

**CITY OF WAKEFIELD**  
**METROPOLITAN DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2004/05**



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I have audited the statements of accounts on pages 3 to 49 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 45 to 49.

This report is made solely to Wakefield Metropolitan District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and Audited Bodies, prepared by the Audit Commission.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR OF FINANCE AND AUDITORS**

As described on page 7, the Director of Finance is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement of internal control on pages 8 to 12 reflects compliance with CIPFA's guidance 'The Statement of Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003', published on 2nd April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statements are misleading or inconsistent with other information we are aware of from our audit of the financial statements. I am not required to consider, nor have we considered, whether the statement of internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

**BASIS OF AUDIT OPINION**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

**OPINION**

In my opinion the financial statements present fairly the financial position of the Wakefield Metropolitan District Council at 31st March 2005 and its income and expenditure for the year then ended.

**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.

**Signature:**

**Date:**

**Name: Ivan McConnell**

**Address:**

**Audit Commission  
Kernal House  
Killingbeck Drive  
Killingbeck  
Leeds  
LS14 6UF**

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

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**Peter Box**

**Leader of the Council**



**John Foster**

**Chief Executive of the Council**

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The following pages set out our accounts for 2004/05 and provide information on how the Council continues to use its resources to provide better services to citizens. Overall, resources have been used effectively, but we are conscious of our need to control Council Tax levels.

The accounts demonstrate a healthy financial position which gives us confidence in meeting priority challenges in the coming years.

The Council and our partners continue to deliver 'Fast Forward' the Community Strategy for the District. This sets out how we are working with partners to deliver our common programme of action to promote well being and improve the quality of life in the District.

In 2004/05 we consolidated our position as a "fair" authority, judged by the Audit Commission. We are one of only four councils to have improved our rating in successive years. We were also pleased to be shortlisted for the Local Government Chronicle Awards in the "Most Improved Council of the Year" category.

The major change during 2004/05 saw the Council transfer just short of 32,000 properties to a new landlord "Wakefield and District Housing". The transfer has left both organisations in a healthy financial state and the accounts reflect the impact of transferring those dwellings.

"Giving Value and Being Valued" is what we endeavour to achieve. We explain this in our Corporate Performance Plan each year. It reports how well we are doing in achieving the targets set to deliver improved services that focus on citizens' local priorities.

We will continue to review how we provide services and above all, we want to provide services of the highest quality that are convenient and easy to use and represent value for money. To be more effective we recognise our need to listen and engage more with citizens so that we can focus on what you feel is most important.

The Council continues to prioritise investment in schools, social services and regeneration. In addition, we continue to invest in improving the street scene and supporting community safety schemes under the 'Cleaner places, safer people' initiative because you have made it clear this is your main priority.

We believe that the Council already provides many good quality services, but there is much more to be done and we are totally committed to doing better. The sound financial position of the Council will support the improvement process.

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

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**John Foster**  
**Chief Executive**

**INTRODUCTION**

This document is the Statement of Accounts for Wakefield MDC. It covers the financial year from 1 April 2004 to 31 March 2005 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 page. 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. The major change affecting the 2004/05 accounts is the housing stock transfer to Wakefield and District Housing (WDH) on 21 March 2005. The transfer has necessitated a large number of changes which are reflected and explained in this note and other appropriate notes in the accounts.

**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 we have properly accounted for all the public money we have received and spent and that the financial standing of the Council is on a secure footing.

**2. THE STATEMENTS**

The financial activity of the Council in relation to the services it provides is shown through a number of key financial statements and notes:

- The Consolidated Revenue Account (CRA) shows the net cost for the year of the functions for which the Council is responsible.
- The Consolidated Balance Sheet shows the position of all the Council's assets and liabilities as at 31 March 2005. The Council's reserves represent the balance of assets and liabilities shown on the face of the Consolidated Balance Sheet.
- The Statement of Total Movement in Reserves brings together all the increases and decreases in, and utilisation of, the Council's reserves during the year.
- The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.
- The Housing Revenue Account (HRA) summarises the income and expenditure in respect of the provision of local authority housing accommodation. The Council

continued to receive less Government Subsidy than it paid out in rent rebate.

- The Collection Fund shows the transactions of the Council in relation to National Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to precepting authorities and the General Fund.

**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, wages, heating, cleaning, repairs and maintenance, and capital financing charges.

The Council spent £3m less than the original net budgeted requirement of £340.0m.

The Council approved additional spending of £5.3m during 2004/05. This was funded by increased contributions from general reserves.

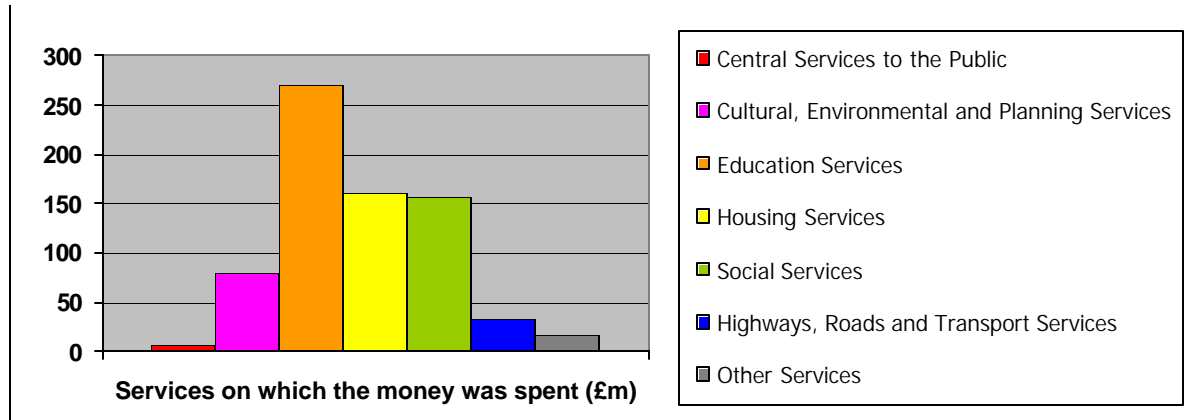
The variances below set out the underspend after the approved increases of £5.3m during 2004/05.

<b>Revenue Underspends</b>	<b>£m</b>
Services (excluding schools)	5.1
Schools	3.2
<b>Total</b>	<b>8.3</b>

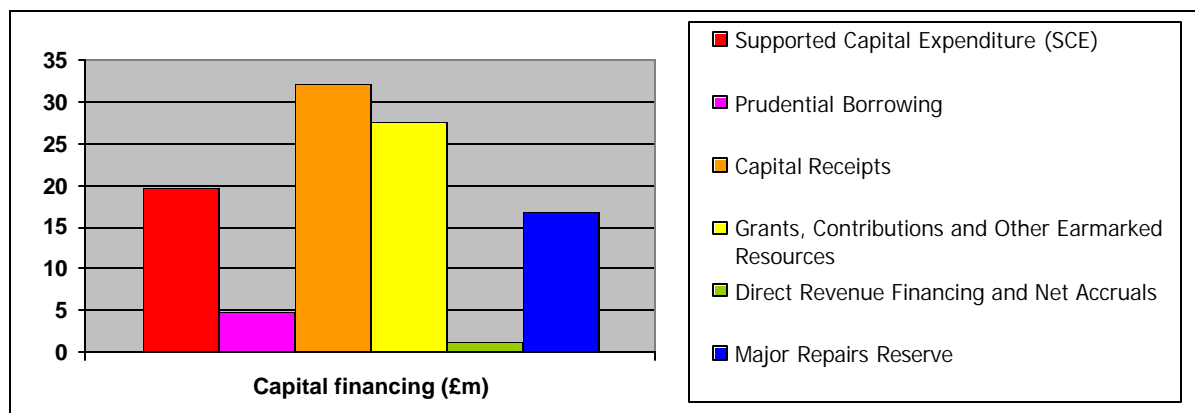
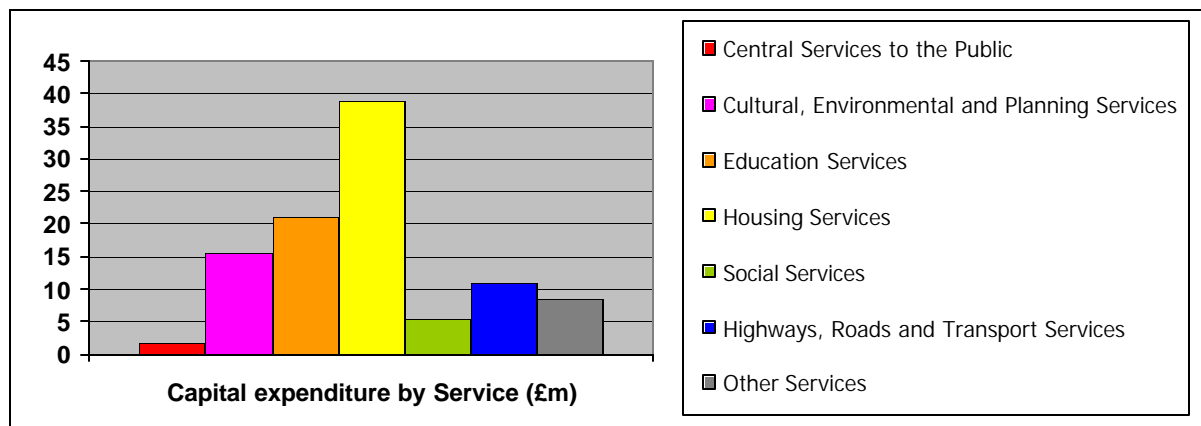
- Services (excluding schools)
  - Environment Services savings of £1.0m achieved due to rebate on West Yorkshire Passenger Transport levy of £0.8m and savings achieved from a base budget review.
  - Resources Services and Chief Executive's Office savings of £1.9m achieved from costs being covered by ODPM funding for the Housing Stock Transfer, slippage on service developments, and a net underspend on Housing Benefits.
  - Regeneration Services savings of £1.3m achieved due to delayed implementation of restructures and increased income.
  - Social Services & Health increased expenditure of £2.2m due to expenditure incurred on service modernisation and pressures on the Homelessness service as the demand for the service increases.
- The remaining underspend of £3.1m relates to a decision to fund items from capital resources and to reschedule some charges into 2005/06.

## FOREWORD AND FINANCIAL SUMMARY BY THE DIRECTOR OF FINANCE

The chart below illustrates the distribution of gross revenue expenditure on the major services the Council provides. More detail is contained in the Consolidated Revenue Account on page 13.



The charts below illustrate the Council's capital expenditure by Service and how the expenditure was funded.



- Schools

The schools underspend of £3.2m largely represents an underspending on Standards Fund Grant, and on some specific development projects as well as unspent revenue balances.

CAPITAL EXPENDITURE

Capital expenditure is expenditure on the acquisition of fixed assets which will be used in providing services beyond the current accounting period or expenditure which adds value to an existing fixed asset. The Council adheres to the definition of capital expenditure set out in the Statement of Recommended Practice (SORP).

The Council spent £102.2m against an approved programme of £87.1m, which represents a variance of £15.1m. The increase was largely due to additional set up costs for the housing stock transfer of £9.4m, vehicle and equipment purchases through prudential borrowing of £1.7m, additional grant funded regeneration schemes of £0.8m, capitalisation of £1.0m of expenditure previously charged to revenue, and other changes totalling £2.2m. (See charts on previous page).

A more detailed analysis of the expenditure and financing is set out in explanatory note 11 on page 24.

BALANCE SHEET

- Schools Balances

In accordance with the Education Reform Act 1988, schools are allowed to carry forward individual balances (both surpluses and deficits). The total balances increased from £4.5m at 31<sup>st</sup> March 2004 to £7.7m at 31<sup>st</sup> March 2005 comprising surpluses of £9.1m and deficits of £1.38m.

- General Fund Revenue Reserves and Balances

The movements on reserves includes the £4.4m surplus on the Consolidated Revenue Account, as well as the increases in schools balances. These are detailed together with the movement in other reserves of the Council in explanatory note 3 to the main statements on page 18.

- Creditors and Debtors

There has been a £5.5m increase in creditors, and a £9.9m increase in debtors, which has arisen in part by the decision to include accruals for capital expenditure and income from 2004/05 onwards.

**4. NEW DEVELOPMENTS**

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 for Waste Management, for which development costs of £208k have been incurred in 2004/05. Approval has now been received from the ODPM for the Outline Business Case and construction is expected to commence in 2006/07.

Further information on PFI, including the existing Street Lighting PFI scheme, is included in the Statement of Accounting Policies and in disclosure notes 8 and 9 on page 41.

WHOLE OF GOVERNMENT ACCOUNTS

2004/05 is the first year in which local authorities and a large number of other specified public bodies are required to produce their accounts on a Whole of Government Accounts (WGA) basis. The purpose of WGA is to ensure the production of most public sector accounts on a consistent basis, and to ensure that the double counting of income and expenditure transferred between Central Government and other bodies, and between other bodies, is eliminated in order to show a more meaningful and accurate overall position.

PRUDENTIAL CODE

This is the first year of operation of the Prudential Code and the key objectives of the code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. In order to demonstrate that these objectives have been fulfilled, a set of prudential indicators must be produced, and approved by the Council, prior to the start of each financial year. For 2004/05 these were approved by Council on 2<sup>nd</sup> March 2004. During 2004/05 £4.737m of expenditure has been financed by unsupported borrowing.

PUBLIC PRIVATE PARTNERSHIP (PPP)

The Council has established a Public Private Partnership (PPP) agreement with Norfolk Property Services North East Ltd (NPS) for the delivery of Design Services to the Council from 1 October 2004 onwards. The key elements of the PPP are a sharing of the risks and benefits between the Council and NPS in order to deliver a more flexible and improved service. NPS has taken over responsibility for the provision of the Council's design services function from the Council's Design Services Trading Operation, which ceased trading on 30 September 2004.

## FOREWORD AND FINANCIAL SUMMARY BY THE DIRECTOR OF FINANCE

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### GROUP ACCOUNTS

The Council has considered the more rigorous SORP requirements for local authorities to produce group accounts from 2004/05 onwards. The outcome of the review is that the Council does not have any material interests in outside companies or organisations which are sufficiently material to require the production of group accounts.

### STATEMENT OF INTERNAL CONTROL 2004/05

This statement incorporates further details on the improvement actions taken by the Council and the challenges which lie ahead in the coming years.

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**Judith Badger CPFA  
Director of Finance  
October 2005**

**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 2004'), and is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2005.

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<sup>st</sup> March 2005 and its income and expenditure for the year then ended.

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**Judith Badger CPFA**  
**Director of Finance**  
**October 2005**

**APPROVAL OF THE ACCOUNTS**

In accordance with the Accounts and Audit Regulations 2003, as Chair of the Body considering the Wakefield Metropolitan District Council Statement of Accounts for 2004/05, I certify that the original Accounts (which were approved by the Constitution and Governance Committee on 28<sup>th</sup> July 2005) have been reapproved, incorporating changes agreed at the Audit and Governance Committee on 31<sup>st</sup> October 2005.

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**Philip Dobson**  
**Deputy Chair of the Audit**  
**and Governance Committee**  
**31 October 2005**

## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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### **1. INTRODUCTION AND SCOPE OF RESPONSIBILITY**

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.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

This Statement on Internal Control is a statutory document which provides an overview of the internal control arrangements within the Council, and acts as a signpost to more detailed sources of assurance and evidence.

### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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, prioritise, evaluate and manage the risks to the achievement of the Council's policies, aims and objectives.

The system of internal control has been in place in the Council for the year ended 31st March 2005 and up to the date of approval of the annual report and accounts.

### **3. THE INTERNAL CONTROL ENVIRONMENT**

The key aspects of the internal control environment incorporate the corporate policy framework and individual plans / policies / processes / procedures, financial and performance management frameworks, Risk Management systems, Internal Audit function, annual assurance statements, efficiency statements, external inspections, and other relevant factors. These arrangements are overarched by the concept of leadership exercised by the Council's Members and officers, with the Chief Executive's Corporate Management Team providing leadership to all the Council's employees. The key elements of the internal control framework are as follows:

- A. The Constitution, which governs the Council's policy and decision-making arrangements, reflects openness, accountability and transparency to local people. Specific procedure rules, protocols

and policies are in place to govern Executive, Scrutiny and other Committee functions and delegated authority (to individual Members and officers). This includes the framework for managing fraud and corruption including: Anti-Fraud and Corruption Policy; Whistleblowing Code; and Codes for Officer and Member Conduct. These are monitored by the Standards Committee, which is now chaired by an independent member of the Community;

- B. The publication of the Forward Plan which contains details of key decisions to be made in coming months;
- C. The business planning infrastructure provides a sustained focus on performance and priorities, and our plans are aligned within a planning infrastructure which includes the Community Strategy which is underpinned by the Corporate Performance Plan, Service Improvement Plans, Medium Term Financial Plan and the individual staff appraisal process;
- D. A Code of Corporate Governance has been approved and adopted, and is subject to regular review. It follows the framework recommended by CIPFA and SOLACE;
- E. The Council's Constitution and Governance Committee had its terms of reference revised during 2004/05 to provide for much greater responsibility for all governance issues. This role will be further developed during 2005/06 to provide assurances to support the Statement of Internal Control;
- F. The Council has a number of Corporate Working Groups looking at a range of key issues for the Authority. The Corporate Issues Working Group (CIWG) exists, chaired by Corporate Director (Resources), and has a particular focus to ensure a corporate approach to Council initiatives. A Statement of Internal Control (SIC) Sub-Group has been approved, comprising the Head of Legal and Democratic Services, Head of Corporate Performance, Chief Accountant and Chief Audit and Risk Manager. The Sub-Group is chaired by the Head of Legal and Democratic Services, reports to the CIWG and has specific responsibility for all issues relating to the production, issue and monitoring of the SIC.
- G. The Council has designated its Corporate Director (Resources) as Monitoring Officer. The function ensures compliance with policies, procedures, laws and regulations; as with a proactive approach to good

governance. The Monitoring Officer will report to full Council if he considers any proposed action, decision or omission would give rise to unlawfulness or maladministration. The financial management of the Council is the responsibility of the Head of Financial Services, (Section 151 Officer), and is conducted in accordance with the Constitution and Financial Procedure Rules, with the assistance of the Chief Accountant, and both corporate and service based finance teams. The financial management system includes

- (i) A Medium Term Financial Plan linked to service plans;
  - (ii) an annual budget cycle incorporating approval for revenue, capital and treasury management strategies;
  - (iii) Financial Procedure Rules approved within the Constitution;
  - (iv) Process and procedure guidance manuals;
  - (v) Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice, and Financial Reporting Standards;
  - (vi) regular budget monitoring and value for money challenged through quarterly budget clinics with linkages to service performance and
  - (vii) identification of financial risks and effective outcomes regularly challenged both internally and externally.
- H. The performance management of the Council is effective and well developed, and is measured and monitored through its corporate management performance framework. The framework consists of an integration of key corporate business planning processes and systems which enable the Council to regularly monitor, assess and review performance both at a strategy and operational level to drive through continuous improvement. The framework consists of the following key elements' Strategic scorecards, performance and budget clinics, the Service Improvement Planning process (service improvement plans and risk registers), the Business Planning Cycle, the Wakefield Driver performance self-assessment process

and performance appraisals. This framework is supported by the developing competency framework for all staff and managers, (incorporating further development of the individual staff appraisal scheme); the development of an overarching Human Resources Strategy – 'Wakefield People Agenda'; the policy of attaining 'Investors in People' across the Authority; the Service Improvement Planning process, (incorporating identification of key business risks as part of the process) and the self-assessment using the EFQM approach through the 'Wakefield Driver'.

