand alone year and the authority can not carry forward any unused allowances from 2008/09. As a result of many other local authorities also having spare capacity there was no opportunity to sell before the financial year end and all unused allowances have been lost.

**27. CREDITORS AND RECEIPTS IN ADVANCE**

Creditors represent monies owed by the Council at the Balance Sheet date, which have not yet been paid.

<b>Creditors and Receipts in Advance</b>	<b>31 March 2008 £000</b>	<b>31 March 2009 £000</b>
<b>Creditors :</b>		
Government Departments	1,080	953
HM Revenue & Customs	6,979	6,981
Other Local Authorities & Public Bodies	10,612	3,468
Other Creditors	40,031	42,972
	<b>58,702</b>	<b>54,374</b>
<b>Receipts In Advance:</b>		
Receipts In Advance	15,584	14,869
<b>Total</b>	<b>74,286</b>	<b>69,243</b>

**28. DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS**

These accounts include any Capital Grants and Contributions, which have been applied to finance the acquisition or enhancement of fixed assets. The Code of Practice requires that this income be recognised in the Council's revenue account over the life of the asset or on disposal in respect of assets that are not subject to depreciation. The balance sheet figure represents grant income and contributions that have not been recognised in the revenue account.

<b>Deferred Government Grants</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
1st April	(102,593)	(135,449)
Govt Grants Applied In Year	(38,252)	(53,295)
Transfer to Income and Expenditure A/C	5,396	16,722
<b>31st March</b>	<b>(135,449)</b>	<b>(172,022)</b>

<b>Deferred Contributions</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
1st April	(22,739)	(24,018)
Contributions Applied In Year	(2,548)	(3,963)
Transfer to Income and Expenditure A/C	1,269	1,578
<b>31st March</b>	<b>(24,018)</b>	<b>(26,403)</b>

## 29. PROVISIONS

These are amounts set aside to provide for a liability or loss, which is likely or certain to be incurred, but the exact amount and the date on which it will arise are not currently known.

Provisions	1 April	Additional Provisions £000	Provisions Used £000	Unused amounts reversed £000	31 March	Note
	2008 £000				2009 £000	
Insurance	5,710	-	(32)	-	5,678	(i)
Equal Pay	15,021	7,669	-	(15,021)	7,669	(ii)
Other	554	18	(39)	(58)	475	(iii)
<b>Total</b>	<b>21,285</b>	<b>7,687</b>	<b>(71)</b>	<b>(15,079)</b>	<b>13,822</b>	

### (i) Insurance Provision

The Insurance Provision covers the value of insurance claims for which the Council estimate that it has a potential liability. Employee, Fire, Public Liability and Motor third party liability claims are covered by external insurance policies, which limit the Council's maximum liability on individual claims to £0.25m (with the exception of Airedale High School where the excess for fire claims is £1m).

The limit of liability is the maximum the insurer will pay in respect of a single claim or series of claims arising out of a single incident. Should any claim exceed the limit of indemnity the Council will meet the shortfall from the insurance provision. The limits of indemnity in respect of the major policies are as follows:

- Third Party Liability (Public Liability) is £20m.
- Employers Liability is £30m
- Fire insurance is £50m for any single property

As at 31 March 2009, the Council has approximately £8.13m of insurance claims outstanding through its external insurers and estimates the cost of settling these claims will be £3.73m (based on previous claims experience). In addition there is an outstanding claim of £0.44m relating to subsidence on a former housing property. The provision has been maintained at a prudent level in order to cover any significant variations to the estimated costs of settling claims. It is expected that a large proportion of the outstanding claims will be settled in 2009/10.

### (ii) Equal Pay

The provision is for outstanding claims arising from offers made under the Equal Pay Act 1970 – some compensation offers are still to be made to some groups of employees and others may take independent employment tribunal action against the Council instead of accepting the compensation offered. As at 31 March 2009 it is anticipated that the majority of claims will be settled in 2009/10 and 2010/11.

### (iii) Other Provisions

There are several minor provisions included here, the main changes in 2008/09 are a reduction relating to disrepair claims by tenants as part of stock transfer by £0.058m and reduction in provision regarding a lease of £0.067m. As at the 31/3/09 it is anticipated that a significant proportion of the provisions will be utilised in 2009/10 and 2010/11.

**30. DEFERRED LIABILITIES**

Deferred Liabilities	31 March 2008 £000	Movement in Year £000	31 March 2009 £000	Note
Liabilities Under Leases	(56)	65	9	(i)
Former West Yorkshire Waste Management Joint Committee	(2,193)	366	(1,827)	(ii)
Former West Yorkshire Magistrates Court & Probation Services	(266)	17	(249)	(iii)
<b>Total Deferred Liabilities</b>	<b>(2,515)</b>	<b>448</b>	<b>(2,067)</b>	

(i) For further details in respect of Leases see Note 5 to the core statements

(ii) Former West Yorkshire Waste Management Joint Committee.

This figure represents the amount owed by the Council to the other West Yorkshire Metropolitan District Councils in respect of the former West Yorkshire Waste Management Joint Committee. This is being repaid to the other Councils over a period of fifteen years commencing 1 April 2000. The amount outstanding at 31 March 2009 is £2.193m, which is being repaid at £0.366m per annum. The amount to be repaid in 2009/10 is included in creditors and £1.827m represents the amount due after 1 April 2010.

(iii) Former West Yorkshire Magistrates Court and Probation Services

This figure represents the amount owed by the Council to Leeds City Council and Bradford Metropolitan District Council in respect of the Council's share of the debt relating to the former West Yorkshire Magistrates Court and Probation Services that is due after 1 April 2010.

**31. MOVEMENTS ON RESERVES**

The table below shows the balances held in reserves at the start and end of the year and the net movement in the year:

Reserve	31st March 2008 £000	Restated 31st March 2008 £000	Net Movement in Year £000	31st March 2009 £000	Note
Capital Adjustment Account	394,753	394,753	(88,589)	306,164	(i)
Revaluation Reserve	48,625	48,625	11,141	59,766	(ii)
Financial Instruments Adjustment Account	(16,820)	(16,820)	(3,408)	(20,228)	(iii)
Available-for-sale Financial Instruments Re	-	-	-	-	(iv)
Usable Capital Receipts Reserve	22,276	22,276	(20,132)	2,144	(v)
Pension Reserve	(388,666)	(388,502)	37,000	(351,502)	(vi)
Invest to Save Reserves	7,286	7,286	(58)	7,228	(vii)
Job Evaluation and Single Status Reserve	6,000	6,000	847	6,847	(viii)
Capital Programme Reserve	7,494	7,494	3,326	10,820	(ix)
Street Lighting PFI	3,348	3,348	(258)	3,090	(x)
Other Earmarked Reserves	5,494	5,494	3,276	8,770	(xi)
General Fund Reserves	21,664	21,664	(599)	21,065	(xii)
Unequal Pay Back Pay Account	(15,021)	(15,021)	15,021	-	(xiii)
Collection Fund Balance	1,915	1,915	(1,833)	82	(xiv)
	<b>98,348</b>	<b>98,512</b>	<b>(44,266)</b>	<b>54,246</b>	

(i) Capital Adjustment Account

This account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. (See Note 33 for more details)

(ii) Revaluation Reserve

This account records the net unrealised gains from the revaluation of fixed assets after 1 April 2007. (See note 34 for more details)

(iii) Financial Instruments Adjustment Account

This account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

	<b>1st April 2008</b>	<b>Increase in year</b>	<b>Amortisation in year</b>	<b>31st March 2009</b>
Discounts	(2,817)	(5)	63	(2,759)
Premiums	18,625	2,944	(716)	20,853
Stepped Loans Instruments	1,012	-	(12)	1,000
Impairment of Investment	-	1,134	-	1,134
<b>Total</b>	<b>16,820</b>	<b>4,073</b>	<b>(665)</b>	<b>20,228</b>

(iv) Available for Sale Financial Instruments Reserve

This account represents changes in fair value relating to available for sale assets. Gains/losses on revaluation are recognised in the Statement of Total Recognised Gains and Losses (STRGL). Gains/losses arising on the derecognition of an asset are recognised in the Income and Expenditure account. In 2008/09 there has been no movement on this reserve.

