

METROPOLITAN BOROUGH

OF

CALDERDALE

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2007

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CHIEF FINANCE OFFICER

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EXPLANATORY FOREWORD BY THE CHIEF FINANCE OFFICER

INTRODUCTION

I am pleased to introduce the Council's statement of accounts for the financial year ended 31st March 2007. The accounting arrangements of large, diverse organisations such as the Council are complex and technical. The purpose of this publication is to present fairly, in an understandable way, a summary of the significant financial transactions which have occurred during the year, and the assets and liabilities of the Council at the balance sheet date. This is achieved through the publication of a number of financial statements as detailed below. Wherever possible, to facilitate understanding, technical accounting terms have been explained either in the text, or in the glossary at the back of this publication.

The rest of this section provides a brief explanation of the financial statements which follow, gives a contextual overview of financial performance and achievements during the year, and highlights the key issues.

FINANCIAL STATEMENTS

The core accounting statements included are: -

- *The income and expenditure account*, which brings together all the functions of the Council and summarises all the resources generated, consumed or set aside in providing services during the year.
- *The statement of movement in general fund balances*, which reconciles the outturn on the income and expenditure a/c to the net expenditure figure specified by statutory provisions to be taken into account when setting local taxes.
- *The statement of total recognised gains and losses*, which brings together all gains and losses (including those not arising through the income and expenditure a/c) to show the total movement in the Council's net worth for the year.
- *The balance sheet*, which shows the reserves and balances of the Council at the year end, its long term indebtedness and the fixed and net current assets employed to deliver services.
- *The cash flow statement*, which analyses the movement in cash identified on the balance sheet, summarising the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Supplementary statements include: -

- *The collection fund*, which shows the transactions of the billing authority in relation to national non domestic rates and the council tax.
- *The statement of accounting policies*, which explains the basis of the figures in the financial statements and the concepts and policies followed which underpin the accounts.
- *The statement of responsibility* for the statement of accounts which sets out the respective responsibilities of the Council and the Chief Financial Officer.
- *The statement on the system of internal control* which sets out the framework designed to promote the efficiency and effectiveness of the Council's operations in compliance with all relevant legislative requirements, and to manage associated risks.

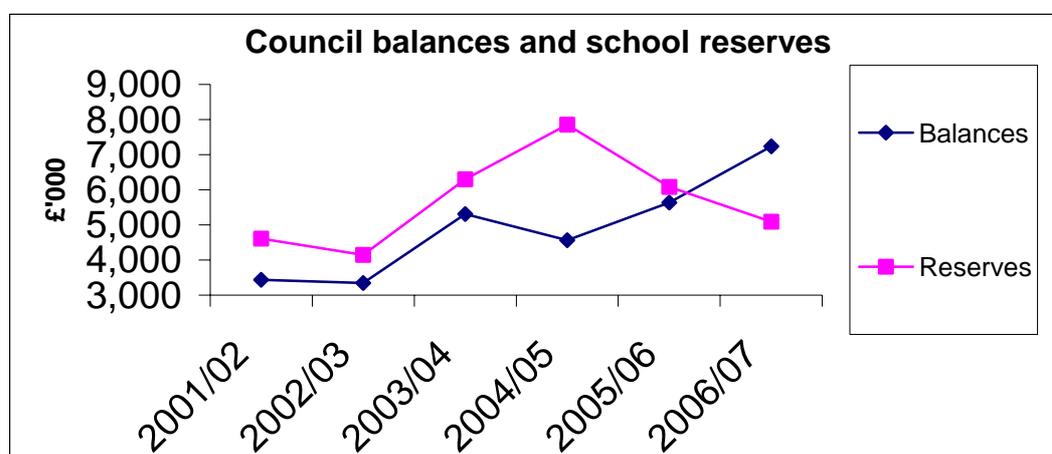
Earmarked reserves and balances.

Earmarked reserves are sums set aside for specific purposes to meet items of future expenditure. Balances are accumulated surpluses available to support Council spend generally. Total earmarked reserves and balances increased during the year from £38.510m to £41.174m.

At the 31st March 2007, the Council's general balances stood at £7.239m. This is 1.6% of gross expenditure. Excluding expenditure on schools (which have their own specific reserves), it is 2.1%. The Council aims to maintain a minimum level of balances of £5m.

Some of these balances (approximately £0.5m) will be required to support future years' budgets. The remainder of the available balances will be considered this year as part of the review of the medium term financial strategy in the light of the risks and uncertainties facing the Council.

Schools reserves have decreased from £6.082m to £5.087m, and are now at a level equivalent to 4.4% of the individual schools budget for 2007/08. This reduction is in accordance with the agreed financial strategy relating to school balances.



This table shows general Council balances, and school reserve levels over the last 6 years.

Actual revenue spending compared to the original budget.

Revenue spending reflects the running costs (staffing, accommodation, supplies and services etc.) incurred in providing the Council's services. A budget of £132.343m to deliver these services was set by the Council in March 2006. There were net budget changes during the year increasing the budget by £0.084m, meaning that there was a final budget for Council expenditure of £132.427m. The table below shows the comparison between the original budget, the final budget and the actual outturn.

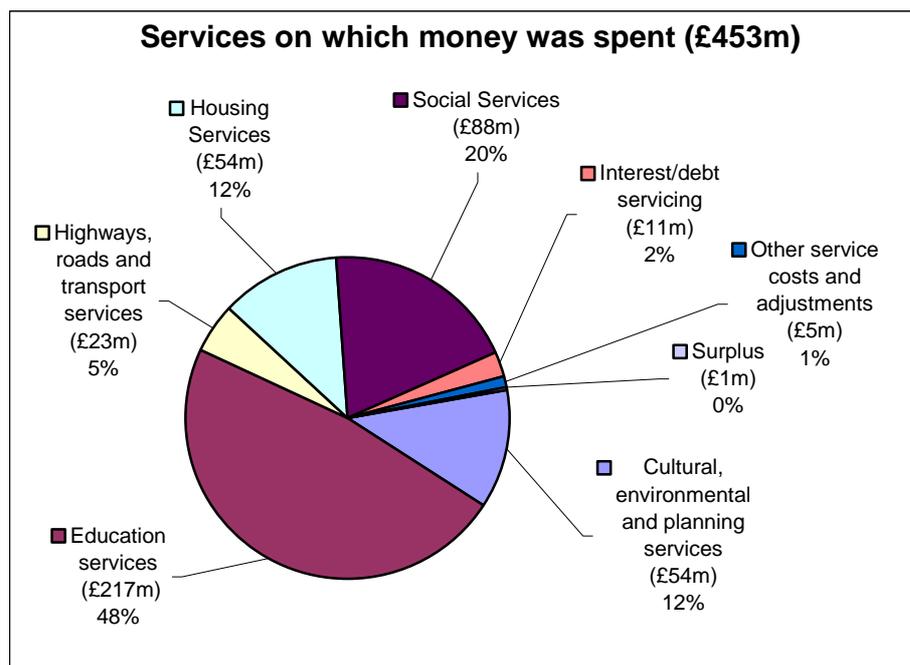
Net Council expenditure in 2006/07 of £132.076m, and increased Government grant funding of £1.334m has led to an increase in balances of £1.601m. This increase is £1.685m more than the final budget projection (0.4% of the total gross expenditure), and is due principally to: -

- Unexpected receipt of business growth incentive grant (£1.3m)
- Increased investment income (£0.1m)
- Minor variations on combined benefit budgets in excess of £50m (£0.1m)
- Miscellaneous items and contingencies not required (£0.1m)

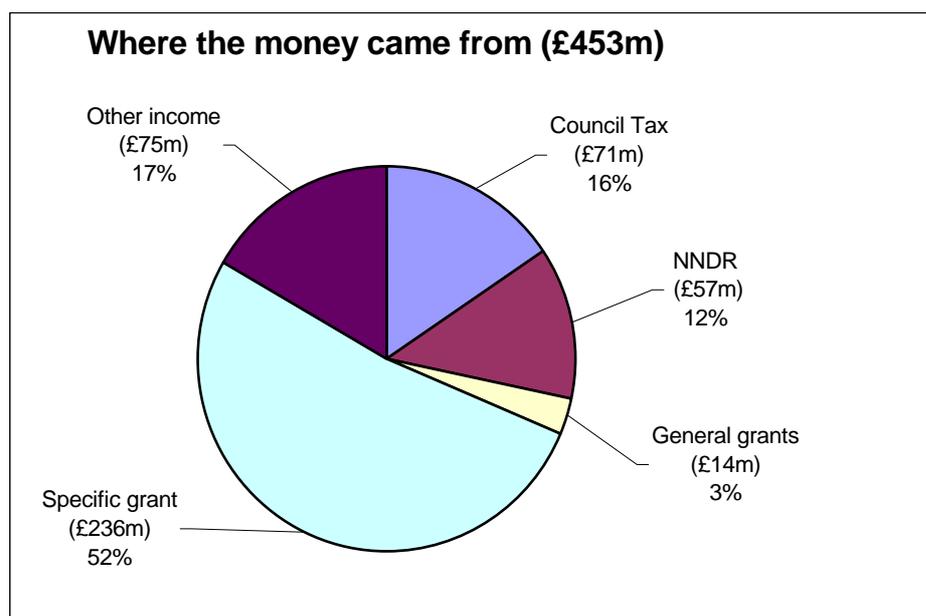
COMPARISON OF BUDGET TO OUTTURN	Original Budget £'000	Final Budget £'000	Actual Outturn £'000
Net Council Expenditure	132,343	132,427	132,076
Parish Precepts	312	312	312
Levying Authorities			
West Yorkshire Passenger Transport	7,658	7,658	7,658
Environment Agency	20	20	20
Expenditure to be funded	140,333	140,417	140,066
Met from			
Precept on Collection Fund	-70,591	-70,591	-70,591
Collection Fund surplus	-200	-200	-200
Revenue Support and General Government Grant	-12,363	-12,363	-13,697
Redistributed Business Rates	-57,179	-57,179	-57,179
Total funding	-140,333	-140,333	-141,667
Decrease / (Increase) in General Fund Balances	0	84	-1,601

Overall Council expenditure and financing

Gross Council expenditure is made up of spend on services, debt financing costs and other operating expenditure, accounting adjustments and appropriations.



Gross expenditure is funded by Council tax, national non domestic rates, general and specific government grants, and other income.



Current / future financial position

The 2007/08 budget builds directly on the Council's corporate plan and medium term financial strategy (which sets out responses to national and local pressures on Council services), and the outcomes of community consultation. Reflecting the revised Government grant funding framework, including direct funding of school and school related activities through the dedicated schools grant, the budget has been set to balance expectations for customer service improvements with low council tax increases.

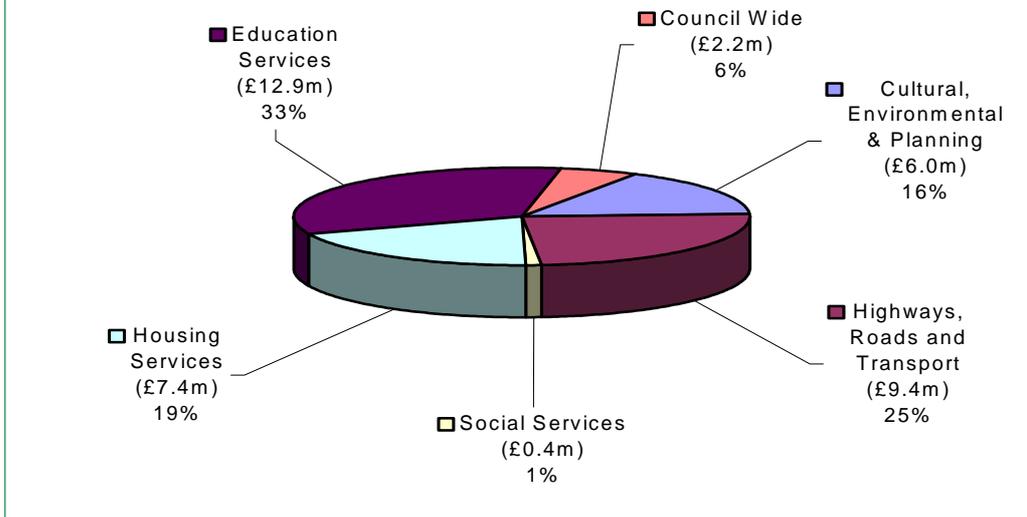
In line with priorities identified in the medium term financial strategy, increased provision has been made for social care for the elderly and those with learning difficulties, and environmental protection and recycling initiatives. There are also improvements linked to capital investment for upgrades to car parks, libraries and the theatre.

The 2007/08 budget also looks ahead to delivering a balanced budget in future years by taking account of future risks/commitments and anticipated efficiency savings. The forthcoming comprehensive spending review will lead to three-year grant settlements, which should allow longer term budgets to be set with greater certainty.

Capital expenditure and financing 2006/07

Capital expenditure reflects the spending on tangible fixed assets (buildings and equipment) and intangible assets (software licences) of which the benefits last for more than one year. It also includes certain grants given to third parties (mainly for housing and regeneration purposes). Capital expenditure for the year of £38.3m is analysed by service category below.