- I. Risk Management arrangements are robust and 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 Chief Audit and Risk Manager, (supported by a Risk Management Sub-Group, reporting to the Corporate Issues Working Group), is charged with responsibility for implementing the Action Plan, incorporating risk registers and regular review of risks by trained staff.
- J. In addition to the elements of the internal control environment summarised above, the Council also gains positive assurance on systems of internal control through a number of audit, inspection and review processes, including:
  - (i) The Council's Internal Audit function operates to standards set by CIPFA and undertakes annual work plans, agreed with and monitored by Members and senior officers. They provide opinions on internal controls in place to manage risks across the Authority's diverse activity;
  - (ii) Annual assurance statements produced within each Service Area and signed by Corporate Directors;
  - (iii) Production, implementation and monitoring of an annual efficiency statement in line with the requirements of the Government's Gershon agenda;
  - (iv) Objective and professional relationships with external auditors and statutory inspectors, involving consideration of reports and the production of Action Plans, approved, implemented and monitored in respect of each such report received;

## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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- K. The Council has a Health and Safety policy framework document which sets out the authority's commitment to health and safety and identifies individuals with responsibilities under the policy. Each Service has a policy setting out the operational requirements in respect of the framework document that determines appropriate safe systems of work for employees. These policies are monitored in a number of ways on a regular basis. Each Service has a Safety Officer to give advice and monitor working practices, who hold regular safety meetings with managers and trade unions;
- L. The Council has a complaints policy. Each Service has arrangements in place for recording complaints about their service area. This information is collated centrally. A service area representative's group has been established, the role of which is to advise on and assist in the implementation of policy and monitoring arrangements;
- M. Arrangements are in place also for dealing with and monitoring Ombudsman complaints.
- N. The Standards Board for England provides advice and guidance to Councils' Standards Committees on the Member Code of Conduct.

The above framework contributes to ensuring compliance with established policies, procedures, laws and regulations as part of establishing a sound overall internal control environment.

### **4. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. To this extent the future development of the role of the SIC Sub-Group will ensure this becomes an ongoing process. The review of the effectiveness of the system of internal control is informed by the work of Members, Corporate Directors, other managers of the Council, Internal Audit and external agencies, who have responsibility for the development and maintenance of the internal control environment as summarised above. Maintaining and reviewing the effectiveness of the system of internal control is achieved through:

- A. The Monitoring Officer ensures that the Constitution has been reviewed and updated and a number of policies and procedures have been amended. The local Code Of Corporate Governance is reviewed and updated regularly.
- B. Overview and Scrutiny Committees have "call-in" powers to consider appropriateness

- of decisions. They include independent and local people to allow a greater say in decision making.
- C. The role of Standards Committee in setting the ethics agenda for the Council and monitoring training in relevant areas;
- D. The role of the Constitution and Governance Committee in reviewing financial management, audit and internal control matters;
- E. Regular reviews of policies and procedures. The Corporate Issues Working Group has set up the Ethical Issues Sub-Group with a remit that includes development and review of ethical standards policies, procedures and training;
- F. The Council's partnership working has been reviewed and a new procedure introduced to ensure that proper controls are in place. Part of the work of the Ethical Issues Sub-Group will include consideration of the standards to be expected of the Council's partners;
- G. Staff workshop training sessions have been held during the year in order to ensure finance staff have up to date knowledge of key accounting practices. Financial Procedure Rules training has also been carried out to raise the awareness of managers in service areas of financial management issues, rules and procedures. The budget and performance clinics have been aligned in order to assist in identifying service or performance risks which may lead to financial risks, so enabling effective control and management of those risks;
- H. Key elements of the performance management framework are reviewed and developed on a yearly basis. As part of the business planning process the Service Planning guidance and template for the Service Improvement Plans for 2005 were reviewed and improved and now include sections on efficiency and value for money. An external challenge of all Service Improvement Plans has taken place for 2005. The Business Planning cycle has been reviewed and further alignment and the Corporate Performance Clinic process is now better aligned to the budget clinic process. The performance clinic reporting process has been improved and there is now joint reporting of both financial and performance information. A pre-challenge stage to the performance clinics by the Leader and Cabinet Members has also been introduced. A new fundamental performance review

programme has been put in place and the Council is undertaking two major crosscutting reviews of an external focused review of liveability and an internal focused review of professional and support services. The aims of the reviews is to identify new ways of working and to provide more citizen focused services, with improved efficiency and ensuring our support services are effective and add value to supporting the delivery of front line services. The reviews are due to be completed in 2005;

- I. A number of important initiatives have been progressed during 2004/05, most notably further population of the Risk Management (RM) database, roll out of RM to Schools, clearly linking RM to Service Improvement Planning and a general increased awareness of the need to consider risks throughout the Authority, (e.g. within project management, procurement and CMT / Cabinet reports). The role of the soon to be appointed Risk and Insurance Manager will be crucial to achieving the further embedding of risk management and the effective populating and monitoring of risk registers. The Senior Audit Manager's opinion from his Annual Report states that:

"From Internal Audit work undertaken, and reported upon during 2004/05, systems of internal control were, in general, adequate to prevent potential material risks, of a strategic and operational nature, becoming real. The 2004/05 financial year saw the Council take on an ambitious programme of improvement and development, most notably over 30 major IT projects. The introduction of a formal risk assessment process, linked to these projects and new partnerships, has made a significant contribution to this opinion. Management's response to control issues arising from individual Internal Audit reviews has been very positive overall, with actions to further enhance controls being agreed and formally accepted. More work still needs to be carried out, however, through training and development, during 2005/06 to clarify respective roles and responsibilities for internal control and reinforce, and ensure adherence to, the Council's ethics and standards frameworks in respect of officers at all levels.";

- J. Further to the pilot exercise in 2003/04, the process of obtaining Annual Financial (and other) Control Assurance Statements signed by Corporate Directors was fully implemented in 2004/05. The statements are being reviewed independently by Internal Audit with areas for testing the accuracy and validity of declarations being determined;

- K. The outcome of all inspections and audits, including the annual audit and inspection letter, are used to plan and improve Council services;
- L. There were no reportable accidents under Health and Safety Regulations during 2004/05.
- M. The Ombudsman found one case of maladministration with injustice during 2004/05 but the findings were mitigated by the Council's response to the situation.
- N. No elected Member of Wakefield MDC was found to be in breach of the Code of Conduct during 2004/05.

#### **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

In considering the significant internal control issues contained within the 2003/04 SIC, it is noted that the following enhancements have been achieved:

- A. The approach to Corporate Governance has been strengthened, incorporating further development of risk management arrangements;
- B. Progress has been made on capacity-building, self-assurance, Final Accounts and grants management actions in respect of Financial Services and Risk Services. The main areas of development needs identified previously were in the areas of final accounts and the management of grants. The final accounts process has been strengthened over the last 15 months and mechanisms are in place to ensure continued improvement. The management of grants remains an area of risk which is currently being addressed.
- C. In addition new financial systems have been implemented during the latter part of 2004/05 and have been positively reviewed by both internal and external audit providing additional assurance of the robustness of the data and the transactions held;
- D. A number of major initiatives / projects were undertaken during 2004/05, within tightly controlled environments based on PRINCE 2 methodology. Most notably the Housing Stock Transfer project; preparation for the Children's Act; Private Finance Initiative scheme for Waste Management; major IT systems developments including finance, HR and e-procurement requirements and Design Services partnership.

This SIC, and supporting documentation provides clear evidence of improvements in the Council's internal control arrangements during

## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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2004/05. In looking towards 2005/06 and beyond it is acknowledged that there are a number of initiatives to be implemented to further enhance the existing control environment, the key issues being:

- E. Formalising responsibilities for reviewing specific plans, policies and procedures each year and introducing meaningful certification, confirming such reviews, by named responsible officers;
- F. Further clarity of roles, and development of functions, relating to overall corporate governance arrangements, informed by an ongoing Internal Audit review, incorporating SIC 2005/06 onwards. Such activity to include activity of both Members and officers;
- G. Building on initiatives taken during 2004/05 relating to fully develop roles and responsibilities of the Constitution and Governance Committee relating to provision of independent assurance on internal control;
- H. Further enhancement of the key role of the Overview and Scrutiny function in providing assurance on the decision making process;
- I. Improving fraud prevention procedures, with training and development of Members and officers in ethical standards and responsibility for the overall control environment contributing to this process
- J. Improvements to Service performance through the fundamental performance reviews, two being carried out during 2005/06. The impact of the outcomes is likely to be from 2006/07 onwards;
- K. Further strengthening of both the final accounts process and accountancy capacity supported through a restructure of accountancy to include a greater emphasis on professional training and development;
- L. Enhanced use and continued development of the new financial system which will strengthen financial management arrangements still further through speedier access to more up to date information and enhanced financial reporting facilities;
- M. A new performance management regime is being put in place from June 2005 in order to improve the quality of grant claims;
- N. The CIPFA Financial Management Model is in the process of being carried out across all service areas which will serve to identify areas of strength and areas for improvement;
- O. Further integration of financial and service planning will be achieved through strengthening both the service improvement planning process and the combined budget/performance clinic process. A corporate performance management system will be implemented to improve the capture and analysis of performance information;
- P. Improved performance via full implementation of the "Wakefield Driver" EFQM model;
- Q. Achievement of the Investors In People Standard across all Services;
- R. Finalisation and implementation of workforce development plans;
- S. Full implementation of the Risk Management system in accordance with approved strategy;
- T. Further develop the process of annual assurance statements, in order to embed the process in day to day management of services;
- U. Updating and monitoring of the Annual efficiency Statement, aligning this to ongoing developments within Value For Money work, incorporating procurement improvements.
- V. The Corporate Complaints Procedure will be developed and reviewed in the light of feedback from stakeholders during 2005. Improved monitoring of information collected will ensure that service improvements are identified from complaints, comments and compliments received.

### **BY ORDER OF THE AUTHORITY**

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

**Dated:**

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**John Foster**  
**Head of Paid Service, the Chief Executive**

**Dated:**

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## CONSOLIDATED REVENUE ACCOUNT

This account shows the net cost for the year of the functions for which the Council is responsible. In addition it demonstrates how that cost has been financed from government grants and local taxpayers. It consolidates General Fund Services and the Housing Revenue Account (see page 32), which are produced in the same format.

2003/04 Net Expenditure £000	CONSOLIDATED REVENUE ACCOUNT	2004/05			NOTES
		Gross Expenditure £000	Gross Income £000	Net £000	
	EXPENDITURE ON SERVICES:				
5,218	Continuing Services				
923	Central Services to the Public	5,417	(1,929)	3,488	
42,596	Court Services	1,928	(927)	1,001	
174,971	Cultural, Environmental and Planning Services	79,133	(31,846)	47,287	
27,089	Education Services	270,174	(86,796)	183,378	
7,697	Highways, Roads and Transport Services	32,751	(4,943)	27,808	
72,989	Housing General Fund	22,199	(12,318)	9,881	
6,253	Social Services	155,859	(72,926)	82,933	
62	Corporate and Democratic Core	13,620	(6,514)	7,106	
	Non Distributed Costs	988	(31,825)	(30,837)	24
<b>337,798</b>	<b>Net Cost of Continuing Services</b>	<b>582,069</b>	<b>(250,024)</b>	<b>332,045</b>	1
	<b>Discontinued Services</b>				
<b>27,724</b>	Housing Revenue Account	167,901	(115,637)	52,264	see HRA
<b>365,522</b>	<b>Total Net Cost of Services</b>	<b>749,970</b>	<b>(365,661)</b>	<b>384,309</b>	
(1,080)	Net (Surplus)/Deficit of Trading Operations			1,010	2
(20,382)	Asset Management Revenue Account			(32,665)	4
0	Contribution of housing capital receipts to Government Pool			26,517	
(4,228)	Interest and Investment Income			(4,458)	
(45)	(Gains)/Losses on the repurchase or early settlement of borrowing			211	
1,442	Parish Council Precepts			1,526	
9,667	Pensions interest cost and expected return on pensions assets			5,333	24
<b>350,896</b>	<b>Net Operating Expenditure</b>			<b>381,783</b>	
	APPROPRIATIONS:				
0	Transfer from Usable Capital Receipts equal to the contribution to Housing			(26,517)	
945	Pooled Capital Receipts			(6,838)	3
(4,830)	Transfers to/(from) Revenue Reserves			(13,123)	
(10,821)	Transfer from Capital Financing Account			20,409	
(2,990)	Transfer to/(from) Pensions Reserve			(3,847)	3
(6,905)	HRA Deficit transferred from HRA Balances			(14,715)	note 5 HRA
	Transfer to HRA from Major Repairs Reserve				
<b>326,295</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>			<b>337,152</b>	
	SOURCES OF FINANCE:				
(84,441)	Demands on the Collection Fund			(87,246)	
(1,037)	Transfer of Collection Fund Surplus			(472)	
(149,618)	Revenue Support Grant			(165,462)	
(92,338)	Distribution from the non-domestic rate pool			(88,390)	
<b>(327,434)</b>	<b>TOTAL SOURCES OF FINANCE</b>			<b>(341,570)</b>	
<b>(1,139)</b>	<b>NET SURPLUS FOR THE YEAR</b>			<b>(4,418)</b>	3

I certify that the above account presents fairly the Income and Expenditure of Wakefield Metropolitan District Council for the year ended 31 March 2005.

**Judith Badger CPFA**  
**Director of Finance**  
**October 2005**

## CONSOLIDATED BALANCE SHEET

The Consolidated Balance Sheet summarises the financial position of the Council, including the Housing Revenue Account and 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.

31 March 2004 £000	CONSOLIDATED BALANCE SHEET	31 March 2005 £000	NOTES
	<b>ASSETS AND LIABILITIES</b>		
	LONG TERM ASSETS:		
1,273,093	Tangible Fixed Assets	571,510	9
-	Intangible Fixed Assets	2,565	31
14,234	Deferred Charges	-	8
3,553	Long Term Investments	3,542	17
29,552	Long Term Debtors	38,578	15
1,320,432	<b>TOTAL LONG TERM ASSETS</b>	616,195	
	CURRENT ASSETS:		
1,876	Stocks & Work in Progress	1,216	19
110,281	Short Term Investments	75,516	
43,919	Debtors & Payments in Advance	53,854	20
295	Cash in Hands of Officers & Cash in Transit	787	
156,371	<b>TOTAL CURRENT ASSETS</b>	131,373	
	CURRENT LIABILITIES:		
(59,433)	Creditors & Receipts in Advance	(64,902)	21
(3,952)	Short Term Borrowing	(904)	
(11,988)	Cash Overdrawn	(11,701)	
(75,373)	<b>TOTAL CURRENT LIABILITIES</b>	(77,507)	
<b>1,401,430</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>670,061</b>	
	LONG TERM LIABILITIES:		
(304,147)	Long Term Borrowing	(192,214)	18
(5,009)	Provisions	(5,507)	22
(313)	Deferred Liabilities	(189)	28
(4,041)	Long Term Creditors	(3,669)	29
(143,333)	Pension Fund (LGPS)	(282,750)	24
(456,843)	<b>TOTAL LONG TERM LIABILITIES</b>	(484,329)	
<b>944,587</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>185,732</b>	
	<b>FINANCED BY</b>		
673,873	Fixed Asset Restatement Account	(55,960)	14
236,556	Capital Financing Account	382,264	6
68,052	Deferred Government Grants	54,663	7
20,879	Deferred Contributions	16,115	7
-	Deferred Premiums	(1,928)	30
2,882	Deferred Credits (including Deferred Capital Receipts)	7,565	16
-	Other Deferred Debits	(3,655)	29
19,588	Usable Capital Receipts Reserve	5,612	5
9,829	Grants & Contributions Unapplied	14,699	5
(143,333)	Pensions Reserve	(282,750)	24
15,873	Earmarked Reserves	18,421	3
30,949	General Fund Reserve	25,729	3
6,487	Housing Revenue Account Reserve	2,640	3
1,150	Major Repairs Reserve	-	note 5 HRA
1,802	Collection Fund Reserve	2,317	page 36
<b>944,587</b>	<b>TOTAL EQUITY</b>	<b>185,732</b>	

I certify that the Balance Sheet presents fairly the position of Wakefield Metropolitan District Council as at 31 March 2005.