(v) Usable Capital Receipts Reserve

The balance represents the receipts from sales of fixed assets and the repayment of mortgage advances, less amounts used for debt repayment or to finance capital expenditure. (See Note 32 for further details)

(vi) Pension Reserve

This reserve is equal to the Net Pension liabilities, shown under Long Term Liabilities in the Balance Sheet. It is required to counter the effect of including liabilities based on FRS17 and avoid any impact on council tax levels. (See Note 11 for further details).

(vii) Invest to Save Reserve

The Invest to Save Reserve is earmarked to support initiatives to deliver medium term savings.

(viii) Single Status Reserve

The reserve is earmarked as funding support to the one-off costs associated with Single Status and the implementation of new Pay and Reward structures.

(ix) Capital Programme Reserve

The Capital Programme Reserve is earmarked to support resourcing of the Council's capital programme.

(x) Street Lighting Private Finance Initiative (PFI)

The profile of PFI revenue grants received by the Council for Street Lighting is different to the profile of contract payments to Amey. The earmarked reserve sets aside excess grant payment in early years of the contract to ensure that funds are available to meet contract payments in later years.

(xi) Other Earmarked Reserves

Other Earmarked Reserves are earmarked to provide support to specific initiatives or activities. During the year a net transfer of £3.276m into earmarked reserves has been made to services to support initiatives or activities in future years.

(xii) General Fund Reserves

General Fund Reserves include General Balances which are maintained at a prudent level to support the medium term plans of the Council and individual school balances which are carried forward in accordance with the Education Reform Act 1988.

Reserve	31st March 2008 £000	Net Movement in Year £000	31st March 2009 £000
General Balances	5,548	561	6,109
Schools Balances	16,116	(1,160)	14,956
<b>General Fund Reserves</b>	<b>21,664</b>	<b>(599)</b>	<b>21,065</b>

At 31 March 2008, General Balances were £5.548m. During the year a further £0.561m has been transferred into the reserve comprising £0.408m repayment of funds temporarily advanced to the Worksmart Project in 2007/08, £0.124m additional savings identified in the 2008/09 budget setting process and £0.028m balance of the Community Chest. The balance at 31 March 2009 of £6.1m is considered to be the minimum balance to be maintained to protect the Council against unforeseen events and the realisation of any contingent liabilities.

School Balances are in accordance with the Education Reform Act 1988, in which the scheme for the management of schools budgets provides for the carry forward of individual school balances (both over and under spending). These balances are to be spent or replenished by individual schools. A net underspend of £13.54m relates to individual school balances (Deficits £0.91m, Surpluses £14.45m) and £1.42m relates to unspent Dedicated Schools Grant from 2007/08 and 2008/09.

## NOTES TO THE CORE FINANCIAL STATEMENTS

School Reserves	31 March 2008 £000's	Net movement in year £000's	31 March 2009 £000's
School Balances (DSG Element)	(2,035)	616	(1,419)
School Balances (ISB Element)	(14,082)	544	(13,538)
<b>Total School Reserves</b>	<b>(16,116)</b>	<b>1,160</b>	<b>(14,956)</b>

### (xiii) Unequal Pay Back Pay Account

This reserve is equal to the contribution to the Unequal Pay Back Pay provision which has been established in line with the Local Authority (Capital Finance and Accounting) (Amended) Regulations 2007. This reserve has a nil balance as at 31 March 2009 as a result of the expenditure and provision in respect of Unequal Pay being funded from revenue and capital resources in 2008/09. See also Note 3 to the Core Financial Statements.

### (xiv) Collection Fund

The Council has a statutory requirement to maintain a Collection Fund at a sufficient level to provide a working balance and to provide for any shortfalls in the rate of collection of Council Tax. The fund is shared with the precepting authorities (West Yorkshire Police Authority and West Yorkshire Fire and Rescue Service).

## 32. USABLE CAPITAL RECEIPTS RESERVE AND UNAPPLIED GRANTS AND CONTRIBUTIONS

The balance on the Usable Capital Receipts Reserve represents the receipts from sales of fixed assets and the repayment of mortgage advances, less amounts used for debt repayment or to finance capital expenditure.

Usable Capital Receipts Reserve	2007/08 £000	2008/09 £000
Amounts Receivable - General	40,828	9,043
Housing Pooled Capital Receipts to CLG	(81)	(106)
Amounts Applied to Finance New Capital Investment	(25,159)	(29,053)
Utilisation of Section 25 Grant	-	(14)
Amounts Applied to Repay Debt	(5)	(2)
<b>Total Increase / (Decrease) in realised Capital Resources</b>	<b>15,583</b>	<b>(20,132)</b>
Balance Brought Forward 1st April	6,693	22,276
<b>Balance Carried Forward 31st March</b>	<b>22,276</b>	<b>2,144</b>

The balance on Unapplied Grants and Contributions represents income received from Government Departments and other third parties to finance capital expenditure which has not been incurred at 31 March 2009.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Unapplied Grants and Contributions	2007/08 £000	2007/08 Restated £000	2008/09 £000
Amounts Receivable - General	66,332	66,332	73,024
Amounts Applied to Finance New Capital Investment	(57,249)	(40,920)	(57,259)
Amounts Applied to Revenue in respect of REFCUS	-	(16,329)	(16,186)
<b>Total Increase / (Decrease) in realised Capital Resources</b>	<b>9,083</b>	<b>9,083</b>	<b>(421)</b>
Balance Brought Forward 1st April	17,973	17,973	27,056
<b>Balance Carried Forward 31st March</b>	<b>27,056</b>	<b>27,056</b>	<b>26,635</b>

The 2008 SORP replaced the concept of Deferred Charges with Revenue Expenditure Funded from Capital Under Statute and prescribes the change as a change in accounting policy. The 2007/08 figures in respect of Unapplied Grants and Contributions have been restated to reflect the grant applied to revenue.

### 33. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure and to repay debt. The same process applies to capital expenditure that is only capital by statutory definition (Revenue Expenditure Funded from Capital Under Statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Adjustment Account	2007/08 £000	2008/09 £000	Notes
<b>Historical cost of acquiring, creating and enhancing assets</b>			
Depreciation and Impairment Losses	(36,615)	(49,581)	
Disposal of Long Term Assets	(4,854)	(80,733)	
<b>Total Historical cost of acquiring, creating and enhancing fixed assets</b>	<b>(41,469)</b>	<b>(130,314)</b>	
<b>Revenue Expenditure Funded from Capital Under Statute</b>			
REFCUS (net of Government Grants & Contributions)	(10,139)	(16,890)	
<b>Resources set aside to finance Capital Expenditure</b>			
Usable Receipts Applied	25,164	29,055	
Capital Expenditure Financed direct from Revenue	3,020	7,690	
Minimum Revenue Provision and loan repayments	8,034	8,253	
Adjustments for Government Grants/Contributions passed through I&E Account and SMGFB	6,665	18,299	
<b>Total Resources set aside to finance Capital Expenditure</b>	<b>42,883</b>	<b>63,297</b>	
<b>Other</b>			
PFI Street Lighting Scheme Assets - Annual charge for use of assets transferred to contractors	(256)	(256)	
PFI Street Lighting Scheme Assets - Estimated value of new assets acquired in year	617	617	
Long Term Debtor	(5)	(2)	
Long Term Loans / Investments	1,153	-	
Revaluation of Fixed Assets	(3,558)	-	
Former West Yorkshire Waste Management Joint Committee	(2,559)	366	(i)
Write back of notional acquisition costs	-	(5,492)	(ii)
Other	-	85	
<b>Total Other</b>	<b>(4,608)</b>	<b>(4,682)</b>	
Balance Brought Forward at 1 April	408,086	394,753	
<b>Balance Carried Forward at 31 March</b>	<b>394,753</b>	<b>306,164</b>	

(i) This represents the write down of the amount owing to the other West Yorkshire Districts in respect of the former West Yorkshire Waste Management Joint Committee. (See Note 30 to the Core Financial Statements).

(ii) A review of the practice of adding notional acquisition costs to the value of Tangible Fixed Assets has resulted in the write back of £5.492m as it is no longer considered appropriate.

### **34. REVALUATION RESERVE**

The purpose of the Revaluation Reserve is to record the accumulated net gains on fixed assets. The closing position on the Reserve at 31 March 2009 shows revaluation gains accumulated since 1 April 2007. The Reserve is adjusted for assets disposed of or which undergo a diminution in value and also for depreciation attributable to a revaluation surplus. It cannot contain a loss in respect of assets on an individual basis.