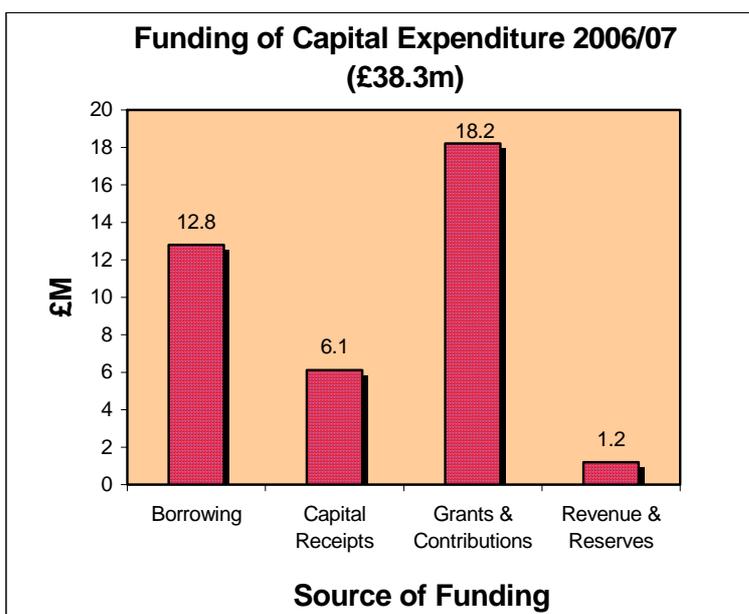
Capital expenditure 2006/07 by service (Total £38.3m)



In addition to the rolling programmes for works to roads (£8.6m) and private sector housing (£3.4m), there has been major investment during the year on: -

- Schemes at a number of primary and secondary schools
- Urban regeneration and town centre initiatives
- Parks and heritage buildings
- Sporting and entertainment facilities
- Car Parks
- E-government and enhanced customer facilities
- Property investment and rationalisation.

This expenditure was funded as follows:



The main sources of funding are grants and contributions from the government and other bodies towards specific capital schemes, and borrowing. The Council also generates some funding through capital receipts arising from the sale of fixed assets, and a limited amount from revenue contributions (principally from individual schools).

In addition to funding the capital programme, borrowing also takes place to repay maturing loans. The Council's treasury management policy, which addresses both short term cashflow and longer term asset funding requirements, seeks to minimise external debt costs by taking account of available internal resources, prevailing interest rates and debt maturity profiles. Longer term debt is provided principally through the Government's Public Works Loans Board (PWLB), with shorter term cashflow issues being managed by loans taken out with financial institutions and other local authorities via the UK money markets.

Total borrowing at the 31st March 2007 amounted to £1111.8m (a net increase of £7.1m) against fixed assets with a net book value of £365.9m.

Future Capital Programme

The Council is committed to progressing all schemes within its capital programme, and is currently spending approximately £35m p.a. As well as the targeting of specific funding towards improving schools, roads and the housing stock in the private sector, the Council is pursuing the following major schemes: -

- Additional accommodation/new facilities for children's centres, and for children requiring behavioural support.
- Improvements to day care centres, libraries and civic halls.
- Economic and urban regeneration schemes in Halifax and Todmorden including markets and neighbourhood improvements
- Safety investment and rationalisation of the Council's building stock
- Refurbishment of Shibden Park

In addition, the Council has in place an investment plan of schemes which it wishes to progress in the short/medium term. This includes: -

- Further library and theatre improvements
- E-government and IT developments
- Urban and economic regeneration initiatives
- Enhanced customer facilities
- Improved recycling initiatives at household waste sites
- Works to parks and play areas
- New pupil referral unit

The plan is subject to regular review to ensure that proposed schemes are still relevant and meet Council priorities, and that the overall plan is consistent with forecast resource availability and financial strategies. When schemes have been fully appraised, they are promoted from the investment plan into the capital programme once funding is realised (primarily from the ongoing disposal of surplus assets and the property rationalisation programme upon which the Council has embarked).

Exceptional charges

The Council has used a mixture of monitored savings, one off receipts and established reserves to write off outstanding premiums on the early settlement of debt. These one off costs arose in previous years when debts were restructured to generate on going savings by switching to loans at cheaper rates of interest. A peculiarity of local authority accounts was that these costs could be carried forward and written down to the income and expenditure account over time. In line with general accounting practice, these costs have now been

written off the balance sheet and reflected in full in the performance statement. As there will be no future write down, there will be annual revenue savings which will be factored into future financial strategies.

Liabilities

There are £10.9m of provisions on the balance sheet covering assumed landfill requirements and possible costs arising through claims including those under social services legislation, the Equal Pay Act and other insured events.

The balance sheet also contains a pension liability of £94.8m. This is the difference between the Council's share of the pension fund assets and the underlying commitment, based on actuarial assessment, which the Council has to pay retirement benefits. This deficit is a snapshot at a point in time. Pension fund assets are subject to fluctuations in value depending on the current state of the stock market and other investment markets. The deficit will be addressed by reviewing contribution rates in line with the longer term view taken by regular triennial fund valuations, and by ongoing reviews of the national scheme. The deficit has reduced by £25.8m, and there is a corresponding reduction in the pensions reserve.

PFI scheme

In June 2003, the Council entered into a contract with a private sector partner to provide and manage 5 new build/refurbished schools (4 secondary, 1 primary) through a private finance initiative scheme. All these schools are now built and operational. The contract is for a period of 28 years and the Council pays an annual unitary charge for the use and management of the premises.

Changes in accounting policies

There have been two changes in accounting policies introduced by the SORP with the aim of aligning local authority accounts with those of bodies in other sectors.

- Removal of the notional interest charged to services for the use of fixed assets (reflecting the cost of tying up scarce capital resources in a particular asset), leaving depreciation as the only charge to services for the consumption of fixed assets.
- Showing the profit/loss on disposal of fixed assets in the income and expenditure a/c. Sale proceeds were previously credited to the usable capital receipts reserve, and fixed assets written out to the fixed asset restatement account. These entries are now processed through the income and expenditure a/c, with a reconciling item in the statement of movement in general fund balances so that the net figure does not impact on council tax levels.

Prior year comparators have been adjusted to reflect these changes.

Financial performance and reporting

External assessments have rated the Council as a 3 star authority improving adequately. Part of the assessment includes the external auditors' view on how well the Council manages and uses its resources. The Council scored 3 out of a possible 4 in this category.

The Council monitors its performance against a series of financial targets in order to safeguard its financial standing, including collection rates for council tax and business rates, and prudential indicators for borrowing levels following the relaxation of the capital control regime for local authorities. Targets and actual performance are monitored and reported as appropriate. Collection rates improved during the year from 96.19% to 96.44% on council tax, and from 97.79% to 98.62% on business rates.

There are also annual targets for efficiency savings, and by the end of 2006/7 the Council had identified savings in excess of the target £7.9m. These savings have been reinvested in service improvements and other corporate priorities.

The Council's Statement of Accounts presents fairly the financial position of the Council in relation to a particular year. This is necessarily a technical document which receives considerable audit scrutiny to give all stakeholders the confidence that public money has been properly accounted for. There is a summarised set of accounts on the Council's website and an annual report, both of which present performance information in a more accessible way.

The website also contains a number of other plans and strategies detailing what the Council plans to do to achieve its ambitions, what resources it needs to deploy, and how well it is operating in key areas.

As identified in previous annual accounts and acknowledged by the Council's external inspection processes, overall financial performance and budget management continue to be strong. Budget monitoring arrangements ensured that major in year financial issues were identified promptly so that appropriate action could be taken, and the final outturn position for the Council as a whole was only £1.685m less than the final budget for all services. This is just 0.4% of the total amount of £453m spent on all services in the year, and excluding the unexpected late receipt of £1.334m of business growth incentive grant, it is less than 0.1% of total spend.

In line with the agreed overall Council strategy, balances or one off gains identified in year were earmarked for use in a sustainable way. On that basis, the agreed strategy of providing resources to address insurance and other risks has been achieved to ensure a robust financial position for these key issues.

Financial monitoring and management continue to be strong features of the Council. Strategies to address budget pressures identified in year were effective with all directorates containing expenditure within approved budgets.

The effectiveness and timeliness of financial reporting and management has mirrored the expectation for continual improvement placed on all Council activities. These accounts, and the associated management reporting and action, have again been completed comfortably ahead of current statutory timescales. This achievement ensures that the Council can continue to improve, and be able to take appropriate action and plan ahead more effectively from a continued healthy financial base.

P SMITH, BA CPFA
CHIEF FINANCE OFFICER

THE CORE ACCOUNTING STATEMENTS

THE INCOME & EXPENDITURE ACCOUNT, AND THE STATEMENT OF MOVEMENT IN GENERAL FUND BALANCES

The income & expenditure account shows the net cost for the year of the services provided by the Council. Income and expenditure relating to service provision are summarised in *net cost of services*. Adding to this income and expenditure relating to the Council as a whole rather than to specific services gives *net operating expenditure*. This is the amount to be met by the available *total funding* of general government grants and income from local taxpayers.

The statement of movement in general fund balances shows the adjustments to the income & expenditure account required by statute in order to determine the movement in general fund balances in the year.

INCOME AND EXPENDITURE ACCOUNT				
2005/2006	<u>Service</u>	2006/2007		
Net Expenditure £'000		Expenditure £'000	Income £'000	Net Expenditure £'000
	<u>Continuing operations</u>			
1,409	Central services to the public	17,679	-15,456	2,223
139	Court and probation services	172	-58	114
31,658	Cultural, environmental and planning services	54,264	-19,823	34,441
123,559	Education services	216,538	-195,688	20,850
15,804	Highways, roads and transport services	22,686	-4,637	18,049
6,014	Housing Services	54,025	-50,772	3,253
54,029	Social Services	87,750	-29,634	58,116
5,194	Corporate and democratic core	5,530	-30	5,500
-6,773	Non distributable costs	151	0	151
231,033	Net Cost of Services	458,795	-316,098	142,697
-4,039	(Gain)/loss on disposal of Fixed Assets			-2,604
335	Parish Precepts			312
-727	Net (Surplus)/Deficit from Trading Operations			-467
5,901	Interest Payable and similar charges			11,054
35	Contribution to Housing pooled capital receipts			15
-2,617	Interest and Investment Income			-3,422
2,640	Pensions interest costs and expected return on pensions assets			-36
232,561	Net Operating Expenditure			147,549
-66,805	Income from Collection Fund			-70,791
-106,643	Government Grant not attributable to specific services (including Revenue Support)			-13,697
-64,387	Distribution from non-domestic rate pool			-57,179
-237,835	Total Funding			-141,667
-5,274	Income & Expenditure A/c Deficit / (Surplus)			5,882

STATEMENT OF MOVEMENT IN GENERAL FUND BALANCES			
-5,274	Income & Expenditure A/c Deficit / (Surplus)		5,882
-17,798	Amounts included in the income and expenditure a/c which are to be excluded by statute when determining the movement in general fund balances	-28,115	
18,726	Amounts not included in the income and expenditure a/c which are to be included by statute when determining the movement in general fund balances	19,568	
3,273	Other transfers to that are required to be taken into account when determining the movement in general fund balances	1,064	
4,201	Total Adjustments		-7,483
-1,073	Recognised movement in General Fund balances		-1,601
-4,565	General Fund Balance brought forward		-5,638
-5,638	General Fund Balance carried forward		-7,239

THE STATEMENT OF RECOGNISED GAINS AND LOSSES

This statement brings together all recognised gains and losses during the period whether arising through the operations of the Council as reflected in the performance statements, or through asset and liability valuation changes.

Statement of total recognised gains and losses	2006/07 £'000	2005/06 £'000
Surplus / (Deficit) on the Income and Expenditure A/c	-5,882	5,274
Surplus / (Deficit) arising on the revaluation of fixed assets	4,311	-18,341
Actuarial gains / (losses) on pension fund assets and liabilities	30,105	9,377
Other gains and losses	1,458	1,437
Total recognised gains for the year	29,992	-2,253

Other gains and losses reflect changes in the collection fund balance, capital grants relating to non depreciable assets credited to the capital financing account, and capital receipts not involving the write out of assets (e.g. non refundable deposits and covenants).

THE BALANCE SHEET

This shows the Council's financial position as at 31 March 2007, identifying reserves and balances, its long term indebtedness, and the fixed and net current assets employed to deliver services.

BALANCE SHEET AT 31ST MARCH, 2007			
31st March 2006 £'000		31st March 2007 £'000	Note
349,910	Fixed assets	365,940	17
1,100	Long term investments	1,087	25
4,103	Long term debtors	6,361	42
5,213	Deferred premiums on early repayment of debt	0	26
4,808	Deferred consideration	4,616	27
365,134	TOTAL LONG TERM ASSETS	378,004	
	CURRENT ASSETS		
723	- Stocks and works in progress	943	28
47,720	- Debtors	39,336	41
-5,610	less bad debt provision	-4,599	41
1,267	- Landfill Usage Allowances	1,280	29
26,900	- Short term investments	48,350	30
11,244	- Cash in hand (schools / officers)	12,103	
	CURRENT LIABILITIES		
-1,298	- Short term borrowing	-4,518	31
-35,783	- Creditors	-41,420	43
-4,692	- Bank overdraft	-4,842	
405,605	TOTAL ASSETS LESS CURRENT LIABILITIES	424,637	
-103,367	Long term borrowing	-107,234	31
-2,485	Deferred Liability	-2,381	20
-32,040	Grants / Contributions Deferred Account	-41,170	32
-4,997	Capital Grants and Contributions Unapplied	-5,833	33
-9,768	Provisions	-10,879	34
-120,589	Net liability related to defined benefit pension schemes	-94,789	45
132,359	TOTAL ASSETS LESS LIABILITIES	162,351	
	Financed by: -		
50,824	Fixed Asset Restatement Account	51,705	35
143,138	Capital Financing Account	143,777	35
19,260	Usable Capital Receipts Reserve	18,844	35,36
234	Deferred Capital Receipts	194	35
-120,589	Pensions Reserve	-94,789	35,37
982	Collection Fund	1,446	35
32,872	Earmarked Reserves	33,935	35,38
5,638	Balances	7,239	35
132,359	TOTAL NET WORTH	162,351	

THE CASH FLOW STATEMENT

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

2005/2006 £'000	Cashflow Statement	2006/2007 £'000
	Revenue Activities	
	<u>Cash Outflows</u>	
187,630	Cash paid to and on behalf of employees	197,491
191,594	Other operating cash payments	186,982
38,069	Housing Benefit paid out	38,458
52,902	NNDR payments to national pool	48,597
9,607	Precepts paid	10,150
5,935	Levy payments	7,679
35	Payments to the capital receipts pool	15
	<u>Cash Inflows</u>	
-66,572	Council tax receipts	-70,589
-44,639	NNDR receipts from non domestic properties	-46,214
-64,387	NNDR receipts from national pool	-57,446
-106,643	Revenue Support Grant	-10,766
0	Other grants not attributable to specific services	-1,999
-35,512	DWP grants for benefits	-37,720
-73,643	Other government grants	-194,817
-90,454	Other operational cash	-98,372
3,922	Revenue Activities Net Cash Flow	-28,551
	Returns on Investments and Servicing of Finance	
	<u>Cash Outflows</u>	
5,554	Interest Paid	4,896
1,389	Restructure premium	0
	<u>Cash Inflows</u>	
-2,406	Interest received	-3,105
4,537	Returns on Investments and Servicing of Finance Net Cash Flow	1,791
8,459	NET REVENUE CASH (INFLOW) / OUTFLOW	-26,760

8,459	Net revenue cash (inflow) / outflow	-26,760
	Capital Activities	
	<u>Cash Outflows</u>	
26,887	Purchase of Fixed Assets	25,148
8,560	Other capital cash payments	13,255
	<u>Cash Inflows</u>	
-5,316	Sale of Fixed Assets	-3,740
-13,876	Capital grants and contributions received	-20,426
-1,735	Other capital cash receipts	-2,536
	Acquisitions and disposals	
	<u>Cash Inflows</u>	
-12	Redemption of debenture	-13
22,967	Net cash (inflow) / outflow before financing	-15,072
	Management of liquid resources	
-4,600	Net increase / (decrease) in short term deposits and other liquid resources	21,450
	Financing	
	<u>Cash Outflows</u>	
108,092	Repayments of amounts borrowed	84,313
	<u>Cash Inflows</u>	
-17,700	New loans raised	-8,000
-104,516	New short term loans	-83,400
-14,124	(Increase) / Decrease in borrowing	-7,087
4,243	(Increase) / Decrease in cash	-709

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Adjustments to previously reported figures

There has been an adjustment of £0.192m in order to reflect the ongoing commitment by the Council in respect of loan debt administered by Leeds and Bradford Councils in relation to previously held assets now transferred to the independent Magistrate's Court and Probation Service. As the value of all these assets on recognition was originally credited to the fixed asset restatement account, the appropriate correcting entry is to debit the fixed asset restatement account and credit deferred liabilities.