**Judith Badger CPFA**  
**Director of Finance**  
**October 2005**

**CASH FLOW STATEMENT 2004/05**

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

2003/04 £000	CASH FLOW STATEMENT	2004/05 £000	NOTES
	REVENUE ACTIVITIES - CASH OUTFLOWS:		
(306,908)	Cash paid to and on behalf of employees	(333,810)	
(185,779)	Other Operating Cash Payments	(272,432)	
(30,783)	Housing Benefit paid out	(31,111)	
(90,273)	NNDR payments to National Pool	(90,104)	
(13,802)	Precepts paid	(13,911)	
-	Payments to the Capital Receipts Pool	(23,272)	
(627,545)	TOTAL CASH OUTFLOWS	(764,640)	
	REVENUE ACTIVITIES - CASH INFLOWS:		
42,312	Rents (after rebates)	40,683	
83,123	Council Tax receipts	85,185	
94,773	NNDR receipts from National Pool	88,390	
92,571	Non-domestic rate receipts	96,722	
151,011	Revenue Support Grant	165,461	
14,617	DWP grants for benefits	15,306	
119,934	Other government grants	140,225	25
64,951	Cash received for goods and services	100,696	
6,224	Other operating cash receipts	24,060	
669,516	TOTAL CASH INFLOWS	756,728	
<b>41,971</b>	<b>REVENUE ACTIVITIES NET CASH FLOW</b>	<b>(7,912)</b>	26
560	DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES	586	
42,531		(7,326)	
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:		
	Cash Outflows		
(24,268)	- Interest Paid	(23,334)	
	Cash Inflows		
2,715	- Interest Received	5,404	
<b>(21,553)</b>	<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>(17,930)</b>	
	CAPITAL ACTIVITIES - CASH OUTFLOWS:		
(39,332)	Purchase of fixed assets, and deferred charges	(61,438)	
	CAPITAL ACTIVITIES - CASH INFLOWS:		
46,448	Sale of fixed assets	53,583	
15,244	Capital grants received	2,284	
1,187	Other capital cash receipts	517	
<b>23,547</b>	<b>NET CASH INFLOW FROM CAPITAL ACTIVITIES</b>	<b>(5,054)</b>	
<b>44,525</b>	<b>NET CASH INFLOW BEFORE FINANCING</b>	<b>(30,310)</b>	
	MANAGEMENT OF LIQUID RESOURCES:		
1,000	Net (increase)/decrease in short term deposits	(3,500)	
(26,537)	Net (increase)/decrease in other liquid resources	38,265	
(25,537)	TOTAL MANAGEMENT OF LIQUID RESOURCES	34,765	27
	FINANCING:		
	Cash Outflows		
(69,097)	Repayments of amounts borrowed	(28,926)	
	Cash Inflows		
12,500	New long term loans raised	-	
36,100	New short term loans raised	25,250	
(20,497)	TOTAL FINANCING	(3,676)	
<b>(1,509)</b>	<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>779</b>	27

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES 2004/05

This statement brings together all the increases and decreases in utilisation of the Council's reserves during the year, including those which have not been recognised in the Consolidated Revenue Account. It separates the movements between revenue and capital reserves.

2003/04 £000	STATEMENT OF TOTAL MOVEMENTS IN RESERVES	2004/05 £000	NOTES
	MOVEMENT IN REVENUE RESOURCES:		
1,139	General Fund surplus/(deficit)	4,418	3
12,506	Movement in General Reserves, increase/(decrease)	(9,638)	3
(11,561)	Movement in Earmarked Reserves, increase/(decrease)	2,548	3
(2,990)	Housing Revenue Account surplus/(deficit)	(3,847)	3
500	Movement on Major Repairs Reserve increase/(decrease)	(1,150)	note 5 HRA
(635)	Movement on Collection Fund, increase/(decrease)	515	3
(10,821)	Appropriations to/(from) Pensions Reserve	20,409	
80,983	Actuarial gains/(losses) relating to pensions	(159,826)	
<b>69,121</b>	<b>TOTAL INCREASE / (DECREASE) IN REVENUE RESOURCES</b>	<b>(146,571)</b>	
	MOVEMENT IN REALISED CAPITAL RESOURCES:		
15,001	Increase/(decrease) in Usable Capital Receipts	(13,976)	5
(337)	Increase/(decrease) in Unapplied Capital Grants & Contributions	4,870	5
(318)	Discounts on repurchase of Long Term Borrowing	(1,227)	16
<b>14,346</b>	<b>TOTAL INCREASE/(DECREASE) IN REALISED CAPITAL RESOURCES</b>	<b>(10,333)</b>	
	MOVEMENT IN UNREALISED VALUE OF LONG TERM ASSETS:		
	Fixed Assets:		
150,137	- Gains/(losses) on revaluation of Fixed Assets	826,452	14
-	- Impairment losses on fixed assets due to general price changes	-	
<b>150,137</b>	<b>TOTAL UNREALISED INCREASE/(DECREASE) IN FIXED ASSETS</b>	<b>826,452</b>	
	VALUE OF ASSETS SOLD, DECOMMISSIONED OR REALISED:		
(55,426)	Fixed Assets	(615)	14
-	Fixed Assets sold to Wakefield and District Homes (WDH)	(1,556,839)	14
-	Deferred Credits - Sale of land	6,022	16
(151)	Long Term Debtors (not financed by borrowing) repaid	(112)	16
<b>(55,577)</b>	<b>TOTAL VALUE OF ASSETS DISPOSED OF</b>	<b>(1,551,544)</b>	
	MOVEMENTS IN AMOUNTS TO BE USED TO FINANCE CAPITAL INVESTMENT:		
37,778	Capital Receipts set aside	605,887	6
2,494	Other Resources set aside	(460,179)	6
6,254	Movement on Government Grants Deferred	(13,389)	7
(1,733)	Movement on Contributions Deferred	(4,764)	7
<b>44,793</b>	<b>TOTAL INCREASE/(DECREASE) IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT</b>	<b>127,555</b>	
	MOVEMENT IN OTHER RESERVES:		
-	From Deferred Charges to Other Deferred Debits	(3,655)	29
-	From Deferred Charges to Deferred Premiums	(1,928)	30
-	Transfer from Fixed Asset Restatement Account to revenue	1,169	14
<b>-</b>	<b>TOTAL MOVEMENT IN OTHER RESERVES</b>	<b>(4,414)</b>	
<b>222,820</b>	<b>TOTAL RECOGNISED GAINS AND LOSSES</b>	<b>(758,855)</b>	

The actuarial losses identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2005. The figures below comprise the Local Government Pension Scheme, and the Teachers Discretionary Scheme. Comparative figures are not available for 2003/04 apart from the overall total. The 2003/04 figures have also been restated for information.

### Local Government Pension Scheme and Teachers Discretionary Pension Scheme

£000	%	£000	%
N/A		37,039	5.7
N/A		(39,769)	4.2
N/A		(157,096)	16.8
<b>80,983</b>	<b>10.7</b>	<b>(159,826)</b>	<b>17.1</b>

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

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

### RESTATEMENT OF 2003/04 FIGURES

Previous year's figures, where shown for comparison, have been restated where necessary to reflect the requirements of the Code of Practice on Local Authority Accounting. The restatements of the 2003/04 figures are for the following items :

- Aketon Pastures. An agreement was made in 2003/04 to sell land for £6.3m. The agreement provides for the £6.3m to be paid from 2004/05 onwards on a phased basis as the development progressed. In line with approved accounting policies, the sum was classed as a capital receipt. The Council therefore provided for 50% of the receipt, which is £3.152m, to be used to repay Council debt, and for the other 50% to be credited to the Usable Capital Receipts Reserve in order to fund future capital expenditure. Following further clarification on the use of capital receipts, the whole amount should have been reserved to fund future capital expenditure, pending receipt of all the actual cash due. This has required a number of adjustments to be made as set out below.
- Balance Sheet. The Capital Financing Account has been reduced by £3.152m to £236.556m, while the Usable Capital Receipts has increased by £3.152m to £19.588m.
- Statement of Total Movements in Reserves. The Usable Capital Receipts figure has increased by £3.152m to £15.001m, and the Capital Receipts set aside figure has decreased by £3.152m to £37.778m.

Explanatory Notes to the Main Financial Statements :

- Usable Capital Receipts Reserve on Note 5. The Amounts Receivable have increased from £26.037m to £29.189m The total has increased by £3.152m from £26.265m to £29.417m.
- Capital Financing Account Note 6. The Reserved Receipts figure of £34.618m on the first line of the note decreases by £3.152m to £31.466m. The In Year Activity figure reduces from £43.424m to £40.272m, and the balance carried forward at 31 March 2004 is reduced from £239.798m to £236.556m

### 1. NET COST OF SERVICES

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

- Central Services to the Public – 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 and Planning Services – Museums, art galleries, theatres, recreation and sport, tourism, libraries, environmental health, waste collection and disposal, planning and economic development.
- Education Services – Council schools, adult and community education, student awards and youth centres.
- Highways, Road and Transport Services – Maintenance of highways and footpaths, traffic management and road safety, car parking and support for public transport.
- Housing Services – Provision of council housing, housing advice, support to the homeless, housing benefits and private sector housing renewal.
- Social Services – Social work and other social services for adults and children, services to asylum seekers.
- Other Services – Corporate support services not allocated to the services above.

### 2. NET SURPLUS/(DEFICIT) OF TRADING OPERATIONS

These operations are largely the former statutory DSOs and DLO together with other services which are defined as Trading Operations in accordance with the BVACOP.

Trading Operation	2003/04 Surplus/ (Deficit) £000	2004/05		
		Income £000	Expenditure £000	Surplus/ (Deficit) £000
Building Maintenance	201	24,804	25,441	(637)
Highways Maintenance	175	5,244	5,446	(202)
Sport and Leisure * Facilities Management	35	-	-	-
Cleaning of Buildings	185	5,543	5,491	52
Grounds Maintenance	9	7,776	7,916	(140)
Transport Services	187	2,378	2,253	125
Kingswood Catering	200	7,896	8,060	(164)
Design and Print Services	(21)	1,228	1,274	(46)
Design Services *	541	2,348	2,286	62
Other	(432)	852	912	(60)
<b>TOTAL</b>	<b>1,080</b>	<b>58,069</b>	<b>59,079</b>	<b>(1,010)</b>

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

\* The Sport and Leisure Facilities Management trading operation has been discontinued, and the provision of the service is included in the net cost of services within Cultural, Environmental and Planning Services.

\* The Council's Design Services Trading Operation ceased operation on 30th September 2004, which explains the large reduction in expenditure and income shown above. The service has been provided on a Public/Private Partnership basis by Norfolk Property Services from 1 October 2004 onwards.

### Other Trading Services

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 Consolidated Revenue Account.

Trading Operation	2003/04 Surplus/ (Deficit) £000	2004/05		
		Income £000	Expen- diture £000	Surplus/ (Deficit) £000
Markets	348	2,592	2,383	209
Industrial Land and Estates	843	1,136	570	566
Car Parks	927	2,806	2,039	767
Trade Refuse	225	2,038	1,913	125
Building Control	200	1,008	731	277
<b>TOTAL</b>	<b>2,543</b>	<b>9,580</b>	<b>7,636</b>	<b>1,944</b>

### 3. REVENUE RESERVES

	31 March 2004 £000	Net Change in Year £000	31 March 2005 £000	Note
GENERAL FUND RESERVES:				
Surplus on CRA transferred to General Reserve	-	4,418	4,418	1
General Reserve	30,949	(9,638)	21,311	1
<b>TOTAL GENERAL FUND RESERVES</b>	<b>30,949</b>	<b>(5,220)</b>	<b>25,729</b>	
EARMARKED RESERVES:				
Capital Expenditure Reserve	6,880	-	6,880	2
Schools Balances	4,484	3,242	7,726	3
Other	4,509	(694)	3,815	4
<b>TOTAL EARMARKED RESERVES</b>	<b>15,873</b>	<b>2,548</b>	<b>18,421</b>	
HOUSING REVENUE ACCOUNT RESERVES:				
Housing Revenue Account Reserve	6,487	(3,847)	2,640	5
Major Repairs Reserve	1,150	(1,150)	-	
OTHER RESERVES:				
Collection Fund	1,802	515	2,317	6
<b>TOTAL RESERVES</b>	<b>56,261</b>	<b>(7,154)</b>	<b>49,107</b>	

### 1. General Reserve

Represents a prudent level of reserves available to support the medium term financial plans of the Council. A net £5.2m has been transferred from the General Reserve to support services in 2004/05.

### 2. Capital Expenditure Reserve

This reserve was originally established from revenue contributions in order to fund future capital expenditure. There has been no movement on this reserve in 2004/05, however, the reserve is fully committed against the 2005/06 capital programme.

### 3. Schools Balances

In accordance with the Education Reform Act 1988, 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. (Deficits: £1.38m, Surpluses: £9.1m)

### 4. Other Earmarked Reserves

These comprise reserves relating to specific service areas. A net £0.7m was transferred to service areas in 2004/05 to support services.

### 5. Housing Revenue Account Reserve

Represents a working balance on an account the Council is required by law to keep. A large element of the balance is earmarked to meet slippage on projects funded by revenue monies. Other Housing Revenue Account Reserves have been transferred to the Working Balance in 2004/05. The balance of £2.64m is required to fund any HRA residual transactions in 2005/06.

### 6. 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, i.e., the Police Authority and Fire & Civil Defence Authority.

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

### 4. ASSET MANAGEMENT REVENUE ACCOUNT

This account is required under the prescribed capital accounting requirements. Service revenue accounts are charged with a capital charge for all fixed assets used in the provision of services. The charge comprises a 3.5% charge on the value of the asset (4.625% for assets carried at historical cost), a charge for depreciation and, where applicable, impairment. To ensure these charges do not impact on the level of Council Tax, they are reversed out through the AMRA and the actual costs of borrowing are added in.

ASSET MANAGEMENT REVENUE ACCOUNT	2003/04 £000	2004/05 £000
<b>INCOME:</b>		
Capital Charges to revenue accounts		
- General Fund	(29,980)	(31,995)
- Housing Revenue Account	(52,076)	(69,961)
- Other External Bodies *	(2,013)	(1,984)
- Transfer from Government Grants & Contributions Deferred	(3,563)	(4,463)
<b>TOTAL INCOME</b>	<b>(87,632)</b>	<b>(108,403)</b>
<b>EXPENDITURE</b>		
Provision for Depreciation	38,320	45,578
Provision for Impairment of Assets	4,660	7,086
External Interest Charges	24,270	23,074
<b>TOTAL EXPENDITURE</b>	<b>67,250</b>	<b>75,738</b>
<b>TRANSFER TO CONSOLIDATED REVENUE ACCOUNT</b>	<b>(20,382)</b>	<b>(32,665)</b>

\* Includes £1.9m in respect of the former West Yorkshire Waste Management Joint Committee

### 5. USABLE CAPITAL RECEIPTS RESERVE

The balance represents the receipts from sales of fixed assets and the repayment of mortgage advances, less amounts for debt repayment or used to finance capital expenditure. The 'Amounts receivable (notional receipt re VAT shelter item) total of £571.8m, and the 'Amounts applied to finance new capital investment' total of £571.8m in the Usable Capital Receipts column are in respect of the VAT shelter established to assist transfer of housing stock to WDH (See note 23). There are also two entries for £111.3m which cancel each other out, one for notional receipts from ODPM re stock transfer and the other for notional expenditure to establish the VAT shelter. A sum of £6.3m is included in the amounts receivable (general) of £41.2m at 31 March 2004 in respect of income due for sale of land at Aketon Pastures debtor. Following a change in the SORP in 2004/05, the outstanding amount due for the sale of the land at 31 March 2005 has been transferred to deferred credits (see note 16).

MOVEMENT IN REALISED CAPITAL RESOURCES	2003/04 £000	2004/05		
		Usable Capital Receipts £000	Unapplied Capital Grants and Contributions £000	Total £000
Amounts Receivable - General	41,210	46,605	32,026	78,631
Amounts Receivable – notional receipt from ODPM re LSVT stock transfer	-	-	111,306	111,306
Amounts Receivable – notional receipt to establish VAT shelter for WDH	-	571,819	-	571,819
Amounts Receivable – notional receipt re premium on housing debt re LSVT	-	2,475	-	2,475
Housing Pooled Capital Receipts to ODPM	-	(26,517)	-	(26,517)
Amounts Applied to Finance New Capital Investment	(26,037)	(34,064)	(27,156)	(61,220)
Amounts Applied - Notional expenditure to establish VAT shelter	-	(571,819)	-	(571,819)
Amounts Applied - Notional Grant from ODPM re LSVT transfer used to repay debt	-	-	(111,306)	(111,306)
Amounts Applied – Repayment of premium on housing debt re LSVT	-	(2,475)	-	(2,475)
Other Movements	(509)	-	-	-
<b>TOTAL INCREASE/(DECREASE) IN REALISED CAPITAL RESOURCES</b>	<b>14,664</b>	<b>(13,976)</b>	<b>4,870</b>	<b>(9,106)</b>
Balance Brought Forward at 1 April	14,753	19,588	9,829	29,417
<b>BALANCE CARRIED FORWARD AT 31 MARCH</b>	<b>29,417</b>	<b>5,612</b>	<b>14,699</b>	<b>20,311</b>

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

### 6. CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue, capital receipts, capital grants and capital contributions. It also contains appropriations from the revenue account where the Council's Minimum Revenue Provision (MRP) for debt repayment exceeds the total of depreciation and impairment, and appropriations to revenue where the opposite occurs. The account is also used to write down deferred charges, deferred consideration arising from the contribution of assets to the Private Finance Initiative for street lighting, deferred prepayments relating to the acquisition of PFI assets and long term debtors and investments. In addition, the Usable Receipts Applied LSVT VAT shelter figure of £571.8m, and the expenditure figure of £571.8m under 'Other Movements' in the Capital Financing Account represent one off amounts in respect of the VAT shelter for WDH (see note 23).