<b>Revaluation Reserve</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>	<b>Note</b>
Balance at 1 April	-	(48,625)	
Revaluation of Fixed Assets	(57,232)	(33,826)	
Write out of revaluation gains in respect of disposed assets	5,916	14,339	
Write out impairment in respect of revaluation gains	-	3,004	
Write out of depreciation in respect of revaluation gains	2,691	3,479	
Write down of notional acquisition costs	-	1,863	(i)
<b>Revaluation Surplus at 31 March</b>	<b>(48,625)</b>	<b>(59,766)</b>	

(i) A review of the practice of adding notional acquisition costs to the value of Tangible Fixed Assets has resulted in the write back of £1.863m as it is no longer considered appropriate.

### **35. FINANCIAL INSTRUMENTS**

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

Table 1

Financial Instruments Balances	Long-term		Current	
	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
Financial liabilities (principal amount) This is the actual value of the loan, not arising from any adjustments	232,855	220,588	10,460	17,165
Financial liabilities at amortised cost	234,464	222,179	10,460	17,165
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowing</b>	<b>234,464</b>	<b>222,179</b>	<b>10,460</b>	<b>17,165</b>
Loans and receivables (principal amount) This is the actual value of the loan, not arising from any adjustments	17,530	13,000	68,299	71,262
Loans and receivables	18,418	13,905	70,508	71,775
Available for sale financial assets	24	326	-	-
Financial Assets at fair value through the I & E (Ackton Pastures)	3,486	1,248	-	-
Unquoted equity investment at cost	-	-	-	-
<b>Total Investments</b>	<b>21,928</b>	<b>15,479</b>	<b>70,508</b>	<b>71,775</b>

Table 2

Financial Instruments Gains / Losses	2008/09 £000	2008/09 £000	2008/09 £000	2008/09 £000	2008/09 £000
	Financial Liabilities	Financial Assets			Total £000
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available for sale assets (i) £000	Fair value through I & E £000	
Interest Expense	(13,882)	-	-	-	-
Losses on derecognition	-	-	-	-	-
Impairment losses	-	-	-	-	-
<b>Interest payable and similar charges</b>	<b>(13,882)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,882)</b>
Interest Income	-	5,398	-	-	-
Losses on derecognition	-	(40)	-	-	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>5,358</b>	<b>-</b>	<b>-</b>	<b>5,358</b>
<b>Net gain / (loss) for the year</b>	<b>(13,882)</b>	<b>5,358</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gain/(loss) arising on revaluation of financial assets</b>					
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	(40)	-	-	-
Amounts recycled to the I & E account after impairment	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Impairment of Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into

## NOTES TO THE CORE FINANCIAL STATEMENTS

administration. The authority had £9m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Impairment
Glitnir	18/10/07	16/10/08	£3,000,000	6.4%	£3,278,794.52	£284,666.84
Heritable	11/01/08	8/1/09	£3,000,000	5.45%	£3,199,335.62	£949,507.94
Landsbanki	14/01/08	12/1/09	£3,000,000	5.45%	£3,197,991.78	£575,668.63
<b>Totals</b>			<b>£9,000,000</b>		<b>£9,676,121.92</b>	<b>£1,809,843.41</b>

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

### Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

July 2009 - 15%  
 July 2010 - 30%  
 July 2011 - 15%  
 July 2012 - 10%  
 July 2013 - 10%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

### Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being

placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website. This and other relevant information indicates that recovery of between 90-100 % could be achieved, and the authority has taken a mid point position and assumed recovery at 95% by 2012. The authority has therefore decided to recognise an impairment based on it recovering 95p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the UK Government decision to lift the freezing order which had been made over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008.

#### Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 14 November 2008 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

The authority has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008 in the future. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £1.81m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £1.13m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.68m relates to interest which has been borne in full by the General Fund.

Bank	Credited 2007/08 (not received)	Credited 2008/09 (not received)	Total Interest transferred to Financial Instruments Adjustment Account
Glitnir	£86,794.52	£192,000.00	£278,794.52
Heritable	£35,835.62	£163,500.00	£199,335.62
Landsbanki	£34,491.78	£163,500.00	£197,991.78
<b>Total</b>	<b>£157,121.92</b>	<b>£519,000.00</b>	<b>£676,121.92</b>

**Fair value of assets and liabilities carried at amortised cost**

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the

## NOTES TO THE CORE FINANCIAL STATEMENTS

present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- Impairment have been recognised for investments held with Icelandic banks;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

Disclosures have not been made where the carrying amount is a reasonable approximation of fair value and the tables below do not include Trade Creditors, Trade Debtors and other longer term payables and receivables.

The fair values calculated are as follows:

Table 3

	31 March 2008		31 March 2009	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB debt	172,790	210,587	160,535	197,780
Non-PWLB debt	72,134	70,558	78,809	72,699
Total debt	244,924	281,145	239,344	270,479
<b>Total Financial liabilities</b>	<b>244,924</b>	<b>281,145</b>	<b>239,344</b>	<b>270,479</b>

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Table 4

	31 March 2008		31 March 2009	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Money market loans <1 year	70,508	70,508	71,775	71,775
Money market loans > 1 year	18,442	18,560	14,231	14,686
<b>Total Loans and receivables</b>	<b>88,950</b>	<b>89,068</b>	<b>86,006</b>	<b>86,461</b>

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

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

### **Soft Loans**

Following a review of the Soft Loans made in accordance with Accounting Policy 17 no adjustments have been made to the Income and Expenditure Account on the basis that the impact is not material.

### **Key Risks**

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years setting out:

- The Council's overall borrowing limits;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual council tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

Table 5

Deposits with banks and financial institutions	Amount at 31 March 2009 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2009 %	Estimated maximum exposure to default £000	Estimated maximum exposure at 31 March 2008 £000
	a	b	c	(a * c)	
AAA rated counterparties	-	-	-	-	-
AA rated counterparties	-	-	-	-	4
A rated counterparties	27,500	0.03	0.03	8	4
	10,000	0.15	0.15	15	
	3,000	0.30	0.30	9	
BBB rate counterparties	20,000	0.24	0.24	48	-
D rated counterparties	9,000	21.91	21.91	1,972	-
Other counterparties	6,000	0.24	0.24	14	-
Bonds - AAA rates	-	-	-	-	-
Trade Debtors	5,038	6.73	6.73	339	214
<b>Total</b>	<b>80,538</b>			<b>2,405</b>	<b>222</b>

Within the Council's investment strategy, specified investments are only made with counterparties who are rate "A" or above by the Credit Rating Agencies. The amounts shown in Table 5 as invested with BBB rated counterparties relate to investments with those counterparties, mostly UK Building Societies who have been downgraded by the Agencies since the investments were made. The £9m shown as investment with D rated counterparties is that amount invested in Icelandic Banks. The other counterparties deposits relates to non-specified investments placed with institutions such as some of the UK's Building Societies who are not rated by the Agencies.

The Council does not generally allow credit for its trade debtors, such that £2.935m of the £5.038m balance is past its due date for payment. The past due amount can be analysed by age as follows:

Table 6

Age of Debt	£000s
Two to six months	971
Six months to one year	506
More than one year	1458
<b>Total</b>	<b>2935</b>

### **Collateral**

The Council does not pledge any collateral as security but in respect of deferred payments under sections 22 and 55 of the Social Care Act 2001 a legal charge has been placed on the properties of the Debtors. The amount due to the Council at 31 March 2009 is £0.46m (2007/08 £0.476m)

The Council has also given some housing relocation loans and a legal charge is placed on the properties to enable the loans to be repaid when the properties are sold. The amount due to the Council at 31 March 2009 is £1.66m (2007/08 £1.153m).

### **Liquidity risk**

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

### **Refinancing and Maturity Risk**

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Table 7

Date of Maturity	2007/08 £000	2008/09 £000
Less than one year (Short term creditors & borrowing)	84,746	86,408
Between one and two years	53	58
Between two and five years	192	10,210
Between five and ten years	10,465	511
Between ten and fifteen years	6,674	10,597
More than fifteen years	215,471	199,211
Total	317,601	306,995

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

### Market risk

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant) the financial effect would be:

Table 8

1% Higher Rates	£000s
Increase in interest payable on variable rate borrowings (note i)	-
Increase in interest receivable on variable rate investments (note ii)	-
Impact on Income and Expenditure Account	-
Increase in Government grant receivable for financing costs	-
Decrease in fair value of fixed rate investment assets	118
Impact on STRGL	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	26,880

Note (i) – Although the Council holds £60m of LOBO's which are deemed to be variable due to the lenders option they are held at a fixed rate so any movement in interest rates will have no effect.