The PTA levy (£5.921m in 05/06) previously shown separately on the face of the consolidated revenue account is now more properly reflected in total expenditure on highways, roads and transport services in accordance with BVACOP classifications. Similarly, the Environment Agency levy (£0.014m in 05/06) is now included in total expenditure on cultural, environmental and planning services.

There have been several presentational adjustments as a result of the removal in the SORP of the asset management revenue account, and the introduction of the income and expenditure a/c, statement of movement on general fund balances and the statement of total recognised gains and losses. As these adjustments are presentational only, the reduction in the reported net cost of services figure of £7.627m is offset by a corresponding increase in other operating expenditure, and there is no overall effect on net operating expenditure or the movement in general fund balances.

The SORP also now requires gains and losses on the disposal of fixed assets to be shown in the income and expenditure a/c. The inclusion of this gain of £4.039m reduces net operating expenditure by that amount, but this item is reversed in the statement of movement in general fund balances, and so there is no overall effect on balances.

2. Service Analysis

The service analysis under net cost of services follows the standard service expenditure analysis as required under the SORP and under the Best Value regime for purposes of external reporting. The analysis differs from that used for internal reporting, which follows the Council's directorate/service structure.

Gross expenditure on individual services includes all recharged costs. This is expenditure incurred by one service and subsequently recharged to another. Such expenditure is included only in the accounts of the service receiving it.

The service expenditure analysis excludes two types of cost from recharge to specific services: -

- *Corporate and democratic core* brings together the costs of democratic representation (members' activities and associated officer support) and corporate management (the infrastructure which enables services to be delivered and to be held publicly accountable).
- *Non distributed costs* are certain prescribed costs relating primarily to past service pensions costs (ie costs arising in the current period as a result of past service and not related to current service provision), and to any gains or losses as a result of action taken to reduce future service qualification for pension benefit or to relieve the Council

of its pension obligations. The 2005/06 figure reflects changes to pension fund regulations in that year.

3. Exceptional Items

The Council has used the opportunity to generate future savings by recognising in full the deferred debt premium expenses incurred in previous years when restructuring debt. The additional cost of £4.9m has been managed by using reserves previously set up, one off grants and monitored savings, and aligns the accounting treatment of these costs with general accounting practice in other sectors.

4. Dedicated Schools Grant

The Council's expenditure on schools was funded by grant monies provided by the Department for Education and Skills - the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes two elements; a restricted range of services provided on an authority-wide basis (central expenditure), and the Individual Schools Budget (ISB) which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately, with variances from the ISB impacting on individual schools' reserves. The Council meets the full cost of the Schools Budget from DSG.

Details of the deployment of DSG receivable for 2006/07 are as follows:

SCHOOLS BUDGET FUNDED BY DEDICATED SCHOOLS GRANT	CENTRAL EXPENDITURE		INDIVIDUAL SCHOOLS BUDGET £000s	TOTAL £000s
	Non ISB £000s	Contingencies £000s		
Original grant allocation to Schools Budget for the current year in the authority's budget	14,677	1,260	98,288	114,225
Adjustment to finalised grant allocation		-461		-461
DSG receivable for the year	14,677	799	98,288	113,764
Actual expenditure for the year	14,588	216	98,890	113,694
(Over)/underspend for the year	89	583	-602	70
Planned top-up funding of ISB from Council resources	0	0	0	0
Use of schools balances brought forward	0	0	602	602
(Over)/underspend from prior year	0	0	0	0
(Over)/underspend carried forward to 2007/08	89	583	0	672

5. Other Long Term Commitments

Commitments to future payments under the schools PFI scheme are as follows:-

	<u>£'000</u>
Less than one year	6,858
Between one and five years	27,878
More than five years	<u>136,469</u>
	<u>171,205</u>

These commitments will be partly offset by the receipt of grant over the life of the contract based on a notional credit approval of £53.9m.

The Council has in place a number of long term contracts under which revenue resources have been committed in future years. The actual level of payments will be dependent upon take up, but indicative figures are given for the following main contracts:

- Highways maintenance and street lighting (£5m pa)
- Social care provision contracts (£8m pa)
- Waste (£5m pa)

6. Trading Operations

These are activities of a commercial nature funded primarily by charges made to users. Some of these activities are included under the headings within the net cost of services. Where there is no such appropriate category under the service expenditure analysis, the net surplus/deficit is disclosed in summary form as part of net operating expenditure in the income and expenditure a/c.

2005/06		TRADING OPERATIONS	2006/07	
£'000	£'000		£'000	£'000
Surplus	Turnover		Surplus	Turnover
62	2,721	Grounds Maintenance	90	2,831
32	2,267	Catering	35	2,336
17	1,672	Building Cleaning	19	1,784
229	4,649	Transport	174	4,469
570	1,644	Markets	448	1,587
47	1,202	Advertising Unit	-71	1,590

This table shows all significant trading operations (deemed to be those with turnover in excess of £1m), whether reported within net cost of services, or disclosed under the heading "surplus/deficit from trading operations". There are break even targets for all trading operations apart from Markets and

the Advertising Unit for which there were profit targets of £407k and -£22k respectively.

7. Memorandum Publicity Account

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. Publicity covers all forms of communication addressed to the public at large including advertising for job vacancies, press notices, publications and public relations. All publicity costs are charged direct to the appropriate service revenue account.

2005/06	PUBLICITY EXPENDITURE	2006/07
£'000		£'000
678	Staff recruitment - advertising	678
134	Other publicity / public relations	131
812	Totals	809

8. Building Control Trading Account

The Building Act 1984 and specifically the Local Authority Building Control Charges Regulations (SI 1998/3129) require local authorities to disclose information relating to the administration of the building control function. Certain activities performed by the Building Control Unit, such as the provision of general advice and liaising with other statutory authorities, cannot be charged for. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2005/2006 Total £'000	BUILDING CONTROL TRADING ACCOUNT	2006/07 (£'000)		
		Chargeable	Non Chargeable	Total
	Expenditure			
545	Employees expenses	349	211	560
22	Transport	14	8	22
104	Supplies and Services	68	28	96
186	Central and Support Services	122	75	197
857	TOTAL EXPENDITURE	553	322	875
	Income			
592	Building Regulation Charges	553		553
127	Miscellaneous income	2	116	118
719	TOTAL INCOME	555	116	671
-138	SURPLUS/(DEFICIT) for the year	2	-206	-204

9. Local Authority (Goods and Services) Act 1970

The Council is allowed by this Act to provide to certain prescribed public bodies:-

- goods and materials
- administrative, professional and technical services
- the use of plant, vehicles and equipment
- maintenance of land and buildings

The income and expenditure in respect of each of these activities are included in the income and expenditure a/c.

The Council is required to provide details of such work carried out. Under this power, the Council supplied goods and services to the value of £0.862m (£0.765m in 2005/06). The main services provided and the principal recipients were: -

- Archives service (WY joint archives service) £62k
- Transport services (West Yorkshire PTE and health authority) £208k
- Advertising services (Calderdale College and to other local authorities) £194k
- Waterways/canal works (British Waterways Board and other local authorities) £31k
- Building control inspections (Other local authorities) £50k
- Winter Maintenance (West Yorkshire PTE and Health Authority) £258k

10. Health Act 1999 pooled funds

The Council has entered into two partnerships with the Calderdale Primary Care Trust under section 31 of the Health Act 1999 to administer the "Learning disabilities development fund" and the "Integrated community equipment service".

Learning disabilities development fund

The gross expenditure of the partnership for the year was £259k (£134k in 2005/06) and gross income was £259k (£134k) of which the Council's contribution was £34k (£27k).

Integrated community equipment service

The gross expenditure of the partnership for the year was £364k (£342k in 2005/06) and gross income was £364k (£342k). The Council's contribution was £240k (£271k), of which £53k (£51k) was funded by specific grants.

11. Members' Allowances

The total amount paid in respect of members' allowances in 2006/07 was £641k (£629k in 2005/06). In accordance with regulations these have been advertised as being available for public inspection.

12. Officers & Teachers' Remuneration

Under regulation 7 (2) of the Accounts and Audit Regulations 2003, there is a requirement to disclose in bands of £10k, the number of employees (including schools based staff) whose remuneration during the period covered by the accounts exceeds £50k. Remuneration

Officers' and Teachers' Remuneration £	No. of staff			
	2006/07		2005/06	
	Teaching staff	Non teaching staff	Teaching staff	Non teaching staff
50,000 - 59,999	52	20	31	10
60,000 - 69,999	9	8	9	15
70,000 - 79,999	5	7	4	3
80,000 - 89,999	2	2	1	
90,000 - 99,999	1	3	1	3
100,000 - 109,999	1	1		2
110,000 - 119,999				
120,000 - 129,999				
130,000 - 139,999		1		1

means all amounts paid to or receivable by an employee, and expense allowances chargeable to UK tax. Pension contributions paid by the employee, which were previously excluded, are now included and so last year's comparators have been amended to reflect this change.

13. Related Party Transactions

Authorities are required to disclose transactions between themselves and related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The purpose of the disclosure is to enable consideration of the extent to which there exists the potential for restriction of commercial activity in the dealings of the Council.

The following related parties have been identified for the purposes of this disclosure:-

- Central Government
- Other Public Bodies (including other local authorities and precepting and levying authorities).
- Certain companies, partnerships and organisations
- Pension Fund
- Members and Chief Officers (including close family and any organisations in which they or their close family have a controlling interest).

The following related party transactions in 2006/2007 are disclosed elsewhere within the Statement of Accounts.

- Central Government

General grants receivable from central government (including Revenue Support Grant and NNDR contribution from the pool) are shown in the income and expenditure a/c. Government grants for specific purposes are disclosed in note 50.

- Other Public Bodies

Precepts paid to parish councils are shown in the income and expenditure a/c. Precepts paid to West Yorkshire Fire and Rescue Authority and the West Yorkshire Police Authority are shown in the collection fund. Dealings with other public bodies are disclosed under note 9 "Local Government Goods and Services Act."

- Companies, partnerships and organisations

The Council has no interest in any entities which would be required to be accounted for as subsidiaries, associates or joint ventures. The Council receives investment income from the Yorkshire Purchasing Organisation (a public sector purchasing consortium) and, when declared, from Leeds Bradford International Airport. Details of the airport company are provided in the note below on investments (25).

- Pension Fund

Payments to the West Yorkshire Superannuation Fund and the Teachers' Pension Fund are disclosed in note 44.

Material related party transactions not included elsewhere within the Statement of Accounts:-

- Other Public Bodies

The levies paid to the West Yorkshire Passenger Transport authority (£7.7m) and Environment Agency (£0.02m) are included in service expenditure in net cost of services.

Residual services following the transfers of various functions are now provided by Joint Committees of the five West Yorkshire districts. Contributions to meet the net costs of these services are made by the five districts on the bases of population or rateable values. The contributions made during the year by the Council (detailed below) are included in net cost of services.

Joint Committee	Expenditure £'000
Waste Management Residuary Body	157
Joint Services Committee	475
Coroners Committee	162
Probation/Magistrates Court	9

- Partnerships and other organisations

The Council acts as accountable body for specific Government grant funding streams administered through the following partnerships:

- Calderdale Forward
- North Halifax
- Action Halifax

In this capacity the Council receives grants from Yorkshire Forward, the European Union (via Government Office) and other central government departments, and manages the distribution of payments to the individual partnerships and project sponsors on the basis of certified claims.

The Council is responsible for ensuring that partnerships have put procedures in place for awarding grants in compliance with funding bodies' regulations. The Council is therefore responsible for any repayment of monies in cases where these funding requirements have not been met. There are no such instances and consequently there are no liabilities included in the balance sheet at the 31st March 2007.