<b>CAPITAL FINANCING ACCOUNT MOVEMENT IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT</b>	<b>2003/04 £000</b>	<b>2004/05 £000</b>
<b>CAPITAL RECEIPTS SET ASIDE:</b>		
Reserved Receipts Received	31,466	4
Usable Receipts Applied	6,312	34,064
Usable Receipts Applied – LSVT VAT Shelter	-	571,819
<b>TOTAL CAPITAL RECEIPTS SET ASIDE</b>	<b>37,778</b>	<b>605,887</b>
<b>REVENUE RESOURCES SET ASIDE:</b>		
Capital Expenditure Financed from Revenue	3,602	3,311
Capital Expenditure Financed from Earmarked Reserves	18,259	16,758
<b>REVENUE RESOURCES SET ASIDE</b>	<b>21,861</b>	<b>20,069</b>
<b>RECONCILING AMOUNT FOR PROVISIONS FOR LOAN REPAYMENT:</b>		
Provision for Repayment of External Loans	9,855	8,279
Commutation Adjustment	(914)	(677)
Depreciation	(38,320)	(45,578)
Impairment	(4,660)	(7,087)
<b>TOTAL RECONCILING AMOUNT FOR PROVISIONS FOR LOAN REPAYMENT</b>	<b>(34,039)</b>	<b>(45,063)</b>
<b>TOTAL REVENUE RESOURCES SET ASIDE</b>	<b>(12,178)</b>	<b>(24,994)</b>
<b>MOVEMENT FROM GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED:</b>		
Amounts Credited to Service Revenue Accounts in respect of Deferred Charges	2,322	4,356
Amounts Credited to CFA re non depreciable assets	8,265	36,464
Amounts Credited to AMRA re depreciable assets	3,563	4,463
<b>TOTAL MOVEMENT FROM GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED</b>	<b>14,150</b>	<b>45,283</b>
<b>OTHER MOVEMENTS IN THE CAPITAL FINANCING ACCOUNT:</b>		
Grant from ODPM to enable repayment of PWLB loans to the HRA re LSVT	-	111,912
Deferred Charges write down	(7,026)	(10,675)
LSVT notional expenditure re VAT Shelter	-	(571,819)
LSVT set up costs	-	(10,490)
PFI Street Lighting Scheme Assets – Annual charge for use of assets transferred to contractor	-	(256)
PFI Street Lighting Scheme Assets – Estimated value of new assets acquired in year	-	617
PFI Street Lighting Scheme Assets – Total value of assets transferred to contractor	6,389	-
Grant Funded Deferred Charges	886	-
Long Term Debtors	(14)	(7)
Other	287	250
<b>TOTAL MOVEMENTS IN THE CAPITAL FINANCING ACCOUNT</b>	<b>522</b>	<b>(480,468)</b>
<b>TOTAL INCREASE IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT</b>	<b>40,272</b>	<b>145,708</b>
Balance Brought Forward at 1 April	196,284	236,556
In Year Activity	40,272	145,708
<b>BALANCE CARRIED FORWARD AT 31 MARCH</b>	<b>236,556</b>	<b>382,264</b>

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

### 7. DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

These accounts include any Capital Grants and Contributions, which have been applied to finance the acquisition or enhancement of those fixed assets, which are subject to depreciation. The Code of Practice requires that this income be recognised in the Council's revenue account over the life of the asset. Grant funded assets which are not depreciated, e.g. land, are written off in full to the Capital Financing Account. The balance sheet figure represents grant income and contributions that have not been charged to revenue.

A detailed review has been undertaken which confirmed that a large number of the Government Grants and Contributions brought forward from previous years had not been charged to revenue each year, or written off to the Capital Financing Account. These items have been written off to the Capital Financing Account as detailed below and this explains the substantial increase in charges to that account in 2004/05. All outstanding balances in respect of the Housing Revenue Account have also been written off to the Capital Financing Account following the transfer of functions to Wakefield and District Housing in March 2005.

<b>DEFERRED GOVERNMENT GRANTS</b>	<b>2003/04 £000</b>	<b>2004/05 £000</b>
1 APRIL	(61,798)	(68,052)
Grants Applied in Year	(15,335)	(19,105)
Transfer to Capital Financing Account	6,759	28,833
Transfer to Asset Management Revenue Account	2,322	3,661
<b>31 MARCH</b>	<b>(68,052)</b>	<b>(54,663)</b>

<b>DEFERRED CONTRIBUTIONS</b>	<b>2003/04 £000</b>	<b>2004/05 £000</b>
1 APRIL	(22,612)	(20,879)
Contributions Applied in Year	(1,900)	(3,669)
Transfer to Capital Financing Account	2,392	7,631
Transfer to Asset Management Revenue Account	1,241	802
<b>31 MARCH</b>	<b>(20,879)</b>	<b>(16,115)</b>

### 8. DEFERRED CHARGES

This is expenditure of a capital nature which does not result in a tangible asset which is owned by the Council, e.g. Improvement grants. Following changes in accounting practice required by the SORP from 2004/05, deferred charges will no longer be shown as a separate item on the balance sheet, since all deferred charges will be written off to revenue in the year in which the expenditure was incurred.

The first section of the note shows deferred charges on the Council's Balance Sheet at 31 March 2004 totalling £14.234m and how they have been transferred to other more appropriate accounts. The second section shows the 2004/05 expenditure incurred of £10.675m, which has all been written off at the end of 2004/05, leaving a nil balance at 31 March 2005.

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

DEFERRED CHARGES	2003/04 £000	2004/05 £000
1 APRIL	7,512	14,234
TRANSFERS OF BALANCE AT 1 APRIL 2004 TO OTHER ACCOUNTS		
Street Lighting PFI Deferred Consideration – to Long Term Debtors	-	(6,350)
Former West Yorkshire Waste Management Joint Committee (WYWMJC) – Transfer to balance sheet - Other Deferred Debits	-	(4,020)
LSVT Set up costs incurred in 2003/04 funded by WDH receipt in 2004/05	-	(1,103)
Premiums on New Borrowing – Transfer to balance sheet – Deferred Premiums	-	(2,761)
TOTAL EXPENDITURE BROUGHT FORWARD TRANSFERRED TO OTHER ACCOUNTS	-	(14,234)
EXPENDITURE IN YEAR:		
Improvement Grants	940	960
Improvement/Renewal Areas	3,287	5,078
Street Lighting PFI Deferred Consideration	6,389	-
Fieldhead Resettlement	2,210	2,058
Fieldhead Resettlement 2002/03 expenditure incorrectly classified	-	1,169
LSVT Set up costs	1,103	-
Other	550	1,410
TOTAL EXPENDITURE IN YEAR	14,479	10,675
WRITTEN OFF TO CAPITAL FINANCING ACCOUNT IN YEAR:		
Improvement Grants	(940)	(960)
Improvement/Renewal Areas	(3,287)	(5,078)
Fieldhead Resettlement	(2,210)	(2,058)
Fieldhead Resettlement 2002/03 expenditure incorrectly classified	-	(1,169)
Other	(550)	(1,410)
TOTAL WRITTEN OFF TO CAPITAL FINANCING ACCOUNT IN YEAR	(7,026)	(10,675)
WRITTEN OFF TO REVENUE IN YEAR:		
Former West Yorkshire Waste Management Joint Committee (WYWMJC)	(366)	-
Premiums on New Borrowing	(365)	-
TOTAL WRITTEN OFF TO REVENUE IN YEAR	(731)	-
<b>31 MARCH</b>	<b>14,234</b>	<b>-</b>

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

### 9. MOVEMENT OF FIXED ASSETS

	Value at 1 April £000	Acquisition / Enhance ments £000	Disposals £000	Reclassific ation/Rev aluation £000	Depre- ciation £000	Impair ment £000	Value at 31 March £000
<b>OPERATIONAL ASSETS:</b>							
Council Dwellings	755,361	24,019	(1,548,646)	806,843	(30,162)	(6,016)	1,399
Land and Buildings	369,438	28,450	(3,432)	16,304	(10,191)	(890)	399,679
Vehicles, Plant and Equipment	6,421	9,991	(757)	(565)	(1,579)	-	13,511
Infrastructure Assets	88,689	13,329	-	(1,602)	(2,470)	-	97,946
Community Assets	2,831	-	(8)	375	(28)	-	3,170
<b>NON-OPERATIONAL ASSETS:</b>							
Assets Under Construction	6,657	4,534	-	1,414	-	-	12,605
Investment Properties	43,696	-	(201)	(21,765)	-	-	21,730
Surplus Assets held for disposal	-	1,760	(4,410)	25,448	(1,148)	(180)	21,470
<b>TOTAL</b>	<b>1,273,093</b>	<b>82,083</b>	<b>(1,557,454)</b>	<b>826,452</b>	<b>(45,578)</b>	<b>(7,086)</b>	<b>571,510</b>

The reduction in the Council dwellings value from £755m at 1 April 2004 to £1.399m at 31 March 2005 is a result of the transfer of the Council's housing stock to WDH.

There have been no material changes in any asset values during 2004/05. A total of £7.1m has been deducted from specific asset values for impairment, which represents a permanent reduction in the values of certain assets due to fire or other reasons, and is not due to a general fall in prices. Changes in the SORP 2004/05 have required a further category to be included to identify the value of surplus assets held for disposal.

### 10. FIXED ASSETS

Major Fixed Assets held at 31st March 2005, in accordance with the Council's Asset Register, are as follows:

FIXED ASSETS (NUMBER)	31 March 2004	31 March 2005
<b>COUNCIL DWELLINGS:</b>		
Housing Stock	33,132	151
Homeless Hostel Units	28	36
Garages	3,138	0
Service Tenancy Properties (Parks)	13	13
<b>OPERATIONAL BUILDINGS:</b>		
Town Halls and Administrative Offices	28	31
Depots and Workshops	14	14
Household Waste Sites	7	7
Magistrates Courts	2	2
Community Facilities	67	55
Enterprise/Resource Centres	12	12
Leisure Centres and Pools	9	8
Golf Courses	2	2
Athletics Stadium	1	1
Public Halls	3	5
Libraries	26	26
<b>Schools:</b>		
- Nursery	4	3
- Primary	109	108
- Secondary	16	16
- Special	7	7
- Other	19	18
Car Parks	42	62
Cemeteries and Crematoria	21	21
Museums and Art Galleries	5	5
Castles	2	2
Markets	6	6
District Heating Boiler Houses	40	0
Sheltered Warden Schemes	53	0
Homeless Person Hostels	3	0
Commercial Property	60	124
Information and Interpretation Centre	1	1
<b>INFRASTRUCTURE ASSETS:</b>		
Highways (kilometres)	1,466	1,345
Bridges etc.	218	218
<b>COMMUNITY ASSETS:</b>		
Parks and Recreation Grounds	64	65
Country Parks	4	4

The reduction in the Council dwellings to 151 at 31 March 2005 is as a result of the transfer of the Council's housing stock to WDH. In addition, all district heating boiler houses and sheltered warden schemes have also been transferred to WDH, together with a small number of community facilities. The increase in car parks is due to a more accurate analysis of a number of small car parks. The homeless person hostels had also been included in the homeless persons units under council dwellings in 2003/04, and has now been amended in 2004/05. The increase in commercial property from 60 to 124 is due to the transfer of a number of shops from the HRA. The reduction in highways kilometres is due to more accurate assessment in line with Government guidelines.

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

### 11. CAPITAL EXPENDITURE AND FINANCING

The following table analyses capital expenditure by the Service Expenditure areas recommended in the Best Value Accounting Code of Practice 2004. Also shown is the financing of that expenditure.

CAPITAL EXPENDITURE	2003/04 £000	2004/05 £000
Corporate	4,465	8,578
Central Services to the Public	924	1,620
Cultural, Environmental and Planning Services	4,312	15,569
Education Services	13,228	21,048
Highways, Roads and Transport Services	11,656	10,995
Housing Services	27,077	38,844
Social Services	3,208	5,544
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>64,870</b>	<b>102,198</b>

CAPITAL FINANCING	2003/04 £000	2004/05 £000
Basic Credit Approvals	13,582	-
Supplementary Credit Approvals	5,610	-
Supported Capital Expenditure (revenue)	-	19,679
Capital Receipts	6,312	32,717
Grants and Contributions	19,725	27,156
Direct Revenue Financing	3,602	3,311
Major Repairs Reserve (HRA)	17,254	16,758
Other Earmarked Reserves	121	-
Prudential Borrowing	-	4,737
Unfinanced Expenditure re LSVT pre-ballot costs	1,103	-
Net Accruals	(2,439)	(2,160)
<b>TOTAL CAPITAL FINANCING</b>	<b>64,870</b>	<b>102,198</b>

### 12. MAJOR CAPITAL COMMITMENTS TO UPDATE

The Council's Capital Programme contains various initiatives including the following major schemes:

- Horbury School – Targeted Capital £3.76m
- Social Services – New Build Extra Care Facilities £3.47m
- Children's Centres at eight primary schools £3.35m
- Generic Resources Centre : Refurbishment & Rebuilding £2.97m
- Education Devolved Formula Capital £2.4m
- Waterfront Art Gallery £2m

### 13. 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. All fixed assets were valued as at 1st April 1994, since when the Council has been operating a five-year rolling

programme whereby approximately 1/5th of the fixed asset portfolio is revalued each year.

In 2004/05, approximately 33% of the value of General Fund assets was revalued and since the commencement of the second five-year cycle 100% of these assets have been revalued.

Council dwellings are revalued annually based on average house values with approximately 20% subject to an in depth review each year. Properties regarded as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, by the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of open market value. Vehicles, Plant and Equipment 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 Authority is J.Baker BSc, DipTP, FRICS, MRTPI who has responsibility for all land and buildings held on the asset register except for Housing Stock and other HRA assets. These were recently valued externally by the District Valuer whose responsible officer is D.H.Ogden MRICS.

### 14. FIXED ASSET RESTATEMENT ACCOUNT

The Fixed Asset Restatement Account is a revaluation reserve, which represents the difference between the historic cost of acquiring and enhancing fixed assets and their associated revaluations in the Asset Register.

The balance initially represented the excess over historic net values of the valuations undertaken in creating the Asset Register. It is written down each year by the net book value of assets as they are disposed of, and amended in line with subsequent revaluations.

The transfer of the Council's housing stock to Wakefield and District Housing has led to the requirement for the HRA balances to be written out of this account. The HRA revaluation of fixed assets total of £810.873m comprises a revaluation of the HRA assets at 1 April 2004 of £239m, and in addition, the notional VAT shelter expenditure of £571.8m (see note 23). The total disposal value of £1,556.839m comprises the notional disposal value of the HRA stock at 31 March 2005 of £985m approximately, plus the notional VAT receipt of £571.8m (see note 23). This has resulted in a negative balance which represents capital expenditure that was not financed prior to initial revaluation under resource accounting, plus any cash spent on the stock since then, in year revaluation of the stock, less depreciation.

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

FIXED ASSET RESTATEMENT ACCOUNT	2003/04 £000	2004/05		
		General Fund £000	Housing Revenue Account £000	Total £000
1 APRIL	579,162	115,082	558,791	673,873
Reclassification of Assets	-	1,169	-	1,169
Disposal of Fixed Assets	(55,426)	(615)	(1,556,839)	(1,557,454)
Revaluation of Fixed Assets	150,137	15,579	810,873	826,452
<b>31 MARCH</b>	<b>673,873</b>	<b>131,215</b>	<b>(187,175)</b>	<b>(55,960)</b>

The reclassification of assets of £1.169m is in respect of Fieldhead Resettlement costs which have now been written off directly to revenue.

### **15. 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 2004 £000	31 March 2005 £000
House Purchase and Improvement Grants	428	336
Loans to Other Authorities and Bodies	27,272	25,614
Car Loans to Employees	1,267	1,033
Housing Rents	585	-
Wakefield and District Housing	-	886
<u>Deferred Consideration -</u>		
i) Street Lighting PFI – Estimated Value of Assets acquired each year	-	617
ii) Street Lighting PFI – Value of Assets transferred to contractor	-	5,838
iii) Sale of land – Aketon Pastures	-	4,254
<b>TOTAL</b>	<b>29,552</b>	<b>38,578</b>

The loans to Other Authorities and Bodies include £24.2m, which represents assets transferred in respect of the former West Yorkshire Waste Management Joint Committee.

The Housing Rents long term debtor of £585k at 31 March 2004 has been transferred to WDH. That sum, together with rent due for 2004/05 of £301k, is due to be paid by WDH in 2008 as set out in the transfer agreement.

The estimated value of assets acquired under the Street Lighting PFI is £617k at 31 March 2005. This debtor, which is notional, and is a deferred consideration, will increase each year by this amount 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.

The Council transferred assets valued at £6.4m approximately to the Street Lighting PFI contractor to assist contract delivery. These were included in the deferred charges note in the 2003/04 accounts, however, following changes in accounting practice in 2004/05 required by the SORP, the balance of £5.838m at 31 March 2005 is now included in long term debtors. The debtor, which is notional, is being written down by equal annual instalments of £256k to the PFI revenue account (see note 8 on PFI page 41).

Land at Aketon 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 £4.254m, which is estimated to be due after 1 April 2006, may fluctuate (see note 16 below).