Note (ii) – All investments are fixed rate instruments.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost (see tables 3 and 4 above)

Price risk - The Council does not generally invest in equity shares

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

### **36. DEFERRED CREDITS (INCLUDING DEFERRED CAPITAL RECEIPTS)**

These are amounts derived from sales of assets and loans, which will be received in installments over agreed periods of time.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Credits (Including Deferred Capital Receipts)	31 March 2008 £000	31 March 2009 £000	Note
Council House Mortgages	152	115	
Loans to Third Parties	31	20	
Ackton Pastures - Sale of land	3,486	1,248	(i)
Newton Hill - Sale of Land	44	-	
<b>Total</b>	<b>3,713</b>	<b>1,383</b>	

(i) The amount receivable of £1.248m at 31 March 2009 in respect of sale of land at Ackton Pastures represents the estimated income due from the developer which it is anticipated will not be received until after 1 April 2010 (see Note 23)

### 37. ANALYSIS OF MAJOR GOVERNMENT GRANTS

The table below shows the cash received for Government Grants included in the Revenue Activities Net Cash Flow (see Note 38). The figures represent the cash received by the Council and may differ from the amounts included in the other published Statements, which are prepared on an accruals basis. Other grants includes £2.263m (2007/08 £2.653m) in respect of the Yorkshire and Humber Assembly for which the Council is the accountable body.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

<b>Government Revenue Grants</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
Dedicated Schools Grant	177,316	181,551
Housing Benefit Rent Rebates	68,205	73,001
Standards Fund	20,996	21,162
Council Tax Benefit Grant	18,114	19,857
Local Area Agreement *	9,252	-
Learning & Skills Council	12,495	12,061
General Sure Start	6,094	10,873
Supporting People	7,067	7,007
Housing Benefit Administration	3,121	3,074
Regeneration & Housing	1,496	2,372
PFI Revenue Support	1,029	1,715
Asylum Seekers - Unaccompanied Children	895	1,222
Teachers Training Agency	1,161	1,021
Youth Development Support Services	-	1,157
Access & Systems Capacity	3,839	-
Carers	1,422	-
Residential Allowances	1,331	-
Mental Health	935	-
Flood Damage	828	-
Delayed Discharges	684	-
Wakefield Learning Network	347	-
Single Regeneration Budget	147	-
Other	7,230	6,780
<b>Total</b>	<b>344,004</b>	<b>342,853</b>

**38. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT SURPLUS/ (DEFICIT) TO MOVEMENT IN CASH**

The surplus on the Income and Expenditure Account includes transactions that do not result in cash flows. The following table identifies these transactions and reconciles the Income and Expenditure Account (including Collection Fund) with the actual net revenue cash flows shown on the Cash Flow Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of Income & Expenditure to movement in cash	Original 2007/08 £000	Restated 2007/08 £000	2008/09 £000
Income and Expenditure Account surplus / (deficit) for the year (including Collection Fund)	(15,857)	(15,857)	(128,533)
Adjust for items outside Revenue Activities Net Cash Flow			
Interest Received	(4,806)	(4,806)	(5,398)
Dividends Received	-	-	(195)
Interest Paid	11,739	11,739	16,861
Gains or Losses on Disposal of Fixed Assets / Long Term Investments	(29,763)	(29,763)	88,361
Net Adjustments	(22,830)	(22,830)	99,629
Adjust for items on accruals basis			
Stock & WIP (Increase) / Decrease	(38)	(38)	17
Revenue Debtors (Increase) / Decrease	(13,709)	(14,465)	8,789
Revenue Creditors Increase / (Decrease)	9,782	13,214	(5,895)
Total Accruals Basis Adjustment	(3,965)	(1,289)	2,911
Adjust for Non-Cash transactions			
Provisions Increase / (Decrease)	2,917	2,917	(111)
Non Cash items from SMGFB	60,680	50,538	48,077
Financial Instruments Adjustments	(2,500)	(2,500)	-
Carrying value of Landfill Allowances	897	897	-
Total Non-Cash Transaction Adjustment	61,994	51,852	47,966
<b>Revenue Activities Net Cash Flow</b>	<b>19,342</b>	<b>11,876</b>	<b>21,973</b>

### 39. RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

The table below reconciles the net cash flow movement as identified in the Cash Flow Statement to the movement in net debt.

Analysis of Changes in Net Debt	1 April 2008 £000	Cash Flow £000	Non Cash £000	31 March 2009 £000
Cash Balances :				
Cash in Hands of Officers and Cash in Transit	829	(140)		689
Cash (Overdrawn) / In Bank	30	(12,503)		(12,473)
Total Cash Balances	859	(12,643)	-	(11,784)
Financing Activities:				
Finance Lease Repayments & Deferred Liabilities	136	107	(482)	(239)
Debt Due within One Year	(10,460)	(6,723)	18	(17,165)
Debt Due After One Year	(234,464)	12,285		(222,179)
Total Financing Activities	(244,788)	5,669	(464)	(239,583)
Management of Liquid Resources :				
Short Term Deposits	-	7,900		7,900
Short Term Investments	70,508	(14,468)	7,835	63,875
Total Short Term Investments	70,508	(6,568)	7,835	71,775
<b>Total</b>	<b>(173,421)</b>	<b>(13,542)</b>	<b>7,371</b>	<b>(179,592)</b>

<b>Analysis of Changes in Net Debt</b>	<b>£000</b>
Net Cash Flow	(12,643)
Net Cash Inflow / (Outflow) from Financing	5,669
Net Cash Inflow / (Outflow) from Management of Liquid Resources	(6,568)
<b>Movement in Net Debt</b>	<b>(13,542)</b>

Liquid resources are current asset investments that are readily disposable by the Council. They can be readily convertible to known amounts of cash and consist of temporary deposits and short term investments.

#### **40. RELATED PARTY TRANSACTIONS**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**Central Government** has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Government Departments are set out in note 37.

**Members of the Council** have direct control over the Council's financial and operating policies. Where members have an interest in companies or other organisations, details of such interests are recorded in the Register of Members' Interest, which is open to public inspection. During 2008/09, material transactions totalling approximately £6.8m took place with such organisations.

**Senior Officers** (Chief Executive, Deputy Chief Executive, Corporate Directors and Service Directors) were requested to complete a voluntary declaration of any transactions in which they have a pecuniary interest in accordance with section 117 of the Local Government Act 1972. No interests were declared.

**Other Public Bodies** - The Council has a number of transactions with other public bodies including National Health Service bodies, other Councils and the Pension Fund. The following transactions are disclosed in other notes:

- Precepting authorities – Income and Expenditure Account and Collection Fund.
- Pension Fund – Note 11.
- Local Authority (Goods and Services Act) 1970 Note 7.
- Pooled Budgets – Note 41.

Also National Health Service bodies make payments towards the nursing costs of Council funded residents in care homes.

**Assisted Organisations** – the Council has provided financial assistance to a number of organisations, but that assistance was not given on terms that gave the Council effective control over their operations.

**Companies and Joint Ventures** – the Council has interests in companies and relevant transactions are disclosed in note 44.

**41. POOLED BUDGETS**

As at the 31st March 2009, the Council had four pooled budgets under section 31 of the Health Act 1999. These pooled budgets relate to People with Learning Disabilities (created in April 2003, new agreement signed in April 2008 and hosted by Wakefield MDC), the Integrated Community Equipment Store (created in January 2004, new agreement signed in April 2008 and hosted by the Wakefield MDC), the CAMHS pooled budget (created in April 2006 and hosted by Wakefield MDC), and the pooled budget for people with Mental Health Disabilities (created in April 2006, new agreement signed in April 2008 and hosted by the Wakefield District Primary Care Trust)

The details of the contributions and expenditure for people with learning disabilities are disclosed below. In line with the Section 31 agreement, the surplus of £0.627m at 31 March 2008 was brought forward for utilisation in 2008/09. In 2008/09 there was a surplus of £0.335m, which the partners have agreed to carry forward for utilisation in 2009/10.