- **Members and Chief Officers**

A questionnaire was circulated to all Members and Chief Officers asking them to declare any related party transactions. Apart from minor involvement in, membership of, employment by, or ownership of companies, institutions or organisations providing services to, or in receipt of services or funding from the Council, the following specific disclosures are made: -

- One Councillor is the chief executive of Age Concern, a local voluntary organisation which receives a significant proportion of its funding from the Council through a mixture of grants and contract payments. His wife is also a Councillor.
- A group director acting on a temporary basis was contracted by the Council to supply interim management services and was engaged through a company wholly in his ownership. Other than management work concerned with the temporary filling of the post, no other work was let to this company by the Council.

Members are under a statutory duty to disclose specific financial interests which are registered and open to public inspection. Members are also required to disclose financial and other interests in matters being considered at meetings at which they are present.

In addition, employees are required by the officers' code of conduct to declare to their chief officers any financial or non financial interests which could conflict with those of the Council. Such declarations are registered with the Chief Law and Administration Officer.

14. External Audit Fees

During the year the Council incurred the following fees payable for external audit services under the 1998 Audit Commission Act.

FEES PAYABLE		
2005/06	UNDER THE AUDIT COMMISSION ACT	2006/07
£'000	FOR EXTERNAL AUDIT SERVICES	£'000
235	External audit services	250
91	Certification of grant claims and returns	90
67	Statutory inspection	27
0	Non audit services	35

15. Movement in General Fund Balances

Local Authority accounts are governed by statute requiring departure from some normal accounting practices when determining the amount to be charged to council taxpayers. These departures are shown on the statement of movement in general fund balances which also includes transfers to and from earmarked reserves.

Amounts to be excluded (£-28.115m)	£'000	£'000
Depreciation and impairment	-9,896	
Government grants deferred	1,355	
Deferred charges	-6,052	
Gain on disposal of fixed assets	2,611	
FRS17 pension adjustment	-16,133	-28,115

The charge to taxpayers must include an amount to redeem debt called the "minimum revenue provision". This requirement replaces any other charges for fixed assets i.e depreciation (net of grants) and

deferred charges (the net cost of capital expenditure on assets not owned by the Council and charged to the income and expenditure a/c). These costs are stripped out and replaced by the minimum revenue provision. The gain/loss on the disposal of fixed assets is a reversal of the amount included in the income & expenditure a/c. Also included in the income & expenditure a/c are pension charges in accordance with FRS17 (retirement benefits). These are taken out and replaced with the actual employer contributions during the year.

Amounts to be included (£19.568m)	£'000	£'000
Minimum revenue provision	5,048	
Capital expenditure charged to the general fund	1,214	
Transfer from usable capital receipts	-922	
Buyback of pfi school buildings	2,400	
Employers' pension contributions	11,828	19,568

In addition to the two items noted above for inclusion for minimum revenue provision and employer pension contributions, this section also includes amounts for: - capital expenditure to be funded by

revenue contributions; appropriations from the usable capital receipts reserve to offset the pooling contribution to central government in respect of former council house mortgage repayments, and the financing of PWLB debt premium payments; and the annual sum towards the buy back of the pfi scheme schools.

The movement on earmarked reserves (£1.064m) is the net effect of funding previously set aside and used to meet expenditure within the year, or set aside within the year to meet anticipated future expenditure.

16. Minimum Revenue Provision

MINIMUM REVENUE PROVISION	Total £'000
Capital Financing Requirement	127,517
MRP (4%)	5,101
Commutation and other adjustments	-53
Additional contribution made	0
MRP charged 2006/07	5,048
An amount equivalent to the total MRP has been charged as follows.	Total £'000
Depreciation	9,896
Credits for Grants/contributions received	-1,355
Balancing figure within the Statement of Movement on General Fund Balances	-3,493
Total charge for MRP	5,048

The Minimum Revenue Provision (MRP) is a statutory charge made to the general fund for the repayment of external loans. It is based on the level of capital investment covered by borrowing. The analysis details how the MRP was calculated and reflected in the accounts. Depreciation, and the credits receivable from the grants/contributions deferred account in relation to depreciated assets, have been charged to service revenue accounts and form part of the net cost of services in the income and expenditure a/c. In order that an

amount equivalent to the total MRP is charged to general fund, a balancing figure (-£3,493k) is included in the statement of movement in general fund balances.

17. Fixed Assets

Fixed assets are categorised either as tangible (i.e. they have physical substance such as land and buildings) or intangible (e.g. licences giving rights to use computer software). Tangible fixed assets are further categorised into operational and non operational assets.

Details of the bases for valuing tangible fixed assets are provided in note 22. The basis on which depreciation is charged is detailed in accounting policies. A summary of the types of assets held is included in note 23.

The opening gross book value and accumulated depreciation of plant, vehicles and equipment have been adjusted by £1.021m to reflect fully depreciated assets written out of the accounts, and no longer held by the Council at that date. This has no effect on the opening net book value shown on the balance sheet.

MOVEMENT ON TANGIBLE FIXED ASSETS (operational)	Land	Vehicles, Plant &	Infra-	Community	Total
	& Buildings	Equipment	structure	Assets	
	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1/4/06	276,094	4,037	76,277	394	356,802
Expenditure in year	11,124	995	8,898	279	21,296
of which, not yet recognised in revaluations	-11,124	0	0	0	-11,124
Revaluations/Reclassifications	9,770	0	0	0	9,770
Disposals	-1,777	-87	0	0	-1,864
Gross Book Value at 31/3/07	284,087	4,945	85,175	673	374,880
Accumulated depreciation at 1/4/06	-9,879	-1,654	-19,022	0	-30,555
Depreciation in year	-6,176	-602	-3,047	0	-9,825
Depreciation on assets revalued / sold	2,293	76	0	0	2,369
Accumulated depreciation at 31/3/07	-13,762	-2,180	-22,069	0	-38,011
Net Book Value at 31/3/07	270,325	2,765	63,106	673	336,869
Net Book Value at 31/3/06	266,215	2,383	57,255	394	326,247

MOVEMENT ON TANGIBLE FIXED ASSETS (non operational)	Assets			Total
	Investment Properties	under Construction	Surplus Assets	
	£'000	£'000	£'000	£'000
Gross Book Value at 1/4/06	18,348	623	4,592	23,563
Expenditure in year	423	3,313	0	3,736
of which, not yet recognised in revaluations	-423	0	0	-423
Revaluations/Reclassifications	154	0	3,631	3,785
Disposals	-1,473	0	-157	-1,630
Gross Book Value at 31/3/07	17,029	3,936	8,066	29,031
Accumulated depreciation at 1/4/06	0	0	-28	-28
Depreciation in year	0	0	-28	-28
Depreciation on assets revalued / sold	0	0	11	11
Accumulated depreciation at 31/3/07	0	0	-45	-45
Net Book Value at 31/3/07	17,029	3,936	8,021	28,986
Net Book Value at 31/3/06	18,348	623	4,564	23,535

The only intangible assets held by the Council are software licences. These have been capitalised in accordance with the Council's accounting policy for capitalisation of assets.

MOVEMENT ON INTANGIBLE FIXED ASSETS	Software Licences £'000
Original cost at 1/4/06	249
Expenditure in year	0
Disposals	0
Original cost at 31/3/07	249
Accumulated amortisation at 1/4/06	-121
Amortisation in year	-43
Amortisation on assets disposed of	0
Accumulated amortisation at 31/3/07	-164
Net Book Value at 31/3/07	85
Net Book Value at 31/3/06	128

18. Financing of capital expenditure

Capital expenditure	£'000
Fixed Assets (operational)	21,296
Fixed Assets (non operational)	3,736
Fixed Assets (intangible)	0
Deferred Charges	13,251
	<u>38,283</u>
Financed by	
Borrowing	12,815
Capital Receipts	6,063
Grants & Contributions	18,191
Revenue & Reserves	1,214
	<u>38,283</u>

This table shows how the Council's capital expenditure in the year has been financed.

19. Deferred Charges

MOVEMENT IN DEFERRED CHARGES (£'000)				
	Balance at 1st April 2006	Expenditure in year	Written off to revenue in year	Balance at 31st March 2007
Housing related schemes	-	4,442	4,442	-
School related schemes	-	7,318	7,318	-
Other	-	1,491	1,491	-
Total	-	13,251	13,251	-

Deferred charges in 2006/07 of £13.251m with grant funding and contributions of £7.199m have been written off to the revenue account. The net cost of £6.052m has been included in the net cost of services.

20. Deferred Liability

This reflects the ongoing commitment by the Council in respect of loan debt administered by Wakefield, Bradford and Leeds Councils in relation to transferred assets.

21. Capital commitments and approved capital budget

The Council has identified sufficient capital resources to progress its approved capital programme which includes rolling programmes of highways works and housing schemes, and specific projects costing approximately £35m p.a.

In addition, the Council has approved investment of over £5m towards schemes in the investment plan which it wishes to progress once these have been fully worked up.

The Council is contractually committed as at the 31st March 2007 to expenditure of £5.5m under a number of contracts. Contractual commitments over £0.5m include: -

- | | |
|--|-------|
| • Market refurbishment | £0.6m |
| • Mill refurbishment (regeneration scheme) | £0.5m |
| • Roadworks / improvements (various) | £3.7m |

22. Valuation of Tangible Fixed Assets

Gross book valuations (i.e valuations excluding the cumulative amounts provided for depreciation) have been obtained for all tangible fixed assets as follows: -

- Land and Buildings.

Operational land and buildings have been valued by the Council's in house valuer in accordance with the Code of Practice – that is on the basis of current value in existing use except where a building is of a specialised nature in which case a depreciated replacement cost basis has been used. All assets are revalued on a rolling programme basis over a 5 year period and are materially correct as at the balance sheet date.

- Plant, Vehicles and Equipment are held at current value. Where asset lives are short and there is no material difference, the historical cost is taken as a proxy.
- Infrastructure assets such as highways and bridges are not itemised in the asset register and are valued at historical cost.
- Community Assets are not itemised in the asset register and are recorded initially at nominal value. Subsequent expenditure on community assets is capitalised at historical cost.
- Non Operational Assets (other than assets under construction) are shown at the lower of open market value and net realisable value. Assets under construction are shown at historical cost.

Progress on the Council's rolling programme for the revaluation of tangible fixed assets carried at current value is included in the table below.

Date/basis of revaluation of tangible fixed assets	Operational				Non operational			Total £'000
	Land & Buildings £'000	Vehicles, Plant & Equip. £'000	Infra-structure £'000	Commnty Assets £'000	Invest. Props £'000	Assets under Constrn £'000	Surplus Assets £'000	
Historical Cost		4,945	85,175	673		3,936		94,729
Current Value current cycle								
2006/07	55,657				2,267		2,937	60,861
2005/06	34,542				155		0	34,697
2004/05	39,741				1,325		3,590	44,656
previous cycle								
2000/04	154,147				13,282		1,539	168,968
Gross Book Value	284,087	4,945	85,175	673	17,029	3,936	8,066	403,911

23. Summary of Assets owned by the Council

The Council's asset registers itemise all land, buildings, plant, equipment and vehicles owned by the Council above a de minimis level of £10k.

The registers form the basis of the fixed assets disclosed on the balance sheet, and the charges for depreciation made to services for the use of those fixed assets to deliver operational services. The following list gives a summary of the main assets held.

- Land and Buildings, Plant, Vehicles and Equipment

Type of asset	No.	
Land & Buildings		
Amenity Open Space	93	The Council has in total over 900 hectares of land. This figure includes all land (including community assets) whether valued above £10k or not.
Schools	77	
Car Parks	66	
Offices - Local	29	
Public Conveniences	28	
Libraries	21	
Commercial Shops and Properties	21	
Public Halls, Sports Centres and Museums	17	
Other Education Properties	19	
Office - Headquarters	11	
Homes for Older People	10	
Community Centres	12	
Day Centres - Mental Illness & Learning Disabilities	11	
Other (Various)	28	
Items of plant / vehicles / equipment	54	The numbers quoted opposite for schools do not include those aided or foundation schools which are owned by the diocese or by the governors, and are not owned by the Council.

- Infrastructure Assets

These are inalienable assets such as highways, footpaths and bridges. These are not itemised in the asset register, but for information the Council maintains 1,020km of highways and 383 bridges and culverts.

- Community Assets

The asset register does not include community assets. These are assets which the Council intends to hold in perpetuity, which have no determinable useful life and which may have restrictions placed on their disposal. Examples include parks, crematorium and cemetery land, museum exhibits, and civic regalia. These are all included in the balance sheet at an initial notional figure of £8,000 plus subsequent capital expenditure at historical cost.

24. Finance and Operating Leases

Lease rental payments (the Council as lessee).

Operating lease rentals of £126k for various items of plant and equipment were paid in 2006/07 (£130k in 2005/06). These payments are included in the net cost of services. The outstanding commitment at 31st March 2007 for operating leases is £97k which is due for payment in 2007/08.

	<u>£'000</u>
• Leases expiring in 2007/08	97
• Leases expiring between 2008/09 and 2011/12	nil
• Leases expiring after 2011/12	<u>nil</u>
	97

The Council is lessee for a few, predominantly short-term, property leases. There is also a very small number of properties with leases exceeding 100 years. The total value of such items on the balance sheet is £1.8m. Annual payments for all property leases are £497k (£467k in 2005/06) relating to: -

	<u>£'000</u>
• Leases expiring in 2007/08	56
• Leases expiring between 2008/09 and 2011/12	83
• Leases expiring after 2011/12	<u>358</u>
	497

Lease rental income (the Council as lessor).

The Council has a number of premises which it makes available on an operating lease basis (that is, for lease terms substantially less than the expected lives of the assets which in terms of the risks and rewards of ownership remain the Council's assets). Rent income receivable during the year is summarised as follows: -

• Shops	£0.9m
• Industrial premises	£0.1m
• Offices	£0.1m
• Other	£0.2m

25. Long Term Investments

As at the 31st March, the Council had a 1/15th interest in Leeds/Bradford Airport Ltd which had issued share capital of £15m. The Council had also invested in the company by way of

31st March 2006 £'000	Analysis of External Investments	31st March 2007 £'000
1,000	Leeds/Bradford Airport - Shares	1,000
100	Leeds/Bradford Airport - Debenture	87
1,100		1,087

a debenture loan, the balance of which stood at £87k. Along with neighbouring local authorities, the Council disposed of its interest in the airport in May 2007, receiving £8.5m for the sale of the shares. The debenture was repaid in full.