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

These are amounts derived from sales of assets and loans, which will be received in instalments over agreed periods of time. They also include discounts, which have arisen following the early redemption of long-term debt.

The amount receivable of £6.022m at 31 March 2005 in respect of sale of land at Aketon Pastures represents the estimated income due from the developer. A total of £1.768m is due in 2005/06, with the remaining £4.254m due in 2006/07 or later (see note 15).

There are no amounts due from Wakefield and District Housing at 31 March 2005 under the terms of the Preserved Right to Buy (PRTB) sharing agreement incorporated into the LSVT contract. Under the terms of this agreement the Council will receive a reducing proportion of PRTB receipts for the first 20 years of the contract.

DEFERRED CREDITS	31 March 2004 £000	31 March 2005 £000
Council House Mortgages	404	318
Leeds/Bradford Airport	1,123	1,112
Loans to Third Parties	128	113
Deferred Discounts	1,227	0
Aketon Pastures – sale of land	-	6,022
<b>TOTAL</b>	<b>2,882</b>	<b>7,565</b>

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

### 17. ANALYSIS OF INVESTMENTS

Long Term Investments:

LONG TERM INVESTMENTS	31 March 2004 £000	31 March 2005 £000
Leeds Bradford International Airport Ltd – Shares	1,000	1,000
Leeds Bradford International Airport Ltd – Debenture	123	112
Welbeck Landfill Site	2,430	2,430
<b>TOTAL</b>	<b>3,553</b>	<b>3,542</b>

- Leeds Bradford International Airport Ltd  
The Council holds 6.7% of the total issued share capital of £15 million and has also invested in the company by way of a debenture loan. For further details see disclosure note 14 on page 43. The shareholding is below the level required for the company's accounts to be included as an associated company of the Council.
- Welbeck Landfill Site  
The investment in Welbeck Landfill represents unsecured loan notes created upon acquisition of the company on 18th November 1998. The Council expects to receive income from the repayment of the loan notes by the company in 2006 (£900k) and 2009 (£1.53m). For further details see disclosure note 14 on page 43.

### 18. BORROWING

Long Term Borrowing:

Long Term borrowing comprises all borrowing with a maturity date of one year or more at the balance sheet date. The table below shows the Council's borrowing by lender and by maturity.

BORROWING	Interest Rate Range %	31 March 2004 £000	31 March 2005 £000
BY LENDER:			
Public Works Loan Board	6.25 – 11.5	231,394	119,718
Mortgages and Bonds	5.625 – 7.75	303	296
Deferred Purchase Agreements	7.43	450	200
Banks and Other Financial Institutions	1.99 – 6.78	72,000	72,000
<b>TOTAL BY LENDER</b>		<b>304,147</b>	<b>192,214</b>
BY MATURITY:			
Between 1 and 2 years		1,487	869
Between 2 and 5 years		4,224	4,542
Between 5 and 10 years		42,258	16,735
More than 10 years		184,178	98,068
Variable (LOBO) *		72,000	72,000
<b>TOTAL BY MATURITY</b>		<b>304,147</b>	<b>192,214</b>

\* LOBO = Lender Option, Borrower Option, where an interest rate is set up at a specified date at which point the lender can change various conditions of the loan. The borrower can agree and continue to pay or reject and pay in full.

The reduction in long term borrowing of £112m (from £304m at 31/03/04 to £192m at 31/03/05) is largely due to the repayment of debt of £111.3m in respect of the establishment of Wakefield and District Homes.

No new long term debts were taken out in respect of other Council services in 2004/05.

### 19. STOCKS AND WORK IN PROGRESS

STOCKS AND WORK IN PROGRESS	31 March 2004 £000	31 March 2005 £000
STOCKS:		
Trading Operations	1,039	632
Other Services	637	265
<b>TOTAL STOCKS</b>	<b>1,676</b>	<b>897</b>
WORK IN PROGRESS	200	319
<b>TOTAL</b>	<b>1,876</b>	<b>1,216</b>

The reduction in stocks is largely due to the transfer of housing stocks of £501k to WDH in March 2005.

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

### 20. 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, which 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.

As a result of the transfer of the Council's housing stock to WDH on 21 March 2005, the HRA does not have any rent arrears at 31 March 2005, compared to £5.182m at 31 March 2004, and no provision for housing rents bad debts compared to a balance of £2.584m at 31 March 2004.

DEBTORS AND PAYMENTS IN ADVANCE	31 March 2004 £000	31 March 2005 £000
AMOUNTS FALLING DUE IN ONE YEAR:		
Council Tax	5,428	8,808
Community Charge	1,359	867
Government Departments	6,119	9,214
Customs and Excise	2,390	2,984
Other Local Authorities	1,426	1,197
Housing Rents	5,182	-
Other Debtors	29,358	34,686
Payments in Advance	2,044	1,997
<b>TOTAL AMOUNTS FALLING DUE IN ONE YEAR</b>	<b>53,306</b>	<b>59,753</b>
PROVISION FOR BAD & DOUBTFUL DEBTS:		
Council Tax	(1,816)	(1,825)
Community Charge	(1,359)	(867)
Housing Rents	(2,584)	-
Other Debtors	(3,628)	(3,207)
<b>TOTAL PROVISION FOR BAD &amp; DOUBTFUL DEBTS:</b>	<b>(9,387)</b>	<b>(5,899)</b>
<b>TOTAL</b>	<b>43,919</b>	<b>53,854</b>

### 21. CREDITORS AND RECEIPTS IN ADVANCE

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

CREDITORS AND RECEIPTS IN ADVANCE	31 March 2004 £000	31 March 2005 £000
CREDITORS:		
Government Departments	7,218	2,881
Inland Revenue	6,036	6,575
Other Local Authorities	1,698	380
Other Creditors	37,060	41,841
	52,012	51,677
Receipts in Advance	7,421	13,225
<b>TOTAL</b>	<b>59,433</b>	<b>64,902</b>

### 22. 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 2004 £000	Net Move-ment in Year £000	31 March 2005 £000	Note
General Fund	667	(488)	179	(i)
Housing Revenue Account	95	55	150	(ii)
Insurance	4,247	931	5,178	(iii)
<b>TOTAL</b>	<b>5,009</b>	<b>498</b>	<b>5,507</b>	

#### (i) General Fund

The balance of £179k at 31st March 2005 includes provision of £110k for possible payments due to certain Social Services clients dependent on the outcome of legal action. The net reduction of £488k has arisen because Social Services had a provision of £355k for an extra week's fostering and residential payments in 2004/05 (53 weeks payment) which has now been used. Other provisions have been used as planned in 2004/05.

#### (ii) Housing Revenue Account

The provision of £95k at 31st March 2004 for the Housing Responsive Repair Service was transferred to the HRA in 2004/05. A provision of £150k has been established to meet the cost of housing disrepair.

#### (iii) Insurance Provision

Contributions from service revenue accounts totalled £6.307m in 2004/05, while the cost of settling claims totalled £5.376m, and this increased the balance at 31st March 2005 to £5.178m. The balance represents the accumulated excess of service contributions over expenditure.

The provision is required to finance costs associated with insurable risk (to meet the cost of claims) and comprises the following elements:

- Damage to property belonging to third parties;
- Death or injury to any person including employees of the Council;
- Damage to the Council's property by fire;

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

- Acts of error or omission by the Council which lead to a loss being sustained by a third party;
- Libel or Slander occasioned by Officers and Members of the Council;
- Housing Services Fire and Gale Damage;
- Protection of Schools insurance provision.

The insurance provision covers claims up to £250,000 for damage to third party property, injury to the person including employees, fire damage, actions leading to third party losses and libel or slander by officers and members of the Council. External insurance is purchased to fund all claims above £250,000.

The limit of liability is £20m for all claims except claims for injury to employees where the limit is £30 million.

### **23. VAT SHELTER RE TRANSFER OF HOUSING STOCK TO WAKEFIELD AND DISTRICT HOUSING**

During 2004/05, the Council transferred all of its housing stock to Wakefield and District Housing (WDH). WDH purchased the stock using a VAT shelter arrangement whereby the Council will retain the liability for the refurbishment of the properties at a cost of £571.8m. WDH are contracted to complete the work over the next 10 years, and the purchase price of £590m for the housing stock reflected the cost of refurbishment. The VAT shelter is a procedure, agreed by ODPM and HM Customs & Excise, to ensure that the large scale voluntary transfer of stock has a neutral impact with regard to taxation. The accounting entry for the refurbishment liability of £571.8m is notional as no cash is transferring between the Council and WDH in respect of this transaction. The £571.8m notional expenditure has been included in the explanatory note 9 Movement of Fixed Assets as a revaluation within the overall total of £826.452m, and the income has been written off as a disposal within the overall disposals total of £1,557.454m. The revaluation and disposal is also included and explained in explanatory note 14 on the Fixed Assets Restatement Account.

### **24. RETIREMENT BENEFITS**

The Authority participates in the West Yorkshire Local Government Pension Scheme and the Teachers Pension Scheme. The former is a funded scheme for staff, into which they and the Authority have paid contributions at a level predetermined by the actuary for the three years 1 April 2002 to 31 March 2005. The contribution rate is set by the actuary (Mercer Human Resources Consulting Ltd) and is intended to balance the pensions liabilities with the investment asset over the period. The employer's rates also include provision towards the

capitalised cost of early retirement. The Teachers Pension Scheme is unfunded and administered by the Department for Education and Skills.

Under FRS 17, the Authority is required to recognise the cost of retirement benefits when they are earned by employees, rather than when they are actually paid to pensioners. The overall charge made against the council tax is limited to the employer's contributions payable to the Pensions Fund in the year. FRS 17 liabilities are reversed out of the Consolidated Revenue Account (CRA) through an appropriation from the pension reserve to ensure nil impact on council tax levels. The note below shows the impact of FRS 17 on the various segments of the CRA.

A major change in 2004/05 is the SORP requirement to use the corporate bond rate of 5.4% to calculate future liabilities, which is a substantial change from 2003/04 when a discount rate of 6.3% was used as advised by HM Treasury. This change in assumptions in 2004/05 has caused the liabilities of the LGPS and Teachers discretionary scheme to rise by £101m and £3m respectively.

The other major change is the effect of the stock transfer to WDH which has led to a settlement gain of £30.436m (see revenue items below and increase in income on Non Distributed Costs on the Consolidated Revenue Account).

In 2004/05 the Council paid £11.606m to the Teachers Pension Agency in respect of teachers pension costs, and £17.125m to the West Yorkshire Pension Fund in respect of Council members of that scheme.

	West Yorkshire Pension Fund £000	Teachers Discre- tionary Scheme £000	Total £000
<b>REVENUE ITEMS FOR 2004/05</b>			
OPERATING:			
Current Service Cost	25,212	-	25,212
Past Service Cost	-	1,624	1,624
Curtailment Cost	716	-	716
Settlement Gain for Stock Transfer to WDH	(30,436)	-	(30,436)
<b>TOTAL (GAIN)/COST</b>	<b>(4,508)</b>	<b>1,624</b>	<b>(2,884)</b>
FINANCE:			
Expected Return on Assets	(42,167)	-	(42,167)
Interest on Pension Liabilities	45,834	1,666	47,500
<b>NET (GAIN)/COST</b>	<b>3,667</b>	<b>1,666</b>	<b>5,333</b>

A summary of the underlying assets and liabilities for both the LGPS and teachers voluntary retirement benefits scheme is set out below. The WYPF actuary has confirmed that the value of unfunded liabilities in the WYPF at 31 March 2005 is £41.1m. Those costs are included in the total liabilities of £903.8m in the table below.

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

SUMMARY OF ASSETS AND LIABILITIES	31 March 2004			31 March 2005		
	WYPF £m	Teachers £m	Total £m	WYPF £m	Teachers £m	Total £m
Fair Value of Assets	613.0	-	613.0	653.3	-	653.3
Present Value of Scheme Liabilities	(728.3)	(28.0)	(756.3)	(903.8)	(32.3)	(936.1)
<b>SURPLUS/(DEFICIT)</b>	<b>(115.3)</b>	<b>(28.0)</b>	<b>(143.3)</b>	<b>(250.5)</b>	<b>(32.3)</b>	<b>(282.8)</b>

WY PENSION FUND ASSETS	31 March 2004		31 March 2005	
	£000	%	£000	%
Equities	453,627	74.0	489,302	74.9
Government Bonds	46,589	7.6	69,247	10.6
Other Bonds	37,394	6.1	13,065	2.0
Property	31,263	5.1	34,624	5.3
Other	44,136	7.2	47,036	7.2
<b>TOTAL</b>	<b>613,009</b>	<b>100.0</b>	<b>653,274</b>	<b>100.0</b>

The main financial assumptions used by the actuary in estimating the schemes' liabilities are as follows:

WEST YORKSHIRE PENSION FUND AND TEACHERS DISCRETIONARY SCHEME ACTUARIAL ASSUMPTIONS USED	31 March 2004 %	31 March 2005 %
<b>FINANCIAL ASSUMPTIONS:</b>		
Rate of Inflation	2.8	2.9
Rate of Increase in Salaries	4.3	4.65
Rate of Increase in Pensions	2.8	2.9
Discount Rate	6.3	5.4
<b>EXPECTED RATE OF RETURN ON ASSETS:</b>		
Equities	7.5	7.5
Government Bonds	4.7	4.7
Other Bonds	5.5	5.4
Property	6.5	6.5
Other	4.0	4.75

### 25. ANALYSIS OF MAJOR GOVERNMENT GRANTS

The other Government grants shown in the Cash Flow Statement represent the cash received by the Council and may differ from the amounts included in the other published accounts, which are prepared on an accruals basis. Other grants includes £2.514m (2003/04, £600k) in respect of the Yorkshire and Humber Assembly for which the Council is the accountable body.

GOVERNMENT GRANTS	2003/04 £000	2004/05 £000
Housing Benefit Rent Rebates *	-	41,516
Standards Fund	26,853	21,596
Housing Revenue Account Subsidy *	25,351	-
Council Tax Benefit Grant	13,184	17,736
Learning Skills Council	3,633	9,652
Supporting People	7,510	7,333
Threshold/Leadership Grant	5,036	5,886
Additional Grants for Schools	5,089	5,414
Preserved Rights	3,331	4,898
Neighbourhood Renewal Fund	3,667	4,443
Access & Systems Capacity	1,239	3,321
Wakefield Learning Network	2,542	3,071
Single Regeneration Budget	5,062	1,934
Other	17,437	13,425
<b>TOTAL</b>	<b>119,934</b>	<b>140,225</b>

\* This reflects the transfer of Housing Benefit Rent Rebates from HRA to Housing Benefits.

### 26. RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNT (SURPLUS)/DEFICIT TO MOVEMENT IN CASH

The surplus on the Consolidated Revenue Account includes transactions which do not result in cash flows. The following table identifies these transactions and reconciles the Consolidated Revenue Account (page 13) with the actual net revenue cash flows shown on the Cash Flow Statement (page 15).

RECONCILIATION OF CRA TO MOVEMENT IN CASH	2003/04 £000	2004/05 £000
CONSOLIDATED REVENUE ACCOUNT SURPLUS FOR THE YEAR	(1,139)	(4,418)
<b>ADD:</b>		
Interest Received	(2,715)	(5,404)
Dividends Received	(560)	(586)
<b>DEDUCT:</b>		
Interest Paid	24,268	23,334
Interest Element of Finance Lease Rentals	-	-
<b>NET DEDUCTIONS</b>	<b>20,993</b>	<b>17,344</b>
	19,854	12,926
<b>ADJUST FOR ITEMS ON ACCRUALS BASIS:</b>		
Stock & WIP (Increase)/Decrease	591	660
Debtors (Increase)/Decrease	(5,939)	(9,935)
Creditors Increase/(Decrease)	13,210	5,469
<b>TOTAL ACCRUALS BASIS ADJUSTMENT</b>	<b>7,862</b>	<b>(3,806)</b>
<b>ADJUST FOR NONCASH TRANSACTIONS:</b>		
Provisions Increase/(Decrease)	(1,490)	498
Reserves Increase/(Decrease)	(1,041)	(7,154)
Other Balances	16,786	(10,376)
<b>TOTAL NON-CASH TRANSACTION ADJUSTMENT</b>	<b>14,255</b>	<b>(17,032)</b>
<b>REVENUE ACTIVITIES NET CASH FLOW</b>	<b>41,971</b>	<b>(7,912)</b>

## EXPLANATORY NOTES TO THE MAIN FINANCIAL STATEMENTS

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

The following table analyses the movement in the Council's net debt during the year.

ANALYSIS OF CHANGES IN NET DEBT	1 April 2004 £000	Cash Flow £000	31 March 2005 £000
CASH BALANCES:			
Cash in Hands of Officers and Cash in Transit	295	492	787
Cash Overdrawn	(11,988)	287	(11,701)
TOTAL CASH BALANCES	(11,693)	779	(10,914)
FINANCING ACTIVITIES:			
Debt Due Within One Year	(3,952)	3,048	(904)
Debt Due After One Year	(304,147)	111,934	(192,214)
TOTAL FINANCING ACTIVITIES	(308,099)	114,982	(193,118)
MANAGEMENT OF LIQUID RESOURCES:			
Short Term Investments	110,281	(34,765)	75,516
TOTAL MANAGEMENT OF LIQUID RESOURCES:	110,281	(34,765)	75,516
<b>TOTAL</b>	<b>(209,511)</b>	<b>80,996</b>	<b>(128,515)</b>

The above table includes the debt repayment of £111.306m made by ODPM direct to PWLB for HRA debt, as part of the stock transfer, which is included in the financing activities of £111.934m, but which has not been included in the cash flow statement.

The table below reconciles the net cash flow movement as identified in the Cash Flow Statement (page 15) to the movement in net debt.