PEOPLE WITH LEARNING DISABILITIES	2007/08 £000	2008/09 £000
<b>FUNDING:</b>		
Contribution from Wakefield District Primary Care Trust	10,609	10,767
Contribution from Local Authority	9,905	9,760
Surplus c/fwd from previous year	1,190	627
<b>TOTAL FUNDING</b>	<b>21,704</b>	<b>21,154</b>
<b>EXPENDITURE:</b>		
Provision of services to people with Learning Disabilities	21,077	20,819
<b>TOTAL EXPENDITURE</b>	<b>21,077</b>	<b>20,819</b>
<b>NET SURPLUS</b>	<b>627</b>	<b>335</b>
<b>Less Net Surplus/(Deficit) Distributed to Partners</b>	<b>0</b>	<b>0</b>
<b>NET SURPLUS C/FWD AT 31 MARCH</b>	<b>627</b>	<b>335</b>

The details of the contributions and expenditure for the Integrated Community Equipment Store are disclosed below. Funding from partners decreased in total from £2.619m in 2007/08 to £2.539m in 2008/09, this was due to non recurrent expenditure in 2007/08. The surplus to carry forward to 2009/10 is nil.

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>JOINT INTEGRATED EQUIPMENT STORE</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
<b>FUNDING:</b>		
Contribution from Wakefield District Primary Care Trust	1,542	1,221
Contribution from Local Authority (Lead commissioner)	1,057	1,318
Surplus c/fwd from previous year	20	1
<b>TOTAL FUNDING</b>	<b>2,619</b>	<b>2,539</b>
<b>EXPENDITURE:</b>		
Wakefield District Primary Care Trust	2,618	2,539
Local Authority	-	-
<b>TOTAL EXPENDITURE</b>	<b>2,618</b>	<b>2,539</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>1</b>	<b>0</b>

The details of the contributions and expenditure for the CAMHS Revenue Grant pooled budget are disclosed below. Funding from partners increased in total from £0.861m in 2007/08 to £1.181m in 2008/09. The surplus to carry forward to 2009/10 is £0.368m.

<b>CAMHS REVENUE GRANT</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
<b>FUNDING:</b>		
Contribution from Wakefield District Primary Care Trust	312	317
Contribution from Local Authority	471	534
Surplus c/fwd from previous year	78	330
<b>TOTAL FUNDING</b>	<b>861</b>	<b>1,181</b>
<b>EXPENDITURE:</b>		
CAMHS Expenditure	531	813
<b>NET SURPLUS C/FWD AT 31 MARCH</b>	<b>330</b>	<b>368</b>

The details of the contributions and expenditure for people with mental health disabilities are disclosed below. In line with the Section 31 agreement between the partners any variances against their contributions are returned back to the originators, therefore there is no carry forward to 2009/10.

<b>PEOPLE WITH MENTAL HEALTH DISABILITIES</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
<b>FUNDING:</b>		
Contribution from Wakefield District Primary Care Trust (lead provider)	22,055	22,615
Contribution from Local Authority	2,891	2,618
<b>TOTAL FUNDING</b>	<b>24,946</b>	<b>25,233</b>
<b>EXPENDITURE:</b>		
Adult MH Services	24,946	25,233
<b>TOTAL EXPENDITURE</b>	<b>24,946</b>	<b>25,233</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>0</b>	<b>0</b>

**42. PRIVATE FINANCE INITIATIVE (PFI)**

The Private Finance Initiative is a source of funding used for long term major projects. Information on Accounting for PFI's is included in Accounting Policy 21.

- **Street Lighting**

The Council has a 25 year PFI contract for the maintenance and upgrading of its street lighting stock. The contract commenced in 2004 and expires in 2029.

<b>Street Lighting Private Financing Initiative</b>	2007/08 £000	2008/09 £000
<b>CHARGES TO THE REVENUE ACCOUNT</b>		
Unitary Payments to the Contractor	3,871	4,072
Amortisation of PFI Deferred Consideration from debtors	256	256
Notional Acquisition of Residual Value	(617)	(617)
Energy Costs and other payments	2,011	2,326
<b>Total Charges to the Revenue Account</b>	<b>5,521</b>	<b>6,037</b>
<b>FINANCED BY:</b>		
Government PFI Revenue Grant	1,372	1,372
Other Income	253	199
Transportation & Highways Revenue Budget	4,514	4,569
Transfer to Long Term Debtors re Assets	(617)	(617)
Transfer from Capital Adjustment Account	256	256
<b>TOTAL FINANCING</b>	<b>5,778</b>	<b>5,779</b>
<b>Transfer to/from(-) Street Lighting PFI Investment Account</b>	<b>257</b>	<b>(258)</b>

Transactions under the scheme during 2008/09 were:

The Council is required to consider whether the assets of the PFI arrangements above should be included as part of the Council's assets on the balance sheet. The Council has taken account of Application Note F "Private Finance Initiative and Similar Contracts as an amendment to FRS 5" and the SORP Appendix E "Accounting for PFI Transactions and Similar Contracts". On the basis of this guidance the Council has determined that the PFI assets should not be accounted for on the Council's balance sheet.

The Council's payments to the PFI contractor include a payment for assets of a capital nature (for example, new street lighting columns). The accounting policies applicable to this PFI scheme require a notional debtor to be included in the Council's accounts each year for the value of these assets. The debtor totalling £0.617m is included in the financing above, and will be accumulated on the Council's balance sheet over the length of the contract. See Note 23 (Long term debtors) for further information.

- **Municipal Waste Management**

The Council is developing a PFI scheme as part of implementing its Municipal Waste Management Strategy, for which development costs of £3.02m have been incurred up to 31 March 2009. The scheme has reached the Preferred Bidder stage with an expectation of completing the procurement process by late Summer 2009, so there are no implications on the 2008/09 accounts.

### 43. TRUST AND THIRD PARTY FUNDS

The Council acts as a trustee for a number of Trust and Third Party Funds. It also holds funds on behalf of various clients. These do not represent assets of the Council and are not included in the Balance Sheet.

The Council is the sole trustee in respect of the following funds:

Trust funds where the Council acts as Sole Trustee	Balance at 1 April 2008 £ 000	Income £ 000	Expenditure £ 000	Balance at 31 March 2009 £ 000
Pontefract Park Maintenance Fund Fund to contribute towards the maintenance costs	310	11	11	310
Ings Road Recreational Ground Fund to contribute towards the maintenance costs	24	1	0	25
Other funds	2	0	0	2
<b>TOTAL</b>	<b>336</b>	<b>12</b>	<b>11</b>	<b>337</b>

The Council also holds the following funds:

Other Funds	Balance at 1 April 2008 £000	Income £000	Expenditure £000	Balance at 31 March 2009 £000
Social Services Client Funds	134	14	(45)	103
Social Services Amenity Funds	46	16	(20)	42
Bequests for School prizes	62	7	(5)	64
Other Funds	1	(1)	-	-
<b>TOTAL</b>	<b>243</b>	<b>36</b>	<b>(70)</b>	<b>209</b>

### 44. SUBSIDIARY AND ASSOCIATED COMPANIES

In line with the Statement of Accounting Policies note 19 on Group Accounts the Council has undertaken a detailed mapping exercise to identify its interests in various companies. The Accounting Code of Practice requires that where a Council has material interests in one or more subsidiary and/or associated companies, it should prepare a group revenue account and balance sheet. However, the Council's interest in the companies listed below is not considered material in total in comparison to the total figures on the Council's Income and Expenditure Account and Balance Sheet. Therefore it is considered that group accounts are not required for the Council and consequently have not been prepared.

In 2008/09 the Council had financial relationships with the following companies:

- Rail Link Europe Ltd (Companies House Registration No 2555801)

The purpose of the company is to progress the development of a freight village at Wakefield Europort.

The Council participates under Section 33 of the Local Government and Housing Act 1989 and holds 199 "A" shares of £1 each out of a total share capital of £1000. The Council has 1 representative on a board of 5.

The latest available accounts are for the year ended 31 December 2007:-

Net profit before tax was £2.09 million (£2.08m in 2006, £0.59m restated). Net profit after tax was £1.46 million (£1.45m in 2006, £0.42m restated).

Net assets were £3.92 million (£3.5m in 2006, £2.46m restated).

A copy of the accounts may be obtained from Muse Developments Ltd, Anchorage One, Anchorage Quay, Salford Quays, Manchester, M50 3YJ.

The company's auditors are Deloitte & Touche LLP, Chartered Accountants and Registered Auditors, Manchester.