Prior to final audit verification, the company reported net assets of £35.9m at 31st March 2007 (£34.2m at March 2006) and made a pre-tax profit during 2006/07 of £1.8m. Profit after tax was £1.2m. The comparative figures for 2005/06 were £0.8m and £0.6m respectively. When available, copies of the accounts of the Company can be obtained from the Company Secretary, Leeds Bradford International Airport Ltd, Yeadon, Leeds LS19 7TU.

26. Deferred premiums on early repayment of debt

The outstanding balance at the 31 March 2007 relating to premium payments made in previous financial years to the Public Works Loan Board for restructuring debt has been written off to interest payable and similar charges in compliance with general accounting practices.

27. Deferred Consideration

This is the balance of the one off payment of £5m made in 2005/06 towards the 5 schools pfi scheme. This is being written off to the income and expenditure a/c in equal instalments over the remaining period of the contract.

28. Stocks and Works in Progress

2005/2006 £'000	ANALYSIS OF STOCKS & WORK IN PROGRESS	2006/2007 £'000
	Stocks	
24	Children and Young People's Services	22
25	Health and Social Care	26
95	Community services	104
387	Regeneration and Development	439
35	Corporate Services	29
566		620
	Work in Progress	
157	Regeneration and Development	323
157		323
723	Totals	943

This is a summary of stocks and work in progress at the year end by directorate.

29. Landfill Usage Allowances

This is the value of the allowances granted by the Government, which have not yet been used, for the right to dispose of biodegradable municipal waste at landfill sites. These allowances have been valued at the weighted average traded price during the year (£17.95 per tonne). A provision (£0.9m) has been created for the estimated requirement for these allowances within the financial year.

30. Short Term Investments

These are cash balances held over the year end and temporarily lent out to other local authorities and financial institutions.

31. Borrowing

(i) Short Term Borrowing

2006 £'000	ANALYSIS OF SHORT TERM BORROWING AT 31st MARCH	2007 £'000
-	Due to PWLB	4,133
-	Due to other local authorities	-
398	Other	385
900	Temporary borrowings	-
-	- Other Local Authorities	-
-	- Building Societies	-
-	- Financial institutions	-
1,298	Total short term borrowing	4,518

These are sums repayable on demand or within one year from the balance sheet date, consisting mainly of longer term borrowings from the PWLB due for settlement within the next 12 months, and short term transactions with financial institutions and other local authorities for treasury management purposes.

(ii) Long Term Borrowing

2006 £'000	ANALYSIS OF LONG TERM BORROWING AT 31st MARCH	2007 £'000
103,367	Due to PWLB	107,234
-	Due to other local authorities	-
103,367	Total long term borrowing	107,234

These are sums whose dates for repayment are more than one year from the balance sheet date.

(iii) Total Borrowing

2006 £'000	ANALYSIS OF LOANS BY MATURITY AT 31st MARCH	2007 £'000
1,298	Maturing within one year	4,518
4,133	Maturing within 1 - 2 years	3,043
8,770	Maturing within 2 - 5 years	7,827
9,500	Maturing within 5 - 10 years	11,400
80,964	Maturing in more than 10 years	84,964
104,665	Total borrowing	111,752

This relates only to external borrowing. Any internal borrowing has been netted off on consolidation of the accounts.

2006 £'000	ANALYSIS OF LOANS BY FUNDING SOURCE AT 31st MARCH	2007 £'000
103,367	Public Works Loans Board	111,367
-	Building Societies	-
-	Other Financial Institutions	-
900	Other Local Authorities	-
398	Other	385
104,665	Total borrowing	111,752

32. Grants / Contributions Deferred Account

Grants / contributions deferred a/c	£'000
Balance b/f at 1st April	32,040
Receivable in year	10,485
Written off to income and expenditure a/c	-1,355
Balance c/f at 31st March	41,170

The balance of £41.170m on the grants / contributions deferred account represents the balance yet to be written off of capital grants and contributions applied to finance capital expenditure on fixed assets which are subject to depreciation. The balance on the account is being written off to the income and expenditure a/c over the periods over which the related fixed assets are being depreciated.

33. Capital Grants and Contributions Unapplied

Grants & contributions unapplied	£'000
Balance b/f at 1st April	4,997
Received/receivable in year	
Grants & contributions	19,027
Applied in year	
Grants & contributions deferred a/c	-10,485
Deferred charges	-7,199
Capital financing a/c	-507
Balance c/f at 31st March	5,833

A number of capital grants (principally relating to schools) are received in the year, but can be spent over periods of up to 3 years. The figure of £5.833m represents grants and contributions received in advance pending their application to fund future capital expenditure. Both funding and projected expenditure are incorporated into the Council's capital programme.

34. Provisions

(i) Insurance and other claims (£9.4m)

Provision has been made for a number of possible costs arising through claims, including those arising under the Equal Pay Act and other insured events. It is anticipated that most of the liability identified under equal pay legislation will be resolved before 31st March 2008.

The Council is self-insured up to specific limits for various categories of risk (including property, public liability, employers' liability, vehicles, and all risks). Any claims beyond these specific limits are insured externally. The level of provision made is adequate to meet the Council's estimated known liabilities under its self insurance arrangements for all outstanding claims. Claims can take a number of years to resolve with, on average, annual settlements of around £2m being made.

All insurance categories, other than public liability claims, have been provided for in full. Public liability claims have been provided for at 50%. This is considered reasonable on the basis of past claims experience.

The Council will continue to monitor claims experience, and has monies in reserve to provide some cover towards insurance matters and other claims.

(ii) Social care issues (£0.6m)

Provision has been made for the following: -

- Settlements under section 117 of the Mental Health Act 1983, following the judicial finding against the practice of charging for residential and nursing home care for residents subject to section 117 after care review;
- Leaving care payment entitlements for young people leaving care;
- Potential defaults and reassessment of amounts for independent sector placements

Cases are being actively pursued and, taking into account personal circumstances, it is expected that the majority of settlements will be made over the next two years.

(iii) Other Provisions (£0.9m)

A provision has also been created equivalent to the value of the government allocated landfill allowances estimated to be required for the discharge of biodegradable municipal waste in the year. This practice is described in more detail in the section on accounting policies. This liability will be settled in the current financial year when the final relevant landfill figures are agreed with the government.

In accordance with accepted accounting practice, the bad debt provision held by the Council at 31st March (£4.6m) has been netted off debtors, and is shown separately on the balance sheet.

All material provisions are listed below:

ANALYSIS OF MOVEMENT IN PROVISIONS (£'000)	Opening Balance	Movement	Closing Balance
Insurance and other claims	8,118	1,237	9,355
Social care issues	620	0	620
Landfill Allowance Traded Scheme	1,030	-126	904
Total	9,768	1,111	10,879

35. Details of movements on reserves during the year.

Movement on Reserves	Opening Balance £'000	Recognised Gains/Losses per STRGL £'000	Transfers between reserves £'000	Closing Balance £'000
Fixed Asset Restatement Account	50,824	4,311	-3,430	51,705
Capital Financing Account	143,138	507	132	143,777
Usable Capital Receipts Reserve	19,260	487	-903	18,844
Deferred Capital Receipts	234	0	-40	194
Pensions Reserve	-120,589	30,105	-4,305	-94,789
Collection Fund	982	464	0	1,446
Other Reserves	32,872	0	1,063	33,935
General Fund Balance	5,638	-5,882	7,483	7,239
Total	132,359	29,992	0	162,351

Gains and losses during the year arising from operating performance are reflected in the income & expenditure a/c and collection fund. Other gains and

losses arising from asset and liability revaluations (e.g. fixed asset revaluations and pension fund actuarial gains and losses) are not reflected in the income & expenditure a/c. The statement of total recognised gains and losses brings together all the gains and losses for the period which need to be considered when assessing the financial result. There are other movements on reserves which in total do not affect the net worth of the Authority. These are explained below.

Reserves and Balances	Description	Gains / losses recognised	Transfers between reserves
Fixed Asset Restatement Account	A revaluation account providing the matching entry when fixed assets are restated either upon revaluation, or upon disposal. It is not a usable reserve.	On the revaluation of fixed assets (the effect on the net book value, excluding in year expenditure on assets awaiting revaluation).	Net Book Value of asset disposals
Capital Financing Account	Amounts set aside from both revenue and capital resources to finance expenditure on fixed assets, and repay external loans. It is not a usable reserve	Grants and contributions received towards spend on assets which are not depreciated (e.g. land).	Capital funding from revenue or capital receipts, and the statutory adjustments to charges for fixed assets in the income & expenditure a/c.
Usable Capital Receipts Reserve (see below)	Income relating to the sale of interests in fixed assets.	Sums treated as capital receipts not involving the write out of assets (e.g. deposits)	All other proceeds, less those used during the year
Deferred Capital Receipts	Amount outstanding principally for loans to tenants to acquire their own council houses		Proceeds from the repayment of council house mortgages
Pensions Reserve (see below)	This reserve contains the entries reflecting statutory adjustments to charges for pensions in the income & expenditure a/c. The balance matches the net pensions liability. It is not a usable reserve.	Actuarial revaluation of the fund	Adjustments for the impact of FRS17 on the income & expenditure a/c, so that council taxpayers meet only total employer contributions during the year.
Collection Fund	A statutory fund recording all transactions for council tax and business rates	In year surplus, less distribution of prior year surpluses	
Earmarked Reserves (see below)	Amounts set aside for specific purposes to meet anticipated future expenditure		Net appropriation from the general fund to/from earmarked reserves
Balances	Held by the Council to meet cost fluctuations during the year, and to facilitate financial planning by offering opportunities for growth or to reduce Council Tax levels.	Surplus / deficit on the income & expenditure a/c	Statutory adjustments to the I&E a/c deficit and appropriations to earmarked reserves producing the amount to be charged to council taxpayers.

36. Usable Capital Receipts

2005/2006 £'000	CAPITAL RECEIPTS	2006/2007 £'000
11,446	Balance at 1st April	19,260
	<u>Income</u>	
9,361	Sale of Assets	6,516
87	Repaid Advances	53
20,894	Total capital receipts	25,829
	<u>Less</u>	
-35	Transferred to meet expenditure charged to the Income and Expenditure Account	-922
20,859	Total Usable Capital Receipts	24,907
	<u>Less</u>	
-1,599	Used to finance capital expenditure	-6,063
19,260	Usable Capital Receipts c/f	18,844

The Council had a usable capital receipts reserve of £19.260m brought forward from 2005/06. The Council raised capital receipts of £6.569m in 2006/07. Of the total availability of capital receipts of £24.907m, (after repayment of £15k to the Government of part of the receipts for council house mortgages, and use of £907K towards the financing of PWLB premiums), £6.063m was used to finance capital expenditure, and the balance of £18.844m has been carried forward to meet capital expenditure programmed in future years.

37. Pensions Reserve

The balance on this reserve matches the net pensions liability shown on the balance sheet. It is based on an actuarial assessment of the pension fund, together with appropriations to adjust pensions costs recorded in the accounts under FRS17 to the amount required to be raised in taxation under statutory requirements. It is not a usable reserve.

Actuarial gains and losses are measured both as absolute amounts and as percentages of assets or liabilities at the balance sheet date:

Statement of actuarial gains and losses.										
	West Yorkshire Pension fund									
	2006/07		2005/06		2004/05		2003/04		2002/03	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Asset gain / (loss)	4,692	1.1	58,092	14.6	17,076	5.4	37,468	13.2	-80,928	34.7
Liability (gain) / loss	0	0	-9,308	1.8	-21,010	4.8	0	0	0	0
Change in assumptions	25,146	4.9	-38,953	7.6	-71,486	16.2	0	0	0	0
	Teachers' Pension fund									
	2006/07		2005/06		2004/05		2003/04		2002/03	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Asset gain / (loss)	0	0	0	0	0	0	0	0	0	0.0
Liability (gain) / loss	0	0	0	0	-163	1.7	-15	0.2	254	3
Change in assumptions	267	2.9	-454	4.6	-827	8.6	0	0	0	0
Total gains / (losses)	30,105		9,377		-76,410		37,453		-80,674	

38. Earmarked Reserves

The main reserves held at 31st March are: -

2006 £'000	Reserves at 31st March	2007 £'000
797	Property Rationalisation	846
680	VAT Partial Exemption	680
900	Investment reserve	1,414
856	s106 Planning Agreements	1,134
400	Waste Management	600
10,121	Contingent Liabilities & staffing issues	10,294
1,070	Early retirement & invest to save	1,063
5,765	PFI (grant equalisation)	5,382
1,510	Schools staff absences	1,666
-	PSA Reward Grant	1,526
655	Policy reserves - carry forwards	545
4,036	Other Earmarked Reserves	3,698
26,790	Total non schools reserves	28,848
6,082	Statutory schools reserves	5,087
32,872	Total	33,935

Statutory School Reserves are held in accordance with the Council's framework following statutory guidance. This provides for school surpluses to be carried forward into the following year. These reserves are earmarked only to schools and are committed to be spent on education services. The total level of schools reserves at 31 March 2007 is £5.087m. Eight schools had deficits totalling £0.526m.

39. Contingent Liabilities

Losses (costs) which are foreseeable and can be estimated with a degree of certainty have been accrued into the financial statements. For contingent liabilities, costs cannot be estimated with reasonable accuracy because of the uncertainty surrounding the events giving rise to them and they have consequently not been accrued into the accounts.

The main contingent items are for matters arising under: -

- Insured events and similar claims. There exist contingent liabilities both in respect of outstanding claims at the balance sheet date, and claims not yet received in respect of events occurring in earlier years.
- Equal Pay issues. Possible claims relating to staff affected by this legislation.

In recognising all these potential risks the Council has created a reserve to provide some cover in line with identified financial strategies.