ANALYSIS OF CHANGES IN NET DEBT	£000
NET CASH FLOW	779
Net Cash Inflow/(Outflow) from Financing	114,982
Net Cash Inflow/(Outflow) from Management of Liquid Resources	(34,765)
<b>MOVEMENT IN NET DEBT</b>	<b>80,996</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. The figures for net cash inflow from financing include the amount of £111.306m which represents former HRA debt repaid directly by ODPM to PWLB, which did not form part of the Council's cash flow statement. The figure for net financing included on the cash flow note is therefore a credit amount of £3.676m.

### 28. DEFERRED LIABILITIES (Liabilities under leases)

The deferred liabilities figure represents the outstanding capitalised lease values of assets acquired under credit arrangements.

DEFERRED LIABILITIES	31 March 2004 £000	31 March 2005 £000
Leases	313	189

In order to optimise the Council's spending, and also take advantage of attractive rates of interest as a result of tax concessions to lessors, the Council has leased a number of vehicles and items of plant and equipment up to 2003/04, although none were leased in 2004/05. The capital value of assets leased under operating leases during the year was therefore nil (£3,009,474 for 2003/2004). Lease rentals for the year were £2,352,227 (£2,636,699 for 2003/04).

Estimated future lease rental commitments under leases entered into as at 31st March 2005 are as follows:

FUTURE LEASE RENTAL COMMITMENTS	£000
2005/06	2,087
2006/07	1,629
2007/08	1,178
2008/09	670
2009/10 – 2010/11	291
<b>TOTAL</b>	<b>5,855</b>

### 29. LONG TERM CREDITORS / OTHER DEFERRED DEBITS

The long-term creditors figure principally 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 1st April 2000. The amount outstanding at 31 March 2005 is £3,655,530, which is being repaid at £365,530 per annum.

Following changes in the SORP in 2004/05 in respect of deferred charges, the corresponding entry of £3.655m included in deferred charges for this item, has now been transferred to a new category on the balance sheet titled 'Other Deferred Debits'.

### 30. DEFERRED PREMIUMS

Following changes in the SORP in 2004/05 in respect of deferred charges a separate category has been established on the equity side of the balance sheet for 'Deferred Premiums', totalling £1.928m at 31 March 2005. This represents the transfer of £2.761m less net repayments of £833k in 2004/05. Deferred premiums had previously been included under deferred charges.

### 31. INTANGIBLE ASSETS

The 2004/05 SORP requires the Council to separately identify and account for intangible assets, and a new category has therefore been established on the balance sheet. Intangible assets are assets in respect of which the Council controls access to the future economic benefits either through custody or legal protection. See Statement

of Accounting Policies number 7 on page 46 for further information.

The Council spent £2.565m on intangible assets in 2004/05 which comprised computer software. These assets will be depreciated in line with Council policy commencing in the year following the acquisition of the assets.

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects the statutory requirement to account separately for local authority housing provision as defined in the Local Government and Housing Act 1989. The format of the HRA, which mirrors that of the Consolidated Revenue Account, shows the entries required by Housing Resource Accounting. The objective is to encourage more efficient use of housing assets and increase the transparency of the HRA.

2003/04 £000	SUMMARY INCOME AND EXPENDITURE ACCOUNT	2004/05 £000	NOTES
	INCOME:		
	Gross Rent Income:		
72,424	- Dwellings	70,079	
1,355	- Non Dwellings	1,396	
2,571	Charges for Services and Facilities	2,656	
2,943	Contributions towards Expenditure	2,890	
-	Grant from ODPM for overhanging debt re LSVT	37,668	1
27,146	H.R.A. Subsidy Receivable (including MRA)	-	2
	Contributions from General Fund:		
142	- Housing Benefit Transfers	-	
502	- Shared Amenities	418	
89	Other Grants	530	8
238	Reduced Provision for Bad or Doubtful Debts	-	
<b>107,410</b>	<b>TOTAL INCOME</b>	<b>115,637</b>	
	EXPENDITURE:		
20,464	Repairs and Maintenance	21,383	
15,032	Supervision and Management	16,850	
-	H.R.A. Subsidy Repayable	13,160	2
7,133	Special Services	7,609	
107	Rents, Rates, Taxes and Other Charges	125	
40,245	Rent Rebates	(105)	
-	Increased Provision for Bad or Doubtful Debts	1,170	
-	Premium on outstanding debt	37,668	1
23,728	Cost of Capital Charge	33,623	
24,658	Depreciation of Fixed Assets	30,323	
3,690	Impairment of Fixed Assets	6,016	
77	Debt Management Costs	79	
<b>135,134</b>	<b>TOTAL EXPENDITURE</b>	<b>167,901</b>	
<b>27,724</b>	<b>NET COST OF SERVICES</b>	<b>52,264</b>	
(21,867)	Net HRA income on the Asset Management Revenue Account	(35,556)	
114	Amortised Premiums and Discounts	114	
(439)	Investment Income	(345)	
<b>5,532</b>	<b>NET OPERATING EXPENDITURE</b>	<b>16,477</b>	
2,899	Revenue Contribution to Capital expenditure	2,864	
(361)	Transfer from Pensions Reserve	(779)	
(6,905)	Transfer from Major Repairs Reserve	(14,715)	5
1,825	HRA Contribution to Minimum Revenue Provision	-	
<b>2,990</b>	<b>DEFICIT FOR THE YEAR</b>	<b>3,847</b>	

2003/04 £000	HOUSING REVENUE ACCOUNT RESERVES	2004/05 £000	NOTES
(5,820)	Surplus Brought Forward at 1st April	(6,487)	
2,990	Deficit in year	3,847	
(3,657)	Transfer from Other HRA Reserves	-	
<b>(6,487)</b>	<b>TOTAL HRA WORKING BALANCE CARRIED FORWARD</b>	<b>(2,640)</b>	1
(3,657)	Other HRA Reserves (Surplus) Brought Forward at 1st April	-	
3,657	Transfer to HRA Working Balance	-	
-	<b>OTHER HRA RESERVES CARRIED FORWARD AT 31ST MARCH</b>	-	

**1. TRANSFER OF HRA STOCK AND FUNCTIONS TO WAKEFIELD AND DISTRICT HOUSING (WDH)**

A major development in 2004/05 was the transfer of the majority of its Council housing stock and associated functions to Wakefield and District Housing (WDH) on 21 March 2005. As at 31 March 2005, no dwellings remain within the Housing Revenue Account.

A number of significant financial transactions were undertaken to implement the transfer, some of which were notional.

- At the date of the stock transfer the Council had outstanding debt of £111.3m on its housing stock. This was fully paid off by the Office of the Deputy Prime Minister (ODPM).
- WDH paid £15.4m to the Council. This included £12.9m for set up costs relating to the stock transfer of which £2.5m is available for further costs becoming due in 2005/06. The insurance premium for environmental cover, referred to in disclosure note 12 (ii) on Contingent Liabilities, will be financed from this sum. The £15.4m also included £2.475m which was used to pay premiums on outstanding debt (see below).
- The total extra cost of repaying the outstanding loans of £111.3m (see above) was £40.1m, payable to the PWLB. WDH contributed £2.475m, while the ODPM contributed £37.668m to extinguish the remaining amount. This amount is shown in the HRA under income as 'Grant from ODPM for overhanging debt re LSVT', and under expenditure as 'Premium on Outstanding Debt'.
- The stock transfer took place on 21 March 2005, and as part of the settlement, one week's housing rent totalling £1.595m, was deducted from the amount payable to the Council by WDH. The agreement also included arrangements for the settlement of outstanding tenant arrears.

At 31 March 2005, the Housing Revenue Account retained a balance of £2.64m. This amount will be subject to residual transactions during 2005/06 and the balance at 31 March 2006 will be transferred to the Council's General Fund. The HRA will be closed at the commencement of the 2006/07 financial year (effective from 1 April 2006).

Following all the above transactions, the value of the housing stock and the associated debt have been removed from the Council's balance sheet at 31 March 2005.

Further accounting entries have been made to establish a VAT shelter to assist in refurbishment of

the transferred properties, see explanatory note 23 for details.

**2. HOUSING SUBSIDY**

Housing Revenue Account subsidy was introduced from 1 April 1990 incorporating the former rent rebate subsidy together with reimbursement in respect of other housing transactions.

HRA subsidy is payable, where appropriate, to the authority in accordance with paragraph 3.1 of the General Determination. In 2004/05 however, the Council had to repay HRA subsidy as rent rebates are no longer included in the calculation, following a SORP change. The figures used below relate to in year only, whereas, those used in the actual HRA summary include previous years adjustments, hence the variation in amounts.

<b>HOUSING SUBSIDY</b>	<b>2003/04 £000</b>	<b>2004/05 £000</b>
Management Allowance	9,827	11,849
Maintenance Allowance	23,177	23,021
Major Repairs Allowance	17,753	17,131
Charges for Capital	10,405	8,507
Rent Rebates	40,237	-
Other Items of Reckonable Expenditure	-	165
<b>NOTIONAL EXPENDITURE</b>	<b>101,399</b>	<b>60,673</b>
LESS:		
Guideline Rent	(74,487)	(75,636)
Interest on Receipts	(46)	(34)
<b>NOTIONAL INCOME</b>	<b>(74,533)</b>	<b>(75,670)</b>
<b>HRA SUBSIDY Receivable/(Payable)</b>	<b>26,866</b>	<b>(14,997)</b>

**3. HOUSING STOCK**

At 1 April 2004 the Housing Service has five district offices, and a further seven service access points across the district. At the beginning of 2004/05 it was responsible for 33,132 properties. A total of 31,902 properties were transferred to WDH on 21 March 2005. Some properties have transferred to other Council services, a number have been demolished, and others have been sold, leaving a nil balance at 31 March 2005.

<b>HOUSING STOCK (NUMBER)</b>	<b>31 March 2004</b>	<b>31 March 2005</b>
Houses and Bungalows	24,014	-
Flats	9,118	-
<b>TOTAL</b>	<b>33,132</b>	<b>-</b>

## EXPLANATORY NOTES TO THE HOUSING REVENUE ACCOUNT

The change in stock during the year can be summarised as follows:

HOUSING STOCK MOVEMENTS (NUMBER)	2003/04	2004/05
1 APRIL	34,614	33,132
PLUS:		
New Buildings, Conversions and Acquisitions	-	-
	34,614	33,132
LESS:		
Transfers to WDH	-	31,902
Transfers to General Fund		150
Sales	1,360	935
Refurbishments/Amendments	1	-
Demolitions	121	145
<b>31 MARCH</b>	<b>33,132</b>	<b>-</b>

### 4. HOUSING REVENUE ACCOUNT MOVEMENT OF FIXED ASSETS

This note identifies the total balance sheet value of land, houses and other property within the authority's Housing Revenue Account.

FIXED ASSETS	Value at 1 April 2004 £000	Acqui- sitions & Enhance- ments £000	Disposals £000	Reclassificat ion/Revalua tion £000	Appropriations £000	Depreciat ion £000	Impairment £000	Value at 31 March 2005 £000
OPERATIONAL ASSETS:								
Council Dwellings	755,361	24,019	(1,548,646)	806,843	(1,399)	(30,162)	(6,016)	-
Land and Buildings	3,937	450	(3,419)	(820)	(3)	* (145)	-	-
Vehicles, Plant & Equipment	135	495	(598)	-	-	* (32)	-	-
Community Assets	103	-	(8)	8	(100)	* (3)	-	-
NON-OPERATIONAL ASSETS								
Investment Properties	10,226			(10,226)				-
Surplus Assets held for Disposal	-	-	(4,168)	15,068	(10,740)	(160)	-	-
<b>TOTAL</b>	<b>769,762</b>	<b>24,964</b>	<b>(1,556,839)</b>	<b>810,873</b>	<b>(12,242)</b>	<b>(30,502)</b>	<b>(6,016)</b>	<b>-</b>

\* Depreciation charges on HRA assets which have been used for General Fund purposes and charged to General Fund, not the HRA.

### 5. MOVEMENT ON THE MAJOR REPAIRS RESERVE

Local Authorities are required, by the Accounts and Audit Regulations 2003, to maintain a Major Repairs Reserve. The main credit to the account being an amount equivalent to the total depreciation charges for all HRA assets. The determination under item 8 of part 6 of the Local Government and Housing Act 1989 requires any difference between the depreciation credit on the reserve and the Major Repairs Allowance to be transferred back to the HRA. The expenditure on the account relates to the capital works funded by the Major Repairs Allowance. The table below shows the movement on the Major Repairs Reserve for the financial year.

MAJOR REPAIRS RESERVE	2003/04 £000	2004/05 £000
1 APRIL	650	1,150
Amount Transferred to the Reserve during the financial year	24,658	30,323
LESS:		
Amount Transferred from the Reserve to the HRA during the financial year	(6,905)	(14,715)
Capital Expenditure within the HRA charged to the Reserve	(17,254)	(16,758)
<b>31 MARCH</b>	<b>1,150</b>	<b>0</b>

## EXPLANATORY NOTES TO THE HOUSING REVENUE ACCOUNT

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### **6. CAPITAL EXPENDITURE AND FUNDING STATEMENT**

The first table below identifies the capital expenditure within the Authority's HRA on land, houses, vehicles and other property. The second table shows how this expenditure was funded.

<b>HRA CAPITAL EXPENDITURE</b>	<b>2003/04 £000</b>	<b>2004/05 £000</b>
Council Dwellings	21,685	24,739
Vehicles, Plant and Equipment	62	495
	21,747	25,234
LSVT PRE-BALLOT COSTS:		
Wakefield and District Housing	1,103	7,842
<b>TOTAL HRA CAPITAL EXPENDITURE</b>	<b>22,850</b>	<b>33,076</b>

<b>HRA CAPITAL FUNDING</b>	<b>2003/04 £000</b>	<b>2004/05 £000</b>
Borrowing	640	2,665
Usable Capital Receipts	121	10,393
Grants and Contributions	192	2,154
Revenue Contributions	2,899	2,864
Major Repairs Reserve	17,254	16,758
Net Accruals	641	(655)
Unfinanced Expenditure re LSVT Pre-Ballot Costs	1,103	(1,103)
<b>TOTAL HRA CAPITAL FUNDING</b>	<b>22,850</b>	<b>33,076</b>

### **7. ARREARS**

As a result of the transfer of housing stock to WDH, the HRA has no rent arrears at 31 March 2005 compared to a total of £5,181,528 at 31 March 2004. The balance at 31 March 2004 can be analysed further to £2,662,976 for former tenants and £2,518,552 for current tenants.

### **8. OTHER GRANTS**

The grant income of £530k is in respect of expenditure incurred in previous years and does not reflect the accruals principles described in Accounting Policy 1 a) on page 45.

## THE COLLECTION FUND

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988. 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 Civil Defence Authority.

A separate Balance Sheet is not required as Collection Fund balances are consolidated with other accounts of the Council (see Consolidated Balance Sheet page 14).

2003/04 £000	SUMMARY INCOME AND EXPENDITURE ACCOUNT	2004/05 £000	NOTES
	INCOME:		
82,108	Council Tax	86,000	1
15,456	Council Tax Benefits	16,293	
88,306	Business Rates (Net of Provisions and Reliefs)	88,225	2
185	Adjustments for Previous Year's Community Charge	215	3
<b>186,055</b>	<b>TOTAL INCOME</b>	<b>190,733</b>	
	EXPENDITURE:		
	Precepts and Demands:		
84,441	- Wakefield Metropolitan District Council	87,246	
8,540	- West Yorkshire Police Authority	9,850	
3,707	- West Yorkshire Fire & Civil Defence Authority	4,016	
96,688	Total Precepts and Demands	101,112	
	Business Rates:		2
87,837	- Payment to National Pool	87,758	
469	- Cost of Collection	467	
88,306	Total Business Rates	88,225	
	Bad and Doubtful Debts:		4
126	- Write Offs	177	
420	- Provisions	187	
546	Total Bad and Doubtful Debts	364	
	Distribution of Collection Fund Surplus		5
1,037	- Wakefield Metropolitan District Council	472	
81	- West Yorkshire Police Authority	31	
32	- West Yorkshire Fire & Civil Defence Authority	14	
1,150	Total Distribution of Collection Fund Surplus	517	
<b>186,690</b>	<b>TOTAL EXPENDITURE</b>	<b>190,218</b>	
<b>635</b>	<b>DEFICIT/(SURPLUS) FOR THE YEAR</b>	<b>(515)</b>	

2003/04 £000	COLLECTION FUND BALANCES	2004/05 £000	NOTES
2,437	Balance Brought Forward at 1 April	1,802	
(635)	Surplus/(Deficit) for Year	515	
<b>1,802</b>	<b>Balance Carried Forward at 31 March</b>	<b>2,317</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 2004/05 was 96,513 calculated as follows:

Band	Valuation	Number of Dwellings	Proportion of Band D Tax	2004/05 Band D Equivalent
A (Disabled)	Up to £40,000	220	5/9	122.2
A	Up to £40,000	64,656	6/9	43,104.2
B	£40,000 to £52,000	22,365	7/9	17,394.6
C	£52,001 to £68,000	17,925	8/9	15,933.8
D	£68,001 to £88,000	10,650	9/9	10,649.5
E	£88,001 to £120,000	5,589	11/9	6,831.0
F	£120,001 to £160,000	1,785	13/9	2,578.7
G	£160,001 to £320,000	930	15/9	1,550.0
H	Over £320,000	34	18/9	68.5
124,154				98,232
Less allowance for non-collection (assumed collection rate 98.25%)				(1,719)
<b>TAX BASE FOR THE CALCULATION OF COUNCIL TAX (Net Band D Equivalent)</b>				<b>96,513</b>

- Calculation of Council Tax at Band D

The basic amount of Council Tax for a Band D property for 2004/2005 is £1,031.85 (£990.50 for 2003/04). (This figure excludes Parish Precepts).