- FIRST (The Development Agency for the Wakefield District) (Companies House Reg. No 04221080)

FIRST was established in May 2001 and is a private company limited by guarantee with no share capital. Its purpose is to draw together and realise the many economic aspirations of the District by promoting the development of industry, commerce, enterprise and communities. FIRST's strategic mission is to increase inward investment and business expansion by building an attractive image for the District.

The Council has a minority interest in the company (less than 20%) and has 2 representatives on a board of 14. Its liability is limited to £5.

The latest available accounts are for the year ended 31 March 2008:-

Net profit before tax was £164,245 (£52,103 in 2007). Net profit after tax was £160,488 (£50,749 in 2007).

Net assets were £540,772 (£380,284 in 2007).

The Council is providing core funding of £157,500 per annum, other support in the form of staff resources and guarantees FIRST's membership of the West Yorkshire Pension Fund.

A copy of the accounts may be obtained from:-

PO Box 159, Newton Bar, Leeds Road, Wakefield WF1 1ZD

The company's auditors are Townends, 7/9 Cornmarket, Pontefract, WF8 1AN.

- Wakefield Groundwork Trust (Companies House Reg. No 2202681 and Charity Commission No 519846)

Wakefield Groundwork is a company limited by guarantee and a registered charity. Its principal activity is to improve the environment through partnerships and contribute to the economic and social regeneration of the area.

Its guarantors are the Federation of Groundwork Trusts and Wakefield MDC. Liability is limited to £1 each. The Council nominates 4 of the 13 members on the board.

The latest available accounts are for the year ended 31 March 2007:-

Net assets were £1.68 million (£1.09 million in 2006/07).

The Council provided professional and administrative support, accommodation and core funding of £50,000 in 2008/09 (£50,000 in 2007/08). The company has a 3 year Service Level Agreement with the Council.

A copy of the accounts may be obtained from:-

Groundwork Wakefield, Block C, Normanton Town Hall, High Street, Normanton WF6 2DZ.

The company's auditors are PKF(UK) LLP, Pannell House, 6 Queen Street, Leeds LS1 2TW.

- Castleford Town Centre Partnership Limited (Companies House Registration No 4797313)

The partnership was formed in 2003 to drive forward the regeneration of Castleford, to raise civic pride and a sense of community and to promote and develop Castleford Town Centre as a good investment opportunity.

The Council has an advisory role and provides 4 of the 13 board members. The company has no share capital.

The latest available accounts are for the year ended 30 June 2008:-

Net profit was £2,398 (£190 in 2006/07).

Net assets were £6,444 (£4,046 in 2006/07).

A copy of the accounts may be obtained from the registered office: 2, Sagar Street, Castleford, West Yorkshire WF10 1AF.

The accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small/medium companies and are exempt from audit.

- NPS (Norfolk Property Services) North East Ltd (Companies House Registration No 05200508)

From 1 October 2004, this company took over the design services formerly provided by the Council's trading operation.

A number of Council staff transferred and the Council's contract with the company includes a volume discount on fees. A copy of the detailed contract is available. The Council provides 2 of the 6 directors on the board.

NPS provide services to the Council on a contract basis only.

The latest available Accounts are to 31 January 2008.

Net profit before tax was £413,412 (£542,694 in 2006/07).

Net profit after tax was £308,594 (£379,022 in 2006/07).

Net liabilities were £1.49m (Net Assets £0.60m in 2006/07).

The address of the registered office is:-

NPS Ltd, Lancaster House, 16 Central Avenue, St Andrew's Business Park, Norwich NR7 0HR.

The auditors are Grant Thornton UK LLP, Holland Court, The Close, Norwich, NR1 4DY.

- Wakefield and District Housing Limited (Companies House Reg. No 4948519 and Charity Commission No 1107623)

The organisation took over the Housing Revenue Account functions of the Council from 21 March 2005.

The Council nominates 5 of the 15 Board members.

The latest available accounts are for the period to 31 March 2008.

The deficits before and after tax were £32.8m (surpluses before and after tax were £22.5m in 2006/07).

Net assets were £47.1m (£45.1m in 2006/07).

Transactions with the company are through arms length negotiated Service Level Agreements.

A copy of the accounts may be obtained from the registered office: Merefield House, Whistler Drive, Castleford, WF10 5HX.

The auditors are Grant Thornton UK LLP, No.1 Whitehall Riverside, Whitehall Road, Leeds, LS1 4BN.

#### **45. EVENTS AFTER THE BALANCE SHEET DATE AND AUTHORISED FOR ISSUE DATE**

This note discloses any events which concerned conditions that did not exist at the Balance Sheet date and that occurred after the Balance Sheet date but before the date on which the Statement of Accounts were authorised for issue. The Statement of Accounts was authorised for issue by the Director of Finance on the 28<sup>th</sup> September 2009 and there are two events to disclose.

(i) Outwood Grange Academy Trust

The Trust was established on 1<sup>st</sup> September 2009. The school land and buildings (value £19 million) have transferred back to the Council's ownership and subsequently leased to the Academy for a peppercorn rent in accordance with the relevant legislation.

(ii) Impairment of Icelandic banks investments

The Receivership and Administration processes of Icelandic Banks and their UK subsidiaries continue to progress to resolution. Further information on expected recoveries of the Council's investments in these Banks has been received after the balance sheet date, indicating a further impairment of £144k, this makes no material difference to the Statement of Accounts which has not been amended.

#### **46. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

(i) Contingent Assets

Contingent Assets are probable assets arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

- The Council may be due to receive £3.04m at the balance sheet date in respect of VAT, which has been collected on off street car parking charges since June 2000, pending the outcome of legal action by the Isle of Wight Council against H.M. Revenue and Customs (HMRC).
- A VAT Sharing Agreement with WDH means that the Council may benefit between now and 2020 with regard to input VAT that is reclaimable by WDH. There were initial calls on these funds that have now been settled and there is a 50/50 split of the remainder. WMDC began to receive funds in 2008/9 and are anticipating receipts of £4.2m for 2009/10 with variable ongoing receipts in the following years. Receipts of

approximately £34m are anticipated over the lifetime of this agreement. These are dependent on the amount of work undertaken by WDH and corresponding VAT being repaid by HMRC.

- The Council have submitted claims to HMRC in respect of potential overpaid VAT under VAT legislation, otherwise referred to as “Fleming” claims, which means that claims can be submitted relating to prior periods. The deadline for submission of claims was 31 March 2009 and if they are agreed by HMRC a receipt of up to £2.9m will be due.

(ii) Contingent Liabilities

Contingent Liabilities are:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured reliably.

The following Contingent Liabilities have been identified at 31 March 2009 and the Council's available reserves are considered sufficient to meet any potential future costs which may be incurred.

- Municipal Mutual Insurance Ltd

The creditors of the above company, including the Council, have agreed a Scheme of Arrangement, which it is considered, will ensure an orderly settlement of claims. The company will continue to meet claims in full until all liabilities have been discharged. Should the company not have sufficient funds to meet the liabilities then they will be able to “claw back” a percentage of each claim settled in full. At this time it is anticipated that the company will remain solvent and that there will be no such “claw back”.

- Guarantee

The Council acts as guarantor for FIRST's and Groundwork Trust's membership of the West Yorkshire Pension Fund. The values of potential liabilities are not known and would require costly actuarial valuations to determine

- Claims under the Land Compensation Act 1973

There is a potential maximum liability of £3m for compensation under the Land Compensation Act 1973.

- Insurance Claims

The Council has been advised by its external insurers that the value of outstanding claims as at 31st March 2009 is £15.9m. £5.1m of this figure relates to the Carleton High School fire and will be met by the Council's external insurers. A further £2.7m of these claims, if successful, will also be met by the Council's external insurers. This leaves a balance of £8.1m where any liabilities would be met by the Council. A provision has been set aside on the balance sheet to the value of £5.7m for the estimated future settlement of these claims. The potential maximum contingent liability for insurance claims is £2.4m.

- Public Private Partnership

The Council has entered into a public private partnership with Norfolk Property Services North East Ltd (NPS) for the delivery of the Council's design services. Under the terms of the partnership, in the event of early termination or expiry of the agreement, the contracts of employment of any employees will transfer to the Council. The Council acts as guarantor for membership of the WY Pension Fund for the transferred staff. Potential liabilities could be up to £5.6m.