40. Trust and Charity Funds

As they are not balances of the Council, the balance sheet does not include any cash or investments held by the Council on behalf of third parties either: -

- As a corporate trustee; these amount in total to £0.445m (£0.388m for which the Council is sole trustee), covering a number of small trusts relating mainly to Children and Young People's Services, and to the People's Park (a park held on trust by the Council), or
- For residents in social services homes, and other bodies on whose behalf the Council collects cash (a total of £0.273m).

41. Debtors

2006 £'000	ANALYSIS OF DEBTORS AT 31st MARCH	2007 £'000
2,181	Non Domestic Rate Payers	1,786
5,574	Council Tax Payers	5,758
38,167	Other Operational Debtors	30,034
1,798	Payments in Advance	1,758
47,720	Total Debtors	39,336

This is an analysis of sums owed to the Council which had not been received at the 31st March 2007.

2006 £'000	ANALYSIS OF PROVISION FOR DOUBTFUL DEBTS AT 31st MARCH	2007 £'000
1,445	Non domestic rate payers	1,204
2,173	Council tax payers	2,112
1,992	Sundry debtors and debt recovery costs	1,283
5,610	Total	4,599

The Council also makes provision for an estimate of those monies due which it is anticipated will not be recovered.

42. Long Term Debtors

2005/2006 £'000	ANALYSIS OF LONG TERM DEBTORS	2006/2007 £'000
230	Mortgages outstanding on council houses previously sold	190
11	Mortgages re private housing	13
7	Loans to chronically sick and disabled persons	2
58	Loans to organisations etc.	-
4	Loans for home adaptations	4
51	Car loans to employees	45
321	Settlement of dispute re Welbeck	286
3,421	PFI schools buy back of buildings	5,821
4,103		6,361

These relate to amounts owing to the Council which are being repaid over various periods longer than one year.

43. Creditors

2006 £'000	ANALYSIS OF CREDITORS AT 31st MARCH	2007 £'000
32,167	Other Operational Creditors	37,596
3,616	Receipts in Advance	3,824
35,783	Total	41,420

This is an analysis of those sums owed by the Council which had not been paid at 31st March 2007.

44. Pension Costs

Details of the two pension schemes to which the Council makes contribution are provided in the section on accounting policies. A summary of the charges made in the accounts during the year is given below.

Defined benefit schemes.

The following disclosures are made in respect of defined benefit pension schemes. An employer's contribution of 11.5% of pensionable pay was made towards the WYPF. This has been set at 12.4% for 2007/08.

The figures in relation to the Teachers' pension fund relate to the discretionary benefits awarded by the Council.

2005/06	Movement in net pension fund liability	2006/07	
		West Yorks. Pension Fund	Teachers' Pension Fund
£'000		£'000	£'000
10,669	Employer contributions	10,999	829
-13,301	Current service cost	-16,047	0
7,116	Past service gain (cost)	0	0
-319	Settlements/curtailments	-64	-58
-24,392	Interest costs	-25,088	-461
21,752	Expected return on assets	25,585	n/a

All other benefits in relation to the Teachers' pension scheme are accounted for on a defined contribution basis. Employers' contributions of £11.8m have been charged into the accounts in respect of all defined benefit pension schemes.

Further information can be found in the West Yorkshire Superannuation Fund's Annual Report which can be obtained from its Chief Financial Officer, PO Box 67, Britannia House, Hall Ings, Bradford, BD1 1UP.

Defined contribution schemes (Teachers' pensions)

Other than discretionary benefits, all other pensions costs related to the Teachers' Pension Scheme are accounted for on a defined contribution basis. Based on contribution rates of 13.5% from April to December 2006, and 14.1% from January 2007, employers' contributions of £9.1m have been charged to the accounts during the period (£8.7m at 13.5% in 2005/06).

45. Pension Funds

A full actuarial review was last carried out in 2004 for the West Yorkshire Pension Fund, and the last valuation of the Teachers' Pension Fund scheme related to the period 1st April 2001 to 31st March 2004.

FRS 17 "Retirement Benefits" sets down the way the Council must account for pension costs, and this reporting standard has been implemented in full. The intention of the standard is that organisations should recognise their liabilities for providing retirement benefits as they are incurred, irrespective of the fact that such liabilities will not be settled until many years into the future.

Details of the two pension funds to which the Council contributes on behalf of employees, and the basis of accounting for them, are given in the section on accounting policies. The Teachers' pension scheme is based on a notional fund and has no assets to cover its liabilities. At the 31st March 2007 it is estimated that the Council had the following overall assets and liabilities for pensions.

	Total		West Yorkshire Superannuation Fund		Teachers' Pension Fund	
	31/03/2007 £m	31/03/2006 £m	31/03/2007 £m	31/03/2006 £m	31/03/2007 £m	31/03/2006 £m
Estimated Assets	428.6	399.1	428.6	399.1	0	0
Estimated Liabilities	-523.4	-519.7	-514.1	-509.9	-9.3	-9.8
Net Assets / (Liabilities)	-94.8	-120.6	-85.5	-110.8	-9.3	-9.8

2005/06	Analysis of movement on pension reserve	2006/07
£'000		£'000
-131,491	Opening Balance	-120,589
10,669	Employer contributions	11,828
-13,301	Current service cost	-16,047
7,116	Past service costs	0
-319	Settlements/curtailments	-122
-24,392	Interest costs	-25,549
21,752	Expected return on assets	25,585
9,377	Actuarial gains / (losses)	30,105
-120,589	Closing Balance	-94,789

This is an analysis of the movement in the net liability. The liabilities show the underlying commitment, based on actuarial assessment, that the Council has to pay retirement benefits. The total liability of £94.8m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a positive overall balance sheet of £162m. The deficit is expected to be addressed over time by revising contribution rates at the regular triennial assessments of the pension fund, and by on-going national overall review of

the local government pension scheme.

Finance is only required to cover the teachers' pensions when the pensions are actually paid.

Liabilities (including the Council's commitment to the unfunded discretionary increases) have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both pension schemes have been assessed by William M Mercer, an independent firm of actuaries, who have provided the following information. The main assumptions made are as follows: -

Assumed rates for	West Yorkshire Superannuation Fund		Teachers' Pension Fund	
	Start of year	End of year	Start of year	End of year
	%	%	%	%
Inflation	2.9	3.1	2.9	3.1
Increase in salaries	4.65	4.85	n/a	n/a
Increase in pensions	2.9	3.1	2.9	3.1
Discounting scheme liabilities	4.9	5.4	4.9	5.4

The discount rate of 5.4% is based on an AA corporate bond rate and incorporates an element for inflation.

The assets of the West Yorkshire pension fund have been valued at fair value, principally market value for investments: -

Proportion of assets held	West Yorkshire Superannuation Fund			
	Start of year		End of year	
	£m	%	£m	%
Equity investments	294.9	73.9	315.4	73.6
Government Bonds	27.5	6.9	31.3	7.3
Other Bonds	19.2	4.8	17.6	4.1
Property	20.4	5.1	22.7	5.3
Cash/liquidity	24.7	6.2	22.3	5.2
Other assets	12.4	3.1	19.3	4.5
Total	399.1		428.6	

The expected rates of return on these investments were: -

Expected rates of return	West Yorkshire Superannuation Fund	
	Start of year	End of year
	%	%
Equity investments	7.0	7.5
Government Bonds	4.3	4.7
Other Bonds	4.9	5.4
Property	6.0	6.5
Cash liquidity	4.5	5.25
Other assets	7.0	7.5

Actuarial calculations involve a number of assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values

46. Reconciliation between the net deficit of £5,882k on the income and expenditure a/c and the net revenue cash inflow of £709k.

Reconciliation of Income and Expenditure A/c deficit to net revenue cashflow		
		£000
Deficit per income and expenditure account		5,882
Accounting adjustments relating to: -		
Capital expenditure and fixed assets	-9,582	
Pensions	<u>-4,305</u>	-13,887
Other adjustments relating to: -		
Collection fund surplus (increase)	-464	
Debt restructure premiums	-5,213	
Stocks and works in progress	220	
Provisions	-100	
Landfill usage allowances	13	
Accruals	<u>-13,211</u>	-18,755
Net revenue cash Inflow		-26,760

47. Movement in Debt Reconciled to Movement in Cash

	£000
Increased borrowing	-7,087
Increased investments	21,450
Movement in net debt	14,363
Revenue activities	-28,551
Capital activities	11,688
Servicing of finance and returns on investments	1,791
Cash Inflow	-709

48. Reconciliation of Management of Liquid Resources and Financing to the Balance Sheet

Liquid Resources

Cash flow statement	£'000
Increase in short term investments	21,450
Consolidated balance sheet	
Short term investments at 31/3/06	26,900
Short term investments at 31/3/07	48,350
Increase in short term investments	21,450

Financing

Cash flow statement	£'000	
Increase in borrowing		-7,087
Balance sheet		
Borrowing at 31/3/06		
Short term borrowing	-1,298	
Long term borrowing	-103,367	-104,665
Borrowing at 31/3/07		
Short term borrowing	-4,518	
Long term borrowing	-107,234	-111,752
Total increased borrowing		-7,087

49. Reconciliation of the movement in cash to the balance sheet.

	Balance at 31st March		Movement
	2006	2007	
	£'000	£'000	£'000
Bank overdraft	-4,692	-4,842	150
Cash in hand (schools/officers)	11,244	12,103	-859
(Increase) / Decrease in cash			-709

50. Cash Received on Revenue Government Grants

The analysis shown below gives the cash actually received in 2006/07 from Government Grants compared to 2005/06:

2005/2006 £'000	ANALYSIS OF CASH RECEIVED ON GOVERNMENT GRANTS (Revenue)	2006/2007 £'000
	HOUSING RELATED:-	
-35,512	Housing Benefit Grant (Rent Allowances)	-37,720
-6,038	Supporting People Grant	-5,782
	EDUCATION RELATED:-	
-10,963	Standards Fund	-18,632
-4,660	Threshold and pay performance	-152
-4,033	Schools Standards Grant	-5,439
-13,569	Learning skills council	-13,592
-4,860	PFI Grant	-4,860
0	Sure Start	-5,672
0	Dedicated Schools Grant	-113,764
-3,556	Other Schools / Education Grants	-1,000
	SOCIAL SERVICES RELATED:-	
-2,109	Access & Systems Capacity	-1,972
-676	Carers Grant	-695
-361	Delayed Discharge	-384
-549	Mental Health	-535
-1,160	Preserved Rights	-1,131
-650	Childrens Services	-555
-322	National Training Strategy	-376
-1,783	Other Social Services Grants	-444
	OTHER:-	
-1,898	Home Office	-2,700
-11,095	Council Tax Benefit Grant	-12,650
-720	Yorkshire Forward	-266
-1,461	Benefit Administration	-1,921
-561	Detrunking Grant	-575
-366	Planning Delivery Grant	-109
-535	Urban	-363
-148	Waste Performance and Efficiency	-473
-1,570	Other Grants	-775
-109,155	TOTAL	-232,537

51. Authorisation

Relevant events after the balance sheet date have been considered up to 20th September 2007. This is the date on which these statements of accounts were authorised for issue by the Chief Finance Officer.

SUPPLEMENTARY ACCOUNTING STATEMENTS
THE COLLECTION FUND

This account reflects the statutory requirements for billing authorities to maintain a separate collection fund to account for the income from council tax and business rates. This income finances payment of business rates to the national pool, and the net expenditure requirements of the Council (including parish councils), the West Yorkshire Police, and the West Yorkshire Fire and Rescue Authority. Although a separate income and expenditure account is required, the balance on this fund is consolidated into the Council's balance sheet.

<u>2006</u> <u>£'000</u>	COLLECTION FUND	<u>£'000</u>	<u>2007</u> <u>£'000</u>
	<u>INCOME</u>		
65,280	Billed to Council Taxpayers	69,059	
11,804	Council Tax Benefit	12,460	
44,679	Non-Domestic Rates income (net of interest on refunds)	46,817	
121,763	TOTAL INCOME		128,336
	<u>EXPENDITURE</u>		
	Precepts and Demands		
66,555	Calderdale Metropolitan Borough Council	70,591	
6,560	West Yorkshire Police Authority	6,969	
2,677	West Yorkshire Fire & Rescue Authority	2,842	
75,792			80,402
	Business Rates		
43,868	Payment to National Pool	46,188	
354	Cost of Collection	351	
44,222			46,539
	Provision for Uncollectable Amounts		
785	Council Tax	425	
457	Business Rates	278	
1,242			703
121,256	TOTAL EXPENDITURE		127,644
507	SURPLUS / (DEFICIT) FOR YEAR		692
	<u>MOVEMENT ON FUND BALANCE</u>		
759	Surplus / (deficit) at 31st March		982
-284	Deduct distribution of surplus		-228
507	Add surplus / (deficit) for year		692
982	SURPLUS / (DEFICIT) AT 31 MARCH C/FWD		1,446

NOTES TO THE SUPPLEMENTARY STATEMENTS

1. Income from Business Rates

Under statutory arrangements business rates, based on a rate poundage determined nationally by the Government and applied to rateable values determined by Revenue and Customs, are collected locally by the Council. The rate specified by the Government for 2006/07 was 44.4p. The total amount collectable, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by the Government. The Government in turn pays back to the Council its share of the pool based on a standard amount per head of the local population. Calderdale's share of the pool in 2006/07 was £57.2m (£64.4m in 2005/06). This was paid into the income and expenditure a/c.

In 2006/07, the gross amount collectable net of refunds was £46.817m, based on a non domestic rateable value at the 31 March 2007 of £129,233,559. After deducting allowances and other adjustments, including £0.278m for a provision for uncollectable amounts (£0.457m in 2005/06), the amount payable to the NNDR pool was £46.188m.

The total bad debt provision for NNDR as at 31st March 2007 was £1.204m.

2. Council Tax

Council Tax surplus at 31st March 2007

The Council and the other precepting authorities (West Yorkshire Police and the West Yorkshire Fire and Rescue Authority) draw on the Collection Fund to finance their net revenue expenditure. At the year end, the Collection Fund can be in surplus or deficit dependent on collection rates or the level of revaluations etc. At the 31st March 2007, the Collection Fund had a surplus of £1.446m. This surplus is shared proportionately between the precepting authorities. Calderdale's share of this surplus is £1.269m.