**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.

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

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 2004/2005, Wakefield's Share of the Pool amounted to £88.4m (£86.1m for 2003/04). The contribution due from the Council to the NNDR Pool for 2004/2005 can be analysed as follows:

DETAILS OF RATEABLE VALUE AND MULTIPLIERS	2003/04	2004/05
Non-Domestic Rateable Value at Year End (£000)	222,865	<b>226,335</b>
National Non-Domestic Rates (NNDR) Multiplier	44.4p	45.6p

CONTRIBUTION TO NNDR POOL	2003/04 £000	2004/05 £000
BUSINESS RATES COLLECTABLE	89,044	89,477
LESS:		
Discretionary Relief Reclaimable from Pool	(208)	(233)
Cost of Collection Allowance	(469)	(467)
Interest on Refunds	(189)	(285)
Losses in Collection / Write Offs	(341)	(734)
<b>TOTAL PAYABLE TO POOL</b>	<b>87,837</b>	<b>87,758</b>

## EXPLANATORY NOTES TO THE COLLECTION FUND

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

Although Community Charge was replaced by the Council Tax from 1st April 1993, the Council continues to collect and account for the residual amounts of Community Charge which were raised between 1990/1991 and 1992/1993. This is accounted for within the Collection Fund.

The surplus on Community Charge of £0.215m in 2004/2005 (£0.185m in 2003/04) 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 from the Collection Fund Income and Expenditure Account to provisions for bad debts. During 2004/2005, £0.187m was contributed to the Council Tax Bad Debts Provision and £0.177m of irrecoverable debts were written off (£0.42m and £0.126m respectively for 2003/04).

### **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 31st March 2005 of £0.517m (£1.150m at 31st March 2004) was shared between the precepting authorities as follows:

<b>PRECEPTING AUTHORITY</b>	<b>2003/04 £000</b>	<b>2004/05 £000</b>
Wakefield Metropolitan District Council	1,037	472
West Yorkshire Police Authority	81	31
West Yorkshire Fire & Civil Defence Authority	32	14
<b>TOTAL</b>	<b>1,150</b>	<b>517</b>

## DISCLOSURE NOTES TO THE MAIN FINANCIAL STATEMENTS

### **1. 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 and Planning Services in the CRA. Certain activities performed by the Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. Over a three year rolling period, the defined activity element of the service is required to break even, and this has been achieved in the period 2002/03 to 2004/05.

BUILDING CONTROL ACCOUNT	2003/04	2004/05		
	Total Building Control £000	Chargeable £000	Non-Chargeable £000	Total Building Control £000
Total Expenditure	858	731	186	917
Total Income	927	1,008	-	1,008
<b>SURPLUS/(DEFICIT) FOR YEAR</b>	<b>69</b>	<b>277</b>	<b>(186)</b>	<b>91</b>

### **2. INCOME AND EXPENDITURE UNDER THE 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 prescribed bodies under the Local Authority (Goods and Services) Act 1970. The income and expenditure in respect of these activities are included in the Consolidated Revenue Account as shown below.

PUBLIC BODIES	2003/04		2004/05	
	Income £000	Expenditure £000	Income £000	Expenditure £000
<b>TOTAL</b>	<b>1,789</b>	<b>1,442</b>	<b>1,879</b>	<b>1,432</b>

### **3. 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 CRA.

PUBLICITY EXPENDITURE	2003/04 £000	2004/05 £000
Recruitment Advertising	2,218	1,962
Publicity	49	73
Promotions	238	427
Other Advertising	353	360
<b>TOTAL</b>	<b>2,858</b>	<b>2,822</b>

The reduction in Recruitment Advertising in 2004/05 reflects the completion of most of the strengthening of corporate arrangements and the restructure of services in 2003/04. The increase in promotions is

partly due to the work leading up to the large scale voluntary transfer of housing stock.

### **4. DISCLOSURE OF REMUNERATION OF SENIOR STAFF**

In accordance with the Accounts and Audit Regulations 2003, the table below indicates the numbers of employees whose remuneration was greater than £50,000. (Remuneration being amounts paid to or receivable by an employee, including payments in kind, but pension contributions payable by the employee or employer are excluded). The table also includes termination payments, which may distort year on year comparison. In 2004/05, 62 officers (54 in 2003/04) received remuneration in excess of £50,000, and that total includes 24 head teachers (23 in 2003/04).

REMUNERATION BAND £	Number of Employees	
	2003/04	2004/05
50,000 - 59,999	37	34
60,000 - 69,999	6	14
70,000 - 79,999	4	4
80,000 - 89,999	4	4
90,000 - 99,999	2	5
100,000 - 109,999	0	0
110,000 - 119,999	0	0
120,000 - 129,999	0	0
130,000 - 139,999	0	0
140,000 - 149,999	0	0
150,000 - 159,999	1	1
<b>TOTAL</b>	<b>54</b>	<b>62</b>

### **5. TOTALS OF MEMBERS' ALLOWANCES PAID IN YEAR**

The Statutory Register showing the allowances paid to each Councillor is published each month and 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.

MEMBERS' ALLOWANCES	2003/04 £000	2004/05 £000
<b>TOTAL</b>	<b>845</b>	<b>849</b>

## DISCLOSURE NOTES TO THE MAIN FINANCIAL STATEMENTS

### 6. RELATED PARTY TRANSACTIONS

The Statement of Recommended Practice requires the disclosure of any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the implications of such transactions.

Information in respect of material transactions with related parties is disclosed elsewhere as follows:

- Central Government – See Consolidated Revenue Account (page 13) and Collection Fund (page 36) and also explanatory note 25 on page 29.
- Other Local Authorities and Precepting Authorities – See Consolidated Revenue Account (page 13) and Collection Fund (page 36) and also disclosure note 2 on page 39.
- Subsidiary and Associated Companies – See disclosure note 14 on page 43.
- Pension Fund – See explanatory note 24 on page 28.
- The Council also has a number of related party transactions with National Health Service bodies including Social Services Pooled budgets in which Primary Care Trusts contributed approximately £10.5m (see disclosure note 7 below).
- The Council is also involved with a number of partnerships to deliver Council and community objectives, including health, community safety and regeneration partnerships.

Authority Members:

Members are requested to complete a voluntary declaration of any such transactions in the financial year and several disclosures were made in relation to interests in companies, partnerships, trusts or other organisations providing services to, or in receipt of services or funding from the Council. The material transactions (over £10,000) amounted to net payments made by the Council of £5.196m in 2004/05 and those transactions with other organisations not covered in the summary above are listed below together with the names of the Councillors involved with the organisation during 2004/05.

All members pecuniary and non financial interests which could conflict with those of the Authority are open to public inspection as required by the Local Authority (Members Interests) Regulations 1992 (SI 1992/618) laid under Section 19 of the Local Government and Housing Act 1989.

	£000	Member(s) Involved
Age Concern	262	J Nicholson (Chair of Board) H Mitchell M J Walker
Agbrigg & Belle Vue Community Association	42	D Hopkins (Board Member) O M Rowley
Chevin Housing Group	1,794	G W M Burton G Loyd
DIVA	19	O M Rowley
Eastmoor Community Project Ltd	43	O Rowley (Chair)
Featherstone Rovers RLFC	77	G L Isherwood T Izon
FIRST	386	H Hudson D M Jeffery
Groundwork Wakefield	1,557	A W Garbutt, A Wallis D M Jeffery, B Smith
Kinsley & Fitzwilliam Community Resource Centre	114	H Chowcat
National Coal Mining Museum	367	P Box (Board of Trustees)
Ossett War Memorial Community Centre	16	A G Metcalf, P D Walker
United Stream Credit Union	20	S Groves (Director) G Phelps
Wakefield District Citizens Advice Bureau	327	M Graham P Harvey
White Rose Credit Union	70	D Hopkins (Board Member)
Yorkshire Arts Circus	102	M Burns-Williamson (Trustee)
<b>TOTAL</b>	<b>5,196</b>	

Chief Officers

For the purpose of the disclosure, the term Chief Officer has been defined as the Chief Executive, the Deputy Chief Executive, the Assistant Chief Executive, Service Directors and all individual Service Heads.

Chief Officers are requested to complete a voluntary declaration of any such transactions and this resulted in there being no related party transactions to disclose.

### 7. POOLED BUDGETS

As at the 31st March 2005, the Council had two pooled budgets under section 31 of the Health Act 1999. These pooled budgets relate to People with Learning Disabilities (created in April 2003) and the Integrated Community Equipment Store (created in January 2004).

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 £476k at 31 March 2004 was carried forward for utilisation in 2004/05. In 2004/05, however, there was a surplus of £574k, of which the partners agreed to distribute £430k in line with Section 31 of the Health Act 1999. This left a balance of £144k at 31 March 2005 which will be carried forward for utilisation in 2005/06.

## DISCLOSURE NOTES TO THE MAIN FINANCIAL STATEMENTS

PEOPLE WITH LEARNING DISABILITIES	2003/04 £000	2004/05 £000
<b>FUNDING:</b>		
Contribution from Wakefield West Primary Care Trust	4,233	4,208
Contribution from Eastern Wakefield Primary Care Trust	5,508	5,510
Contribution from Local Authority	7,122	7,905
Surplus c/fwd from previous year	-	476
<b>TOTAL FUNDING</b>	<b>16,863</b>	<b>18,099</b>
<b>EXPENDITURE:</b>		
Fieldhead Resettlement	7,233	6,251
Other PLD Services	9,154	11,274
<b>TOTAL EXPENDITURE</b>	<b>16,387</b>	<b>17,525</b>
<b>NET SURPLUS</b>	<b>476</b>	<b>574</b>
<b>Less Net Surplus/(Deficit) Distributed to Partners</b>	<b>-</b>	<b>430</b>
<b>NET SURPLUS C/FWD AT 31 MARCH</b>	<b>476</b>	<b>144</b>

The details of the contributions and expenditure for the Integrated Community Equipment Store are disclosed below. Funding from partners increased in total from £528k in 2003/04 to £1,384k in 2004/05. This was largely due to the first contributions from the PCTs in line with the 2004/05 funding agreement. The extra funding enabled an increase in expenditure to £1.384m.

JOINT INTEGRATED EQUIPMENT STORE	2003/04 £000	2004/05 £000
<b>FUNDING:</b>		
Contribution from Wakefield West PCT (lead provider)	-	592
Contribution from Eastern Wakefield PCT (lead consumer)	-	191
Contribution from Local Authority	528	601
<b>TOTAL FUNDING</b>	<b>528</b>	<b>1,384</b>
<b>EXPENDITURE:</b>		
Wakefield West Primary Care Trust	-	1,384
Eastern Wakefield Primary Care Trust	-	-
Local Authority	528	-
<b>TOTAL EXPENDITURE</b>	<b>528</b>	<b>1,384</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>0</b>	<b>0</b>

### **8. STREET LIGHTING PRIVATE FINANCE INITIATIVE (PFI) SCHEME**

The 2004/05 financial year was the first full year of operation of the Council's PFI contract for the maintenance and upgrading of its street lighting stock. The contract commenced on 2nd February 2004 and expires in 2029.

Transactions under the scheme during 2004/05 were:

	2003/04 £000	2004/05 £000
<b>CHARGES TO THE REVENUE ACCOUNT:</b>		
Unitary Payments to the Contractor	325	2,417
Amortisation of PFI Deferred Consideration to Deferred Charges	39	-
Amortisation of PFI Deferred Consideration from debtors	-	256
Notional Acquisition of Residual Value	-	(617)
Energy Costs and Other Payments	127	846
<b>TOTAL CHARGES TO THE REVENUE ACCOUNT:</b>	<b>491</b>	<b>2,902</b>
<b>FINANCED BY:</b>		
Government PFI Revenue Grant	223	1,773
Highways & Engineering Revenue Budget	482	3,184
Transfer to Long Term Debtors re Assets Acquired	-	(617)
Transfer from Capital Financing Account	39	256
<b>TOTAL FINANCING</b>	<b>744</b>	<b>4,596</b>
<b>TRANSFER TO STREET LIGHTING PFI INVESTMENT ACCOUNT</b>	<b>253</b>	<b>1,694</b>

The 2004/05 financial year is the first year in which the Council's payments to the PFI contractor have included 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 £617k is included in the financing above, and will be accumulated on the Council's balance sheet over the length of the contract. See long term debtors note 15 on page 25 for further information.

### **9. ASSETS RECOGNISED UNDER PFI ARRANGEMENTS**

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". 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.

## DISCLOSURE NOTES TO THE MAIN FINANCIAL STATEMENTS

### 10. AUDIT COSTS

Authorities are required to disclose fees payable to their external auditors for services carried out.

AUDIT COSTS	2003/04 £000	2004/05 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	281	400
Fees payable to the Audit Commission in respect of statutory inspection	110	63
Fees payable to the Audit Commission for the certification of grant claims and returns	243	200
Fees payable in respect of other services provided by the appointed auditor	-	-
<b>TOTAL</b>	<b>634</b>	<b>663</b>

### 11. POST BALANCE SHEET EVENTS

Featherstone Sports Hall

A fire in July 2005 at the above property has caused a total loss estimated at £4m. The Council's insurance policy carries a £250k excess which will be met from the insurance provision. However, because the building was of CLASP construction the Council will be required to make a 20% contribution calculated on the notional rebuilding cost. This could require a contribution of £800k, for which there is no funding within the insurance provision.

### 12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

#### (i) Contingent Assets

Contingent assets are possible 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 have a contingent asset of £1.2m at the balance sheet date. This is in respect of VAT, which has been collected on off street car parking charges over the last five years, which may be refunded to the Council pending the outcome of legal action by the Isle of Wight Council against Customs and Excise.

#### (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 Council had the following contingent liabilities at 31<sup>st</sup> March 2005. The total maximum liabilities identified below are approximately £15m, however the Council's General Reserves of £25.7m at 31<sup>st</sup> March 2005 are sufficient to meet the cost of these contingent liabilities.

#### • 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 West Yorkshire Pension Fund.

#### • Welbeck Landfill Site

The Council may become liable for calls made against various warranties, indemnities and provisions relating to the Welbeck Landfill Site over the first 10 years of its operation. The Council's maximum liability is £3m. The potential maximum exposure is reducing from 2004/05 onwards until there is no exposure to risk after 2008/09.

#### • Housing Disrepair Claims

The Housing Service has established a provision to meet the cost of Housing Disrepair Claims which is estimated to be sufficient to cover the potential costs.

#### • 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 approximately £9.1m of insurance claims outstanding at 31<sup>st</sup> March 2005, however there is an insurance provision, which could fund approximately £5m of these claims. This would leave a

**DISCLOSURE NOTES TO THE MAIN FINANCIAL STATEMENTS**

maximum of £4.1m in unfunded outstanding claims, although the actual amounts, which are finally paid out, are expected to be substantially less than the £9.1m of claims based on claims experience and will take a number of years to be finalised.

- **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, although the risk of this being called in is mitigated through factors built into the partnership agreement.
- **Warranties given in respect of stock transfer to Wakefield & District Housing (WDH)**

Under the terms of the transfer 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 2005 the Council has not received any claims in respect of either environmental or non environmental warranties.
- **Other Potential Liabilities**

The recovery of Pension Fund shortfalls and potential issues arising from equal pay considerations could become contingent liabilities.
- **Single Status**

Single status is the process of job evaluation and harmonisation of former officer and manual worker terms and conditions, which dates from the 1997 single status agreement. Authorities are committed to completing the process and implementing agreements by March 2007. Tribunals require employers to level pay up to comparator levels. In addition, there will be a one off cost in settling any equal pay liability. The impact on base budgets will be significant as it is unlikely that government funding will be made available. The authority will need to make provision for any settlement through its budgetary process and identify one off funding for any liabilities

identified. However, at this stage, it is not possible to quantify the financial implications with any certainty.

**13. TRUST FUNDS**

The Council acts as trustee in respect of legacies for either specific or general purposes. All of the following amounts are recorded as Trust Funds in the Council's accounts. These funds do not represent assets of the Council and have not been included in the Consolidated Balance Sheet.

FUND/PURPOSE	1 April 2004 £	Receipts in Year £	Payments in Year £	31 March 2005 £	Note
Social Services Funds					(i)
Amenity & Client Funds	224,102	72,571	76,627	220,046	
Charity Commissioners re Pontefract Park Improvement & Maintenance of Park	310,000	14,359	14,359	310,000	
Other	82,563	8,497	10,884	80,176	(ii)
<b>TOTAL</b>	<b>616,665</b>	<b>95,427</b>	<b>101,870</b>	<b>610,222</b>	

- (i) The Council holds Amenity and Other Funds for and on behalf of, either individual clients in the case of Amenity Funds, or specific establishments.
- (ii) Includes trusts where the Council is sole trustee.

**14. SUBSIDIARY AND ASSOCIATED COMPANIES**

In line with the Statement of Accounting Policies note 21 on Group Accounts the Council has undertaken a detailed mapping exercise in 2004/05 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 Consolidated Revenue Account and Balance Sheet. Therefore it is considered that group accounts are not required for the Council and consequently have not been prepared.