- Wakefield & District Housing (WDH)

The Council is committed to the provision of certain environmental and non-environmental warranties in respect of WDH and lenders to WDH for a number of years. Insurance cover has been effected for the environmental warranties. Following specialist advice non-environmental warranties provided are not covered by existing insurance arrangements. In the period from transfer to 31 March 2009 the Council has not received any claims in respect of either environmental or non-environmental warranties.

- Single Status/Equal Pay

Single status is the process of job evaluation and harmonisation of former officer and manual worker terms and conditions, which dates from the 1997 single status agreement. The Council is in the process of making compensation payments and offers to groups of staff under the Equal Pay Act 1970. These primarily cover those staff in "rated as equivalent" posts and the estimated costs of these are included as a provision. Claims have been received from male workers in "rated as equivalent" posts but these have been stayed by the employment tribunal pending the outcome of the Abbott case appeal. The Council's liability is unclear until this case is decided.

A large number of Equal Value claims have been received by the Council. These are being reviewed by an independent expert, who has been appointed by the employment tribunal. The independent expert will determine whether the claim is valid and will identify the appropriate comparator. Whether the Council will have any liability is unclear until this review has been completed.

- Housing Benefits and Council Tax Benefit Subsidy Claim

Following the audit of the 2007/08 Housing Benefits and Council Tax Benefit Subsidy Claim there is a potential repayment to the Department of Work and Pensions of £2.25m. Based on experience from previous years the Council has accounted for a repayment £0.6m. As a result there is a maximum contingent liability of £1.65m.

- Trinity Walk

Following the placing into administration of Trinity Walk Wakefield Limited (TWWL) an audit of outstanding payments and obligations by the Council and TWWL has been undertaken. Wherever possible amounts have been charged to revenue and/or provided for, and in addition an amount of £0.6m has been identified as a possible further obligation.

### 47. YORKSHIRE AND HUMBER ASSEMBLY (YHA)

The YHA was an association of the region's 22 local authorities, together with a range of social, environmental and economic partners. The purpose of the Assembly was to act as the strategic regional partnership, to promote the economic, social and environmental wellbeing of Yorkshire and the Humber. The Assembly was designated as the Regional Chamber under the Regional Development Agencies Act 1998. 2008/09 was the last year for YHA which was disbanded on 31 March 2009 following the Government's Sub National Review. From 1 April 2009 the YHA functions transferred to Local Government Yorkshire and Humber (LGYH) which has now been designated as Regional Chamber. The Council

## NOTES TO THE CORE FINANCIAL STATEMENTS

will continue to act as accountable body for the Regional Chambers' Funding Agreement grant administered by the Department for Communities and Local Government (CLG).

In 2008/09 the YHA was awarded £2.182m of CLG grant to support its work. In summary, the 2008/09 accounts for YHA are as follows:

<b>Yorkshire and Humber Assembly (YHA)</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
<b>EXPENDITURE:</b>		
Gross Expenditure	3,263	2,831
Income	(689)	(461)
<b>NET EXPENDITURE</b>	<b>2,574</b>	<b>2,370</b>
<b>FUNDED BY:</b>		
Member Subscriptions	(222)	(222)
Regional Assemblies' Funding Agreement	(2,339)	(2,182)
Yorkshire Forward Single Programme	(314)	(81)
<b>(SURPLUS)/DEFICIT</b>	<b>(301)</b>	<b>(115)</b>

The YHA balances are included in the Council's balance sheet as creditors and are analysed as follows:

<b>YHA Balances Included in the Consolidated Balance Sheet</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>
<b>FIXED ASSETS:</b>		
Tangible Fixed Assets	20	8
<b>TOTAL FIXED ASSETS</b>	<b>20</b>	<b>8</b>
<b>CURRENT ASSETS:</b>		
Stocks	4	2
Debtors and Payments in Advance	200	74
Cash at Bank and held by WMDC	1,454	1,592
<b>TOTAL CURRENT ASSETS</b>	<b>1,658</b>	<b>1,668</b>
<b>CURRENT LIABILITIES:</b>		
Creditors and Receipts in Advance	(594)	(473)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(594)</b>	<b>(473)</b>
<b>NET ASSETS</b>	<b>1,084</b>	<b>1,203</b>

## COLLECTION FUND

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988, as amended by the Local Government Act 1992. Under this Act, the Council is required to maintain an account, separate from the General Fund, for the collection of income from Council Tax, business rates and residual community charge. This income finances the net expenditure requirements of the Council (including Parish Councils), the West Yorkshire Police Authority and the West Yorkshire Fire and Rescue Authority. A separate Balance Sheet is not required as Collection Fund balances are consolidated with other accounts of the Council (see Balance Sheet page 44).

<b>Summary Income and Expenditure Account</b>			
<b>2007/08 £000</b>		<b>2008/09 £000</b>	<b>Notes</b>
<b>Income</b>			
98,418	Council Tax	104,181	1
18,344	Council Tax Benefits	19,672	
90,141	Business Rates (Net of Provisions and Reliefs)	104,937	2
33	Adjustments for Previous years Community Charges	10	3
<b>206,936</b>	<b>Total Income</b>	<b>228,800</b>	
<b>Expenditure</b>			
97,909	Precepts and Demands Wakefield Metropolitan District Council	103,567	
1,893	Parish Precepts	2,084	
11,712	West Yorkshire Police Authority	12,365	
4,765	West Yorkshire Fire and Rescue Authority	4,992	
116,279	Total Precepts and Demands	123,008	
89,674	Business Rates Payment to National Pool	104,467	2
467	Cost of Collection	470	
90,141	Total Business Rates	104,937	
22	Bad and Doubtful Debts Write Offs	15	4
569	Provisions	927	
591	Total Bad and Doubtful Debts	942	
332	Distribution of Collection Fund Surplus Wakefield Metropolitan District Council	1,506	5
-	West Yorkshire Police Authority	171	
-	West Yorkshire Fire and Rescue Authority	69	
332	Total Distribution of Collection Fund Surplus	1,746	
<b>207,343</b>	<b>Total Expenditure</b>	<b>230,633</b>	
<b>407</b>	<b>Deficit / (Surplus) for the year</b>	<b>1,833</b>	

## COLLECTION FUND

2007/08 £000	Collection Fund Balances	2008/09 £000	Notes
2,322	Balance Brought Forward at 1 April	1,915	
(407)	Surplus / (Deficit) for year	(1,833)	
<b>1,915</b>	<b>Balance Carried Forward at 31 March</b>	<b>82</b>	

### 1. COUNCIL TAX

- Calculation of the Council Tax Base

Council Tax charges are calculated by estimating the amount of income required from the Collection Fund by the Council and Precepting Authorities for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings). The Council Tax base for 2008/09 was calculated as follows:

Band	Valuation	Number of Dwellings 17 Sept 2007	Proportion of Band D Tax	2008/09 Band D Equivalent
A (Disabled)	Up to £40,000	244	5/9	136
A	Up to £40,000	65,103	6/9	43,402
B	£40,000 to £52,000	23,682	7/9	18,420
C	£52,001 to £68,000	18,398	8/9	16,354
D	£68,001 to £88,000	11,426	9/9	11,426
E	£88,001 to £120,000	5,969	11/9	7,296
F	£120,001 to £160,000	1,908	13/9	2,756
G	£160,001 to £320,000	1,001	15/9	1,668
H	Over £320,000	40	18/9	80
		127,771		101,538
Number of Band D Equivalents for contributions in Lieu (Band O exempt dwellings)				4
				101,542
Less allowance for non-collection (assumed collection rate 98.5%)				(1,525)
<b>TAX BASE FOR THE CALCULATION OF COUNCIL TAX (Net Band D Equivalent)</b>				<b>100,017</b>

- Calculation of Council Tax at Band D

The basic amount of Council Tax for a Band D property for 2008/09 excluding Parish Precepts is £1,209.02 (£1,152.66 for 2007/08).

### 2. INCOME FROM BUSINESS RATES

Business Rates (also known as Non-Domestic Rates) are collected locally based on the local rateable value multiplied by a uniform rate. A different rate applies to small businesses.

The income collected by the Council, less certain reliefs and other deductions, is paid into a central NNDR Pool administered by Central Government.