Calculation of Council Tax Base 2006/07

In accordance with Section 67(2) of the Local Government Finance Act 1992, the Council Tax base was approved by the Council on 5 December 2005. The amount calculated as Calderdale's Council Tax base for 2006/07 (allowing for a 98.5% collection rate), was as follows:-

Whole of Calderdale	62,000.37
Part for which there is no Parish Council	49,996.83
Ripponden Parish Council	2,497.34
Hebden Royd Parish Council	3,216.32
Wadsworth Parish Council	526.88
Heptonstall Parish Council	534.61
Blackshaw Parish Council	327.75
Erringden Parish Council	60.32
Todmorden Parish Council	4,840.33

The total Council Tax requirement in 2006/07 (including Parishes) was £80.402m. The Council Tax at band D equivalent was set at £1,296.81 for 2 adults and £972.61 for one adult.

Bad Debts Provision

The total bad debt provision for Council Tax as at 31 March 2007 was £2.112m.

3. Payments to precepting bodies

The Collection Fund made the following payments during the year:-

Payments made to precepting bodies	Precept for 2006/07 £m	Distribution of surplus £m	Payments made £m
Calderdale MBC	70.591	0.200	70.791
West Yorkshire Police Authority	6.969	0.020	6.989
West Yorkshire Fire and Rescue Authority	2.842	0.008	2.850
	80.402	0.228	80.630

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities.

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the statement of accounts

The Chief Finance Officer's responsibilities.

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the SORP').

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority SORP.

The Chief Finance Officer has also:

- kept proper accounting records which were up-to-date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Accounts:

I certify that the Statement of Accounts presents fairly the position of Calderdale Metropolitan Borough Council at the 31st March 2007 and its income and expenditure for the year ended the 31st March 2007.

Signed by the Chief Finance Officer
P Smith, BA CPFA
June 2007

I confirm that these accounts were approved by the Audit Committee on the 27th June 2007.
Signed by the chair of the meeting on behalf of Calderdale Metropolitan Borough Council.

Chair of Audit Committee.
June 2007

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1. Legislative Framework

Regulation 4 of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment)(England) Regulations 2006, requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control. The findings of the review shall be considered by a committee of the Council, and following that consideration, the committee shall approve a statement on internal control (SIC), prepared in accordance with proper practices in relation to internal control, which shall then be published each year with the Authority's financial statements.

2. Scope of Responsibility

Calderdale MBC is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively.

The Council is responsible for ensuring that there are sound systems of internal control in place, which facilitate the effective exercise of all Council functions, including value for money, continuous improvement and arrangements for the management of operational and financial risk.

3. The Purpose of the System of Internal Control

The system of internal control is designed to manage to a reasonable level, the risks to the achievement of policies, aims and objectives rather than to eliminate all risk of failure. 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 and prioritise the risks to the achievement of Council policies, aims and objectives; to evaluate the likely impact of those risks should they be realised, and to manage them efficiently, effectively and economically.

To achieve this, the Council has in place its own local code of corporate governance, which is updated annually. This document complies with the CIPFA/Solace publication, "A framework for a code of Corporate Governance for Local Authorities."

4. The Internal Control Environment

The Calderdale Code of Corporate Governance is the document which underpins the Council's corporate governance responsibilities, the control environment for the Authority as a whole, and the SIC.

The Calderdale Code of Corporate Governance sets out the key elements necessary to ensure that robust corporate governance arrangements, along with a strong control environment, are in place within the Council as a whole. It is briefly summarised as follows: -

- Establishing, measuring and monitoring the Council's corporate objectives.
- Facilitating policy decisions.
- Ensuring compliance with Council policies, procedures, standards, the law and regulations, the risk management process and how embedded risk management

processes enable staff to manage risk in a way appropriate to their authority, responsibilities and operational duties.

- Ensuring that value for money processes and procedures are in place in order that the economic, effective and efficient use of resources is achieved, and that continuous improvement is shown in the way Council functions are exercised.
- Ensuring sound financial management and reporting procedures are in place.
- Ensuring sound performance management and reporting procedures are in place.
- Ensuring that there is a monitoring officer in place in order to ensure compliance with laws and regulations. The Council has designated the Chief Law and Administration Officer as the Council's Monitoring Officer.
- Ensuring that there is a Section 151 officer in place in order to ensure compliance with established policies, standards and procedures including risk management processes and sound internal control procedures. The Council has designated the Chief Finance Officer as the Council's Section 151 Officer.

The control environment framework for the Council is governed by the adopted Constitution. This high level document identifies responsibilities for ensuring that the regulatory framework is in place encompassing a series of adopted standards, policies and procedures, which contribute towards a strong control environment within and across the Council as a whole. The Constitution sets out how the Council operates, how decisions are made, and the procedures that are to be followed to ensure that these are efficient, transparent and accountable to local people. The other major elements, which contribute towards the Council's overall control environment are as follows: -

- The Calderdale Code of Corporate Governance.
- The Corporate Performance Management Strategy.
- The Corporate Consultation Strategy.
- Local Strategic Partnership, Calderdale Forward.
- Section 151 Financial Standards.
- The Information Communication and Technology Control Environment.
- The Anti-Fraud and Corruption Control Environment, including the Whistleblowing Policy.
- The Contract Procedure Rules Control Environment.
- The Risk Management Strategy.
- Comprehensive Budgetary Policies and Procedures.
- Personnel Policies and Procedures, including the staff Performance Appraisal Scheme.
- Codes of Conduct for Members and staff.
- Equal Opportunities Policies.
- Health and Safety Policies.
- Investors in People accreditation.
- The Calderdale Quality Assurance Model.
- The Procurement Strategy

5. Review of Effectiveness of the System of Internal Control

The Constitution and underpinning policy documents, procedure documents and standards highlighted above, are continually under review and are updated at a minimum annually.

The Calderdale Code of Corporate Governance is the main corporate document utilised in maintaining and reviewing the effectiveness of the systems of internal control.

The Council has a responsibility for conducting, at least annually, a review of the systems of internal control. This comprehensive statement takes into account all the robust governance

issues highlighted above and is evidenced by the outcomes of the annual Calderdale Quality Assurance Model, members of the Council's Corporate Management Team (CMT), the Audit Committee, the Standards Committee, Scrutiny Panels, Internal Audit, External Audit reports and opinion, External Inspections and other review agencies.

The work within each of the above elements ensures that throughout the Council, there are sound systems of internal control in place within all operational systems, both financial and non-financial. They are briefly described as follows: -

The Calderdale Quality Assurance Model

Group directors and corporate nominated officers are responsible for ensuring that the systems of internal control are implemented and complied with at both directorate/service level and corporate level.

The Calderdale Quality Assurance Model ensures that group directors give due consideration to the adequacy of the control environment in place within their directorate/service responsibility.

Group directors are required to sign an assurance statement stating the level of controls that exist within individual systems, both financial and non-financial, under their directorate/service control.

Where weaknesses are identified under this process, there is a requirement for action plans to be drawn up in order to introduce, restore or increase the expected control environment that should be in place. Any serious shortcomings would require actions to be taken into account within service improvement plans.

Areas identified as significant, following the review of the Quality Assurance Model carried out by Internal Audit, are shown in section 7 below -Significant Internal Control Issues.

The Council's Corporate Management Team (CMT)

Members of the Council's Corporate Management Team have a key role in the Calderdale Quality Assurance Model set out above. They also have responsibility for: -

- Quarterly monitoring reporting to cabinet on the progress of the Council's Performance Plans.
- Quarterly reports taken to cabinet on budget monitoring and outturn forecasts.
- An annual report presented to the Council's Corporate Management Team on Health & Safety.
- Reports presented to Cabinet from all external inspectorates, with appropriate action plans prepared in order to action recommendations made.

The Audit Committee

The Audit Committee has its terms of reference detailed within the Constitution and acts independently of both the executive and scrutiny functions.

One of the Audit Committee's core functions is to improve corporate focus on the issues arising from risk management, internal control and financial reporting.

The Audit Committee is the designated Committee to consider the annual review of the systems of internal control in place throughout the Authority as a whole, and to approve the SIC.

Scrutiny Panels

Scrutiny Panels carry out a continuous monitoring role on decisions of Cabinet. They are empowered to challenge and scrutinise all decisions of Cabinet prior to being approved by Council.

Internal Audit

Internal Audit is responsible for providing an independent and objective opinion on the assurance function and control environment in place within the Council, taking into account all issues within the Calderdale Code of Corporate Governance, and evaluating directorate effectiveness in achieving the Council's corporate objectives. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution towards the proper economic, effective and efficient use of resources.

Internal Audit operates to proper practices, which are defined as those standards set out within the "Code of Practice for Internal Audit in Local Government in the United Kingdom 2006".

Internal Audit reports to the Council's Audit Committee, which is charged with the responsibility for governance, twice a year on its work programme.

The role and responsibilities of Internal Audit are set out within the Council's Constitution under Financial Procedure Rules.

Internal Audit is subject to an annual inspection by external audit who have commented that they can place reliance on the work carried out within the section.

During the course of 2006/07 Internal Audit has carried out assurance work in the following areas: -

- Fundamental financial system based audits on all core financial systems of the Council.
- Financial and non-financial governance audits for each directorate with regard to compliance with Section 151 Standards (each directorate is covered on a two year rolling programme).
- A phased programme of audits covering major purchasing within directorates with regard to compliance with Contract Section 151 Standards and the Council's Financial Procedure Rules.
- A phased programme of audits covering information, communication and technology standards in place within directorates.
- The annual audit of compliance with the Members' Code of Conduct.
- The Calderdale Quality Assurance Model and the collation and dissemination of the signed assurance statements received from group directors and corporate nominated officers.
- Governance audits in order to provide verification of the signed assurance statements provided by group directors and corporate nominated officers.
- Completion of other audits, including for example school visits, as determined by the use of a risk model as part of the Internal Audit planning process.
- Continual overview of the procedures in place with regard to the prevention and detection of fraud and corruption.

From the audit work undertaken throughout 2006/07, the Head of Internal Audit has formed the opinion that core financial systems are operating soundly and that there has been no fundamental breakdown of controls resulting in material discrepancy.

Having also independently reviewed the evidence supporting the 2006/07 SIC as provided by group directors and corporate nominated officers in the form of signed assurance statements,

the Head of Internal Audit concludes that this SIC accurately represents the current position as required by the Accounts and Audit Regulations 2003.

External Audit Reports

External Audit prepares reports throughout the year, which inform the internal control situation within the authority.

One of their pieces of work was carried out on behalf of the Audit Commission, when assessing the Council's internal controls as part of the Comprehensive Performance Assessment (CPA.) as there is a specific section within the Use of Resources element on internal control.

Calderdale was assessed by the Audit Commission at a mark of 3 out of 4, which is defined as "consistently performing above minimum requirements – performing well."

Other Independent Review/Assurance Mechanisms

The Council continues to scrutinise and implement all recommendations made by other agencies carrying out inspections on Council procedures and service provision including those with relevance towards the Council's control environment. Accepted recommendations are included within directorate/service improvement plans where appropriate.

The Council has considered and adopted a number of recommendations contained within external inspectorate reports, particularly where they would benefit the internal control framework. The most significant reports received are as follows:

- PricewaterhouseCoopers annual Internal Control Report and Annual Audit and Inspection Letter on the Council's accounts and governance arrangements. This highlights that the Council has an objective and professional relationship with the Council's external auditor.
- The Audit Commission. The Comprehensive Performance Assessment (CPA), which through the direction of travel process assessed the Council as 3 Stars - Improving Adequately.
- Investors in People continuous reviews.

6. Annual Review of the Effectiveness of the System of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1 April 2006. One of the amended regulations is Regulation 6 which requires bodies to review the effectiveness of their system of internal audit once a year, and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to elsewhere in the regulations.

The review is primarily about effectiveness, not process. In essence, the need for the review is to ensure that the opinion contained in the annual Internal Audit report provided by the Head of Internal Audit, may be relied upon as a key source of evidence in preparation of the annual SIC statement. One of the main focuses of the review took into account the provision and delivery of the Internal Audit Service, to ensure that required standards are in place in order to produce the required outcomes i.e. that a reliable assurance on internal control and the management of risks is in place within the authority, and that it is effective.

The annual review on the effectiveness of the system of Internal Audit has been presented to Members of the Audit Committee and was found to be robust.

7. Significant Internal Control Issues

The review of effectiveness processes outlined in paragraph 5 above revealed the following significant internal control issues: -

- To further strengthen and embed the corporate procurement function. This should include enhancing the links between the procurement strategy and wider objectives of the Council and monitoring the effectiveness of procurement activities. The Council needs to make sure that it has the capacity to deliver its ambitions. Strategic procurement, human resources management and workforce planning are vital areas to work on and deliver on. (Source - PricewaterhouseCoopers' report on Review and Development of Procurement Arrangements Report.)

In order to continue to improve its performance the Council needs to: -

- Embed the Improvement Support Forum across the Council and focus on poor performing services such as planning and housing.
- Formalise and embed across the Council, value for money processes to challenge and manage cost and performance.
- Understand the reasons for continuing below average user satisfaction and take appropriate action.
- Develop arrangements at a corporate level for checking that procedures for ensuring data quality are followed through the Council
- Develop with partners robust performance management arrangements to support the Local Area Agreement.

(Source - Annual Audit and Inspection Letter)

- There is a need to embed throughout the Authority robust arrangements with regard to Information Management and partnership working, as identified from the 2006/07 Quality Assurance process. (Source the Quality Assurance Model).
- Yorkshire Purchasing Organisation (YPO)

Calderdale MBC procures a large number and value of items from the YPO and receives a dividend as a stakeholder in the organisation. In 2006 Wakefield MDC, lead authority for the YPO, identified opportunities to improve the YPO's financial management and internal control arrangements.

The YPO has put in place a remedial plan and Calderdale MBC and other local authority partners are closely reviewing progress. Calderdale MBC will examine the YPO's governance arrangements as part of the Council's review of its significant partnerships.

Action plans, including entries in appropriate service improvement plans, are in place to ensure that the significant control issues raised above are, or already have been, dealt with.

Signed by the
Chief Executive
June 2007

Signed by the
Leader of the Council
June 2007

STATEMENT OF ACCOUNTING POLICIES

GENERAL

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2006. The code has been approved as a Statement of Recommended Practice, adoption of which constitutes "proper accounting practice". Separate disclosure has been made of any non compliance with the code.

The following accounting concepts have been applied and policies adopted in preparing the financial statements.

FUNDAMENTAL ACCOUNTING CONCEPTS

- a) **Going Concern.** There is no intention significantly to curtail the scale of operations extant at the 31st March 2007, and the accounts have therefore been prepared on a going concern basis.
- b) **Accruals.** The revenue and capital accounts are maintained on an accruals basis. This means that revenues, costs, assets and liabilities are recognised, where prudent to do so, in the period in which they are earned or incurred and not as money is received or paid. Income is matched with associated costs as far as their relationship can be established, or justifiably assumed.
- c) **Consistency.** Consistent policies have been applied within the year and between years unless otherwise identified.
- d) **Primacy of legislative requirements.** If, in exceptional circumstances, statutory requirements are such that departure from accounting standards are necessary, then statutory requirements will be applied.

ACCOUNTING POLICIES

Accounting policies have been chosen to present fairly the financial transactions of the Council. The accounting policies are: -

1. Provisions

Provisions have been established for all material liabilities likely to be settled by the transfer of economic benefit where the timing or amount is uncertain. Provisions have therefore been recognised in the accounts where the Council has (as a result of a past event) a legal or constructive obligation to be settled by a transfer of economic benefit which can be reliably estimated. Provisions are created by debiting the relevant service revenue account, and all provisions are reviewed annually and adjusted to reflect the anticipated level of settlement. When expenditure is incurred to which the provision relates, it is charged direct to the provision. The provision for doubtful debts is separately disclosed against debtors on the balance sheet and is not included in the provisions figure. Known uncollectable debts have been written off.

2. Contingent Liabilities

Provisions are not established for contingent liabilities (possible obligations which may require payment or transfer of economic benefit depending on the outcome of one or more future events). Details of these potential liabilities are presented in the disclosure notes. Reserves have been established for contingent liabilities where appropriate.

3. Contingent Assets

Possible assets arising as a result of past events, the existence of which will be confirmed by future uncertain events outside the Council's control, are not recognised in the accounting statements but, where the inflow of economic benefit is probable, are identified in the disclosure notes.

4. Earmarked Reserves

Earmarked reserves are funds set aside at the discretion of either the Council or individual service departments for future policy purposes, contingencies, or to meet future items of revenue or capital expenditure. Reserves are created by appropriating amounts in the statement of movement in general fund balances and so count against council tax. Expenditure funded from reserves is charged directly to service revenue accounts with compensating appropriations being made from reserves, and so there is no net charge against council tax for the expenditure.

5. Fixed Assets

Recognition

All expenditure in excess of £10k on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. All acquired and newly created assets are reflected in the valuation of tangible fixed assets. Unless expected to have a material impact on valuations, expenditure on the enhancement of tangible fixed assets is written out to the fixed asset restatement account until such time as the asset is revalued as part of the 5 year rolling programme. Expenditure on intangible fixed assets is categorised as such in accordance with the above only where the expenditure can be separately identified.

Measurement

All acquired and newly created fixed assets are valued initially at cost. Assets to be included in the balance sheet at current cost are revalued where there have been material changes in value, and every five years as a minimum. Changes in valuations are recognised as unrealised gains/losses in the fixed asset restatement account. Assets are included in the balance sheet as follows: -

- Operational land and buildings, plant, vehicles and equipment have been included in the balance sheet at the lower of the net current replacement cost and net realisable value in existing use. The net current replacement cost for non specialised properties is existing use value, and for specialised properties it is the depreciated replacement cost. Because of the short lived nature and relatively low value of individual items of plant, vehicles and equipment, historical cost is used as a proxy for current cost unless such a valuation is thought to be materially different.

- Non operational land and buildings (including assets which are surplus to requirements) have been included in the balance sheet at the lower of open market value and net realisable value. Assets under construction have been included at historical cost.
- Community assets (eg parks, works of art) were initially included in the balance sheet at a nominal valuation of £1,000 for each category of asset. Any subsequent capital expenditure on community assets is added to the nominal value at historical cost.
- Infrastructure (eg highways and bridges) has been included in the balance sheet on the basis of historical cost.
- Intangible assets. The only intangible assets held by the Council are software licences. These are held at historical cost.

Depreciation, Impairment and Amortisation

Depreciation

With the exceptions of land (unless it has a finite life), buildings under construction or with an estimated useful life of more than 60 years, investment properties, and community assets (unless specifically appropriate), all tangible fixed assets are depreciated over their useful economic lives. Depreciation is calculated by writing off the valuation of the asset less estimated residual value over the useful life of the asset calculated on an individual basis dependent upon the type of asset.

- Buildings have been depreciated on a straight line basis over various periods (eg public conveniences – 10 years; schools, swimming baths, sports centres, museums – 30 years; car parks, libraries – 50 years).
- Infrastructure assets have been depreciated on a straight line basis over 25 years.
- Equipment has been depreciated on a straight line basis over periods of between 5 and 15 years.
- Plant and vehicles have been depreciated in line with professional estimates on a reducing balance basis of between 5% and 25% p.a.

Impairment

Assets have been reviewed for any material impairment loss. Losses arising as a result of consumption of economic benefit have been recognised in service revenue. Other impairments reflecting general movements in prices are recognised in the fixed asset restatement account.

Amortisation

Intangible assets (software licences) are amortised to revenue over the same period as the IT systems to which they relate.

Disposals

On disposal, the net book value of an asset is written off to the income and expenditure a/c and the receipt is credited to the income and expenditure a/c. This shows the gain or loss on disposal.

Since the costs of fixed assets have already been provided for under separate capital accounting arrangements, the costs of any write offs are not charges against council tax, and there are corresponding appropriations to the capital financing account from the statement of movement in general fund balances.

Receipts in excess of £10,000 are categorised as capital receipts and are required to be credited to the usable capital receipts reserve. As these are credited in the first instance to the income and expenditure a/c, there are corresponding appropriations from the statement of movement in general fund balances to the usable capital receipts reserve. This reserve can be used to redeem debt or finance capital expenditure.

The Council's policy is to pool all capital receipts (unless specific application is made) and to reinvest them in the capital programme. Where the receipt arises from the sale of a revenue earning asset, a specific decision is taken as to whether or not to use that receipt to redeem debt (to minimise the impact of the sale on the revenue account) rather than reinvesting it in the capital programme.

6. Charges to revenue for fixed assets

All service revenue accounts are charged as detailed above with provisions for depreciation, impairment and amortisation to record the real cost of holding and using fixed assets during the year.

The Council is not required to raise council tax to cover these costs. It is required, however, to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This charge is equal to 4% of an amount based on the cost of fixed assets not financed by grants, capital receipts or revenue contributions.

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the statement of movement in general fund balances, with the difference being accounted for by an appropriation to the capital financing account.

7. Deferred Charges

A deferred charge is expenditure on fixed assets not owned by the Council, and which therefore does not give rise to tangible fixed assets which can be controlled by the Council. Examples include grants given to third parties for capital purposes, and expenditure on private sector housing renewal. Deferred charges have been written off to revenue in year.

8. Post Balance Sheet Events

Where an event after the balance sheet date provides evidence of conditions existing at the balance sheet date, the amounts recognised in the accounting statements and disclosures have been adjusted. Where the event is indicative of conditions arising after the balance sheet date, appropriate disclosures have been made, but the amounts in the accounting statements have not been adjusted.

9. Exceptional and extraordinary items and prior period adjustments.

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

Extraordinary items are disclosed on the face of the income and expenditure a/c.

Prior period adjustments arising from changes in accounting policy or from the correction of fundamental errors have been accounted for by restating comparative prior year figures together with appropriate explanatory disclosure notes.

10. Government Grants and contributions

All grants and contributions are recognised as income when the authority has satisfied any conditions to entitlement and the receipt of the monies is reasonably assured.

Revenue grants are credited to appropriate service revenue accounts in the same period as that to which the related expenditure is incurred. Grants to cover general expenditure are credited to the foot of the income and expenditure a/c after net operating expenditure.

Capital grants received in relation to assets for which depreciation is to be charged are credited to a grants / contributions deferred account and released to the income and expenditure a/c over the remaining life of the asset. Capital grants received in relation to assets which are not to be depreciated are credited to the capital financing account. Capital grants received in relation to deferred charges are credited to service revenue accounts in line with the associated write off of expenditure incurred.

11. Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the income and expenditure a/c as they are incurred. Where, however, the repurchase or early settlement of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, these gains and losses have been recognised on the balance sheet and written down to revenue on a straight line basis over the term of the replacement loan.

In view of the coming alignment with other sectors of the treatment of such sums, any outstanding gains and losses have now been written off to the income and expenditure a/c.

12. Leasing

Where substantially all the risks and rewards of ownership relating to a leased property transfer to the Council, the assets are accounted for as finance leases. The assets are included within fixed assets on the balance sheet and outstanding obligations to make payments under finance leases (excluding interest costs) are accounted for as part of long term liabilities. Interest costs are charged to net operating expenditure in the income and expenditure a/c.

Rentals payable under operating leases are charged directly to service revenue accounts. The Council does not own these assets and their value does not appear on the balance sheet.

Where the Council acts as lessor, rents receivable in respect of operating leases are credited to service revenue accounts. Assets leased on finance leases are recorded on the balance sheet as a debtor at the amount of the net investment in the lease, matched by a deferred capital receipt. These are written down as rentals are received over the lease term.

13. Debtors and Creditors

The accounts of the Council are maintained on an accruals basis. Sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. In particular: -

- Fees and charges due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Grants are accounted for as income once the Council has satisfied any conditions to entitlement.
- Goods and services are recorded as expenditure when they are received. If there is a delay between receipt and consumption, they are carried forward as stocks on the balance sheet.
- Interest payable on borrowings is accounted for in the year to which it relates.

Exceptions to this principle are: -

- Debtors and creditors under £250 where their non-accrual does not have a material effect on the income or expenditure head concerned.
- Electricity, gas, telephone and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Certain payments made on a claims basis (for overtime and additional allowances) which are regular in terms of incidence (such that the accounting period contains twelve full months) or for which the accrual would be immaterial.

14. Stocks and Works in Progress

Stock is valued at the lower of cost and net realisable value, after making allowance for any deterioration or obsolescence.

Work in progress is valued at cost with a reasonable estimate of any foreseeable losses.

15. Overheads / Support Service Costs

The principle of total absorption costing has been applied in compliance with the Best Value Accounting Code of Practice (BVACOP). Support service costs have been fully charged to service revenue accounts, trading operations and capital accounts using a combination of time allocations and unit costs.

BVACOP excludes from the principle of total absorption costing specific items of expenditure comprising the Corporate and Democratic Core (costs relating to the Council's status as a multi-functional democratic organisation), and Non Distributable Costs (principally FRS17 accounting entries relating to pensions). These costs are not charged to services, and are disclosed separately on the face of the income and expenditure a/c as part of net cost of services.

16. Retirement Benefits

The Council participates in two different pension schemes which provide members with defined benefits (retirement lump sums and pensions) earned as employees of the Council.

Teachers.

This is an unfunded scheme administered by the Teachers' Pensions Agency. This means that there are no investment assets built up to meet pension liabilities, and funding has to be generated to meet pension payments as they become due.

The liabilities for these benefits cannot be identified to the Council on a consistent and reasonable basis, and this scheme is therefore accounted for as a defined contribution scheme. No liability for future payments of benefits is recognised on the balance sheet, and the pensions cost charged to the accounts is the employer's contribution based on a rate set by the DfES on the basis of a notional fund supported by a 5 year actuarial review.

Other Employees.

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Superannuation Scheme, a funded scheme administered by the West Yorkshire Superannuation Fund (WYSF). This means that payments, calculated to balance pension liabilities and assets over time, are made by both the Council and employees into a fund.

All retirement benefits are accounted for in accordance with the relevant reporting standard FRS17 which stipulates how such commitments are to be recognised in the income and expenditure a/c and the balance sheet. This scheme is accounted for as a defined benefit scheme.

The liabilities of the scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method, and are discounted to their value at current prices. The assets of the fund attributable to the Council are included in the balance sheet at fair value.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. Appropriations from a pensions reserve are therefore required in the statement of movement in general fund balances so that the additional costs of providing for retirement benefits in accordance with FRS 17 do not impact on levels of local taxation.

Discretionary Benefits

The Council can make discretionary awards of retirement benefits in the event of early retirement. Liabilities estimated to arise as a result of any such award to any member of staff (including teachers) are accrued in the year of the decision to make the award, and are accounted for as defined benefit schemes using the same policies as are applied to the WYSF scheme.

17. Investments

Investments are carried at cost less provision for any material losses in value. The Debenture stock of £209k issued in 1988 by the Leeds Bradford Airport was being redeemed over 25 years but this was settled in full in April 2007 on conclusion of the sale of the airport.

Accrual has been made for all dividends declared by the time the Council's accounts are closed. Dividend income not declared at that time is accounted for in the year of receipt.

18. Value Added Tax

Income and expenditure are reported exclusive of VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. VAT is therefore only included in service income and expenditure to the extent that it is irrecoverable.

19. Private Finance Initiatives

PFI contracts are agreements to receive services. The responsibility for making available the fixed assets needed to provide the services is determined with reference to Application Note F of Financial Reporting Standard 5. This 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. The Council has retained ownership of the land and has given the contractor a licence to occupy. The land remains as a Council asset but, having reviewed the nature of the PFI contract, the Council has concluded that the buildings should not be recognised as an asset on its balance sheet. All payments made under the contract are therefore charged to the income and expenditure a/c reflecting the value of services received in the financial year.

Residual Interest

The school buildings themselves will transfer back to the Council's ownership