In 2004/05 the Council had financial relationships with the following companies:

- Leeds Bradford International Airport Ltd (Companies House Registration No 2065958)
- Rail Link Europe Ltd (Companies House Registration No 2555801)

## DISCLOSURE NOTES TO THE MAIN FINANCIAL STATEMENTS

- FIRST (The Development Agency for the Wakefield District) Ltd (Companies House Reg. No 04221080)
- Wakefield Groundwork Trust (Companies House Reg. No 2202681 and Charity Commission No 519846)
- Welbeck Waste Management Ltd (Companies House Registration No 2736095)
- Wakefield Waterfront Trust Ltd (Companies House Registration No 3849697)
- Wakefield City Centre Management Ltd (Companies House Registration No 4065996)
- Castleford Town Centre Partnership (Companies House Registration No 4797313)
- NPS (Norfolk Property Services) North East Ltd (Companies House Registration No 05200508)
- Wakefield and District Housing (Companies House Reg. No 4948519 and Charity Commission No 1107623)

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

- a) The YHA, which is located in King Street, Wakefield, is an association of the region's 22 local authorities together with a range of social, environmental and economic partners. The purpose of the Assembly is to act as the strategic regional partnership, to promote the economic, social and environmental well being of Yorkshire and Humber in the interests of all those who live and work in the region. The Assembly is designated as the Regional Chamber under the Regional Development Agencies Act 1998.
- b) Wakefield MDC is a founder member of the Assembly and also acts as the Accountable Body for the purposes of financial management and contracts. In 2004/05, the Assembly was awarded a Planning Grant of £1.41m from the Regional Chambers Fund. In addition, the Regional Chambers Fund awarded a grant of £557k to Strengthen Regional Accountability. A Capacity Building Grant of £360k was awarded in 2004/05, of which £81k was spent in 2004/05. The unspent balance on the Capacity Building Grant will be carried forward for use in 2005/06.
- c) In summary, the accounts for the Assembly are as follows:

YORKSHIRE AND HUMBER ASSEMBLY (YHA)	2003/04 £000	2004/05 £000
<b>EXPENDITURE:</b>		
Gross Expenditure	2,781	3,747
Income	(204)	(583)
<b>NET EXPENDITURE</b>	<b>2,577</b>	<b>3,164</b>
<b>FUNDED BY:</b>		
Member Subscriptions	(1,221)	(1,544)
Regional Planning Funding	(841)	(1,410)
Regional Chambers Grant	(600)	(557)
Capacity Building Grant	-	(81)
E - Government Grant	-	(40)
<b>(SURPLUS)/DEFICIT</b>	<b>(85)</b>	<b>(468)</b>

- d) The Assembly's balances are included in the Consolidated Balance Sheet on page 14 of this statement as creditors and are analysed as follows:

YHA BALANCES INCLUDED IN THE CONSOLIDATED BALANCE SHEET	31 March 2004 £000	31 March 2005 £000
<b>FIXED ASSETS:</b>		
Tangible Fixed Assets	56	57
<b>TOTAL FIXED ASSETS</b>	<b>56</b>	<b>57</b>
<b>CURRENT ASSETS:</b>		
Stocks	-	4
Debtors and Payments in Advance	255	338
Cash at Bank and held by WMDC	1,212	2,115
<b>TOTAL CURRENT ASSETS</b>	<b>1,467</b>	<b>2,457</b>
<b>CURRENT LIABILITIES:</b>		
Creditors and Receipts in Advance	(522)	(885)
Grants in Advance	(65)	(186)
<b>TOTAL CURRENT LIABILITIES:</b>	<b>(587)</b>	<b>(1,071)</b>
<b>TOTAL CURRENT AND FIXED ASSETS LESS CURRENT LIABILITIES</b>	<b>936</b>	<b>1,443</b>
<b>LONG TERM ASSETS :</b>		
Payments in Advance	110	55
<b>LONG TERM LIABILITIES:</b>		
Grants in Advance	(32)	(16)
<b>NET ASSETS</b>	<b>1,014</b>	<b>1,482</b>

### 16. DEFERRED PURCHASE AGREEMENTS

Included within the figure of fixed assets in explanatory note 9 on page 23 is £450K of deferred capital expenditure relating to assets acquired under an externally funded deferred purchase facility, through Morgan Grenfell (Local Authority Finance) Ltd, which expires in 2006/07. The total drawdown value of the agreement was £2.55m, of which a total of £2.1M of assets have been acquired to date.

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 on Local Authority Accounting in the United Kingdom 2004 (the Code), the Best Value Accounting Code of Practice 2004 (BVACOP) and guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of the Code. The Code has been approved as a Statement of Recommended Practice (SoRP). The BVACOP is also an approved SoRP and establishes proper practice with regard to consistent financial reporting below the Statement of Accounts level.

The following policies have been adopted in compiling the accounts:

- Fundamental Accounting Concepts:
  - a) 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.
  - b) 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.
  - c) 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.
  - d) The accounts have been prepared on a going concern basis.
  - e) 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.
  - f) As allowed under the Code 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.

- g) Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques, which have been used, are, in the Council's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, where practical, the effect on the results for the current period are separately disclosed.
- h) In accordance with the Code, where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts. The following legislative accounting requirements have been applied when compiling these accounts:
  - (i) Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government and Housing Act 1989
  - (ii) In accordance with the requirements of the Local Government Act 2003 the Council is required to set aside a minimum revenue provision for the repayment of debt
  - (iii) The Collection Fund account reflects the statutory requirements set out in section 89 of the Local Government Finance Act 1988
  - (iv) The Housing Revenue Account follows the requirements set out in section 66(4) of the Local Government and Housing Act 1989.

**2. ACCRUALS OF INCOME AND EXPENDITURE (DEBTORS & CREDITORS)**

Debtors and creditors for revenue and capital transactions are accrued except for certain cases, which are not considered material. For items of this nature, a consistent approach is adopted and only 12 months expenditure or income appears in the accounts.

**3. CONTINGENT LIABILITIES**

Contingent Liabilities are not accrued in the accounting statements. Material contingent liabilities are identified in disclosure note 12 if there is a possible obligation, which may require a payment or a transfer of economic benefits.

## STATEMENT OF ACCOUNTING POLICIES

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### **4. CONTINGENT ASSETS**

Contingent Assets are not accrued in the accounting statements. Material contingent assets are identified in disclosure note 12 if the inflow of a receipt or economic benefit is probable.

### **5. DEFERRED CHARGES**

Deferred charges are defined as expenditure which may properly be deferred, but which does not result in, or remain matched with, assets controlled by the Council.

Following changes in the SORP in 2004/05, deferred charges are written off to revenue in the year the expenditure is incurred.

They are not shown on the Council's balance sheet, because the types of expenditure to which deferred charges usually apply, for example, housing improvement grants, require 100% of the deferred charge to be amortised to revenue in the year the deferred charge is recognised.

### **6. TANGIBLE FIXED ASSETS**

#### Recognition/Revaluation

All expenditure on the acquisition, creation or enhancement of fixed assets is accounted for on an accruals basis and capitalised in the balance sheet. Additions are initially included at their cost of acquisition.

Revaluations of 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.

#### Depreciation

Depreciation is a charge representing the estimate of the cost or revalued amount of the benefits of a fixed asset which has been consumed during the accounting period.

The Local Authority Accounting Code of Practice requires that depreciation should be charged on all fixed assets (other than non-depreciable land and non-operational investment properties).

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. Council Dwellings are revalued annually. The useful lives of the various assets held on the Asset Register is as follows:-

- Vehicles, plant and equipment between 1 and 9 years;

- Schools between 1 and 70 years;
- Libraries, administration offices, council houses between 1 and 93 years;
- Car Parks between 25 and 37 years;
- Farms, golf clubs, cemeteries and markets between 2 and 69 years;
- All other significant properties between 1 and 100 years;
- The majority of land assets have a life expectancy of 999 years;

#### Impairment

Where an impairment loss on a fixed asset has occurred due to a clear consumption of economic benefit, the loss is recognised in the Asset Management Revenue Account and the service revenue account. Where any other impairment loss on a fixed asset has occurred, which can include impairment arising from a downward movement in prices, the loss is recognised in the Fixed Asset Restatement Account.

### **7. INTANGIBLE ASSETS**

Intangible assets are assets in respect of which the Council controls access to the future economic benefits either through custody or legal protection. They are accounted for on an accruals basis.

The purchase of software licences is the only item incurred by the Council which falls into this category of asset and such purchases in excess of £5k are capitalised at cost and amortised to revenue over their economic lives.

### **8. MINIMUM REVENUE PROVISION**

In accordance with the requirements of the Local Government Act 2003 the Council is required to set aside a minimum revenue provision (MRP) for repayment of debt. This is the aggregate of 4% of the Adjusted Capital Financing Requirement (as defined by the Act) at the beginning of the year for the General Fund. In accordance with the Code, the MRP is charged to revenue by an appropriate increase or decrease in the depreciation charge. This adjustment is made by way of an appropriation to or from the Capital Financing Account.

### **9. CAPITAL RECEIPTS**

Income arising from the sale of fixed assets such as land and Council houses is known as capital receipts. Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government and Housing Act 1989. This stipulates that income from the disposal of assets

must be split into 'usable' and 'reserved' elements. The reserved element must be set aside, either to repay debt or as a provision for future credit liabilities. The usable element can be used to fund capital expenditure in the year or held in the usable capital receipts reserve until such time as it is required.

Since the Act there have been a number of specific relaxations to the split of usable and reserved elements and currently, other than for housing, 100% of disposal values can be used to finance capital expenditure. For housing, 25% of the value of council house sales and mortgage repayments and 50% of the value of housing land can be regarded as usable.

For 2004/05 the reserved proportion of Council house sales receipts is paid over to Central Government as a 'housing pooled capital receipt' and charged in the net operating cost section of the Consolidated Revenue Account. An equivalent amount is appropriated from the usable capital receipts reserve and credited to the appropriations section of the Consolidated Revenue Account.

The Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2003 which came into force on 5th February 2003 allow 100% of receipts from the sale of housing land to be treated as usable if they are utilised as a contribution to affordable housing.

Income from the disposal of intangible assets is credited to the useable capital receipts reserve and accounted for on an accruals basis.

### **10. RESERVES**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves and transfers to and from them are distinguished separately from service expenditure, disclosed in the statement of accounts. In addition to statutory reserves such as the General Fund and HRA surplus, the Council maintains other reserves to meet specific, rather than general future expenditure.

### **11. GOVERNMENT GRANTS**

Revenue Government grants and subsidies have been credited to the appropriate accounts on an accruals basis except where Government grant returns require cash transactions only (e.g. European Grant Claims).

Government Grants and Contributions relating to fixed assets are credited to the Government Grants and Contributions Deferred Accounts and released to the Asset Management Revenue Account in line with the depreciation of the asset. Where an asset is not depreciated, the grant or contribution is transferred to the Capital Financing Account.

### **12. INVESTMENTS**

Investments are shown on the Balance Sheet at cost less provision, where appropriate, for loss in value. Income from investments is credited to the revenue account when it falls due.

### **13. OPERATING LEASES**

Rentals payable, net of benefits received or receivable, under operating leases are charged to revenue on a straight line basis over the term of the lease.

### **14. OVERHEADS**

#### a) Support Service Costs

The costs of support services have been apportioned or charged to users on an appropriate basis and the bases of apportionment are adopted consistently.

#### b) Corporate and Democratic Core and Non Distributed Costs

The costs of Corporate and Democratic Core (CDC) and Non Distributed Costs (NDC) are not charged or apportioned to service areas.

### **15. PENSION COSTS**

The Council is required to comply with the full requirements of the new accounting standard FRS 17 'Retirement Benefits' from 2003/04 onwards. The purpose of FRS 17 is to ensure that all organisations, public or private, include the true cost of their liabilities for their employees' pensions each year in their annual accounts. The Council is responsible for its share of any liabilities or surpluses in the West Yorkshire Pension Fund, and any discretionary awards made to teachers and employees in the Local Government Pension Scheme, both of which are within the scope of FRS 17.

The principle of FRS 17 is to match pension costs in the accounts to the period in which the benefit was earned or awarded, although the amount of contributions paid to the pension fund in the year may be different. The requirements include full recognition of the pensions liability on the Council's balance sheet and the movement of the constituent transactions reflected in the Consolidated Revenue Account.

In assessing liabilities for retirement benefits at 31 March 2004 the Council's actuary followed the SORP requirement to use a discount rate of 3.5% real (6.3% including inflation). For 2004/05, the SORP requires that a rate based on the current rate of return on an appropriate high quality corporate bond be used. The actuary has advised that a rate

## STATEMENT OF ACCOUNTING POLICIES

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of 2.5% real (5.4% including inflation) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £103.4m, adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements in Reserves.

### **16. 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; 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 and depending on their materiality, are either disclosed as a separate item on the Consolidated Balance Sheet or added to the carrying balance of an appropriate contingent liability.

### **17. PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

Provisions have been made for Bad and Doubtful Debts in respect of Houses in Possession, Housing Rent Allowance recoveries, Collection Fund and other service specific items.

### **18. REPURCHASE OF BORROWING**

The accounting treatment of premiums and discounts arising from the repurchase of borrowing is as follows:

- a) Where there is no replacement loan any premium or discount generated is taken to revenue in the same year as the loan is repaid.
- b) Where the repurchase of borrowing is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses are recognised over the life of the replacement borrowing.
- c) In respect of the HRA, premiums and discounts have been written off as part of the overhanging debt repayment made in respect of the Housing Stock Transfer.

### **19. TAXATION**

Local authorities are exempt from Income, Corporation and Capital Gains Taxes. Value Added Tax is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure as appropriate.

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

Stocks are valued annually wherever possible in accordance with the Code, 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 31st March together with a prudent estimate of any attributable profit or foreseeable loss.

### **21. GROUP ACCOUNTS**

Local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures are required to prepare summarised Group Accounts. The 2004 SORP contains modified Group Account requirements which allow authorities to prepare Group Accounts on a transitional basis in 2004/05, followed by full implementation from 2005/06 onwards. The Council is applying the transitional arrangements in 2004/05. The Council has undertaken a mapping process to identify its interest in all companies (see disclosure note 14 on page 43), to assess the requirements for Group Accounts.

### **22. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS**

Any material exceptional or extraordinary items are separately disclosed in the 2004/05 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. Any effect of material prior period adjustments is disclosed separately as a note to the accounts.

### **23. PRIVATE FINANCE INITIATIVES**

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 has 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 have been 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, were included as a deferred consideration under deferred charges in 2003/04. However, following SORP changes in 2004/05 they will be accounted for as a long term debtor from 2004/05 onwards, 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 6 for 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 in 2004/05 is included within disclosure notes 8 and 9.

The Council is in the process of developing a PFI scheme for Waste Management, for which development costs have been incurred in 2004/05. These have been charged to the revenue account. Outline Business Case approval has now been obtained and the Council expect to conclude the procurement process by December 2006.

#### **24. ACQUIRED OR DISCONTINUED OPERATIONS**

The Council will identify material operations, which it acquired or which were discontinued in the year. They will be included as a separate disclosure note in the accounts.

The ownership and management of Council housing services was transferred to an independent organisation, Wakefield District Housing, on 21 March 2005.

#### **25. POST BALANCE SHEET EVENTS**

Any material post balance sheet events, which did not exist at the date of the balance sheet, have been disclosed as a separate note to the accounts.

#### **26. FOREIGN CURRENCY TRANSLATION**

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

### **Accounting Period**

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

### **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 of the Council's financial affairs.

### **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 plus notional interest.

### **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.

### **Constitution and Governance Committee**

The role of the Constitution and Governance Committee is to monitor, review and report to the Council on the operation of the Constitution to ensure that its aims and principles are given full effect, and to consider issues relating to the Council's accounts and the Audit Commission's annual Audit Report.

### **Credit Approvals**

Annual allocations to provide the Council with the authority to finance capital expenditure by borrowing or credit arrangements.

Supplementary credit approvals are given towards specific schemes or projects.

### **Credit Ceiling**

A measure of the difference between the Council's total liabilities in respect of capital expenditure financed by credit and the provision that has been made to meet these liabilities.

### **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 authority 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 authority 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 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.

**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 authority. 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 transitional 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.

**Large Scale Voluntary Transfer (LSVT)**

The process of transferring Council housing stock from local authorities to housing Registered Social Landlords (RSL's).

### **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 and set aside as provision for credit liabilities.

### **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 directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **Operating Leases**

A lease agreement which does not provide for:

- a) legal title in the asset to pass to the lessee; or
- b) a secondary period rental which is below the open market rental; or
- c) the lessee to have an interest in the value of the asset at the end of the lease; or
- d) a residual value in the asset of less than 10% as estimated at the commencement of the lease.

### **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.

### **Outturn**

Actual income receivable and expenditure due in a financial year.

### **Post-Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts are signed by the responsible finance officer.

**Precept**

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

**Premiums and Discounts**

These are incurred when certain loans are repaid early. The premium or discount is equal to the difference between the cost of remaining payments and the amount that could be received if the sum repaid early was re-advanced at current rates on a new loan for the unexpired term of the original loan.

**Preserved Right to Buy (PRTB)**

Secure tenants may buy the homes they rent from their local authority landlord or from their registered social landlord (where they have a Preserved Right to Buy). The Preserved Right To Buy (PRTB) is given under Part V of the Housing Act 1985.

**Preserved Right to Buy Receipts (PRTB)**

Preserved Right to Buy Receipts (PRTB) arise in cases of housing stock transfer where the local authority and the registered social landlord (RSL) enter into a sharing agreement whereby the proceeds from PRTB sales are split between them. The apportionment of the proceeds is set by way of a formula under which the proportion going to the local authority reduces over time. These PRTB receipts arise from the transfer of the housing stock but do not form part of the sale price.

**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**

A Central Government initiative which 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.

**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.

**Registered Social Landlord (RSL)**

A housing association or a not for profit company registered by the Housing Corporation to provide social housing.

**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.

**Service Improvement Fund**

A one off sum of money set aside for specific purposes to achieve ongoing improvements in service.

**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.

## **GLOSSARY OF TERMS**

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### **Specified Capital Grants**

Includes certain Housing capital grants which when received reduce the Authority's available credit approvals on a £ for £ basis.

### **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.

### **System of Internal Control**

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

### **Useful life**

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