## COLLECTION FUND

The Government distributes the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population. For 2008/09, Wakefield's Share of the Pool amounted to £116.3m (£102.7m for 2007/08). The contribution due from the Council to the NNDR Pool for 2008/09 can be analysed as follows:

Details of Rateable Value and Multipliers	2007/08	2008/09
Non-Domestic Rateable Value at Year End (£000)	255,244	257,032
National Non-Domestic Rates (NNDR) Multiplier	44.4p	46.2p
Small Business Non-Domestic Rates Multiplier	44.1p	45.8p

Contribution to NNDR Pool		
	2007/08 £000	2008/09 £000
Business Rates Collectable	91,269	106,095
Less :		
Discretionary Relief Claimable from Pool	(285)	(286)
Cost of Collection Allowance	(467)	(470)
Interest on Refunds	(791)	(253)
Losses on Collection / Write offs	(52)	(619)
<b>Total Payable To Pool</b>	<b>89,674</b>	<b>104,467</b>

In 2007/08 a refund was received of approximately £15m, relating back to the 2005 valuation list, in respect of Ferrybridge Power Station.

### **3. ADJUSTMENTS FOR PREVIOUS YEARS' COMMUNITY CHARGE**

Although Community Charge was replaced by the Council Tax from 1 April 1993, the Council continues to collect and account for the residual amounts of Community Charge which were raised between 1990/91 and 1992/93. This is accounted for within the Collection Fund.

The surplus on Community Charge of £0.010m in 2008/09 (£0.033m in 2007/08) has arisen through the reduction in the Bad Debt Provision. This reduction is the result of the ongoing collection of outstanding Community Charge arrears for which full bad debt provision has been allowed.

### **4. BAD AND DOUBTFUL DEBTS**

Contributions are made to/from the Collection Fund Income and Expenditure Account to/from provisions for bad debts. For 2008/09, the Council Tax Bad Debts Provision was increased by £0.927m (£0.569m in 2007/08) to reflect changes in the rate of collection and outstanding arrears. In addition, bad debts due in the year of £0.015m (£0.022m in 2007/08) were written off to the Collection Fund.

**5. DISTRIBUTION OF COLLECTION FUND SURPLUS**

Surpluses or deficits on the Council Tax account are shared between the Council and the other precepting authorities in proportion to their budgets. Any surplus is used to reduce the level of Council Tax bills in later years.

The forecast surplus available for distribution at 31 March 2009 of £1.746m (£0.332m at 31 March 2008) was shared between the other precepting authorities as follows:

<b>Precepting Authority</b>		
	<b>2007/08 £000</b>	<b>2008/09 £000</b>
Wakefield Metropolitan District Council	332	1,506
West Yorkshire Police Authority	-	171
West Yorkshire Fire and Rescue Authority	-	69
<b>Total</b>	<b>332</b>	<b>1,746</b>

### **GLOSSARY OF TERMS**

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

#### **Accounting Period**

The period covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date, 31 March.

#### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) the actuarial assumptions have changed.

#### **Annual Governance Statement**

A statutory document which provides an overview of the governance arrangements within the Council, aids the effective exercise of Council functions, and includes arrangements for the management of risk.

#### **Asset**

An item having value in monetary terms. Assets are defined as current or fixed.

A current asset will be consumed or cease to have material value within the next financial year.

A fixed asset provides benefits to the Council and its services for more than one year.

#### **Audit of Accounts**

An independent examination conducted on a test basis, of the Council's financial statements.

#### **Best Value Accounting Code of Practice (BVACOP)**

The BVACOP provides guidance on local authority accounting and financial reporting in order that data consistency and comparability is achieved. It is reviewed and updated annually.

#### **Budget**

A statement of spending plans and anticipated income for a financial year.

### **Capital Charge**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. Services are charged for each asset they use with a provision for depreciation.

### **Capital Programme**

The capital schemes the Council intends to carry out over a specified time period.

### **Community Assets**

Assets that the Council intend to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community assets are parks and historic buildings.

### **Corporate and Democratic Core**

The corporate and democratic core comprises all activities, which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **Debt Management Expenses**

The expenses involved in administering Treasury Management services related to capital expenditure and financing.

### **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

### **Direct Revenue Financing**

The financing of capital expenditure directly from revenue.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence if the financial statements are to give a true and fair view (as included in SSAP 6, superseded by FRS 3).

### **Extraordinary Items**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

### **Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments including any initial payments amount to substantially all of the fair value of the leased asset.

### **Financial Instrument**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes trade receivables, trade payables and derivatives.

### **Financial Procedure Rules**

Written rules of the Council relating to all matters with financial implications. All Council officers must comply with these rules.

### **Financial Reporting Standard 17 (FRS 17)**

The requirement for local authorities to include the forecast cost of future pensions in the accounts on a notional basis, the level of assets in the fund as well as the level of any estimated surplus or deficit on the pension fund.

### **General Fund**

All services except Housing Revenue Account and Collection Fund are known as General Fund services. The net cost of services is met by precept on the Collection Fund.

### **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

### **Infrastructure Assets**

Inalienable assets, expenditure on which is recoverable only by continued use of the assets created. Examples of infrastructure assets are highways and footpaths.

### **Intangible Fixed Assets**

Assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, e.g. externally purchased software.

### **Investments (Non-Pensions Fund)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can be clearly demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pensions fund, which do not meet the above criteria, should be classed as current assets.

### **Investments (Pension Fund)**

The investments of the Pension Fund will be accounted for in the statements of that Fund. However authorities (other than town, parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **Investment Properties**

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed;  
and

- b) which is held for its investment potential, any rental income being negotiated at arm's length.

### **Leasing**

A method of financing capital expenditure, which allows the Council to use, but not own an asset. A third party (the lessor) purchases the asset on behalf of the Council (the lessee) who then pays the lessor an annual rental over the life of the asset.

### **Liability**

A liability is where the Council owes payment to an individual or organisation.

A current liability is an amount which will become payable or could be called in within the next accounting period.

A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period.

### **Long-term contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or for the provision of a service (or a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

### **Minimum Revenue Provision**

The minimum amount which must be charged to an authority's revenue account each year in respect of the financing of capital expenditure through borrowing.

### **Net Book Value**

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

### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net Expenditure**

Gross expenditure less specific income.

### **Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

### **Non Distributed Costs**

This includes pensions expenditure and income not relating to existing employees, which under FRS 17 are not directly chargeable to services. In addition, it includes overheads for which no user now benefits and which should not be apportioned to services.

### **Non-Domestic Rate (NDR)**

The standard rate in the pound set by the Government on the assessed rateable value of properties used for business purposes.

### **Non-Operational Assets**

Fixed assets held by a local authority but not used or consumed in the delivery of services or strategic objectives of the authority. Examples of non-operational assets include investment properties, assets under construction and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.

### **Operating Leases**

Any lease that is not a Finance Lease as defined by SSAP21.

### **Operational Assets**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

### **Outturn**

Actual income receivable and expenditure due in a financial year.

### **Payments in Advance**

These are payments made in advance of goods or services being provided to the Council.

### **Precept**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Taxpayers on their behalf.

### **Prior year adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Private Finance Initiative (PFI)**

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

### **Prudential Code**

The Prudential Code is a professional Code of Practice developed by CIPFA whose objective is to ensure local authorities capital investment plans are affordable, prudent and sustainable.

### **Public Works Loan Board (PWLB)**

The PWLB is a Government financed body which makes long term money available to local authorities that are able to borrow a proportion of their requirements to finance capital spending from this source.

### **Receipts in Advance**

Income received in advance of goods or services being provided

### **Recharges**

A charge made by one service to another (or from one part of a service to another part) for work carried out on their behalf.

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

### **Reserve**

A reserve is an amount set aside in one financial year and carried forward to meet liabilities in a subsequent financial year, both general and specific liabilities.

### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- a) an employer's decision to terminate an employee's employment before the normal retirement date, or
- b) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### **Revenue Support Grant**

Revenue Support Grant is the general Government support towards Local Government revenue expenditure.

### **Special Funds**

A separate provision in the accounts, usually financed by contributions from the revenue account, for the purpose of defraying particular expenditure e.g. insurance.

### **Statement of Recommended Practice (SORP)**

The SORP specifies the accounting principles to be adopted in preparing local authority accounts. It is reviewed and updated annually.

### **Statements of Standard Accounting Practice (SSAPs)**

Statements prepared by the Consultative Committee of Accountancy Bodies (CCAB) to ensure consistency in accountancy matters. Many standards are now applied to local authority accounts and any departure must be disclosed in the published accounts.

### **Tangible Fixed Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

### **Useful life**

The period over which the Council will derive benefits from the use of a fixed asset.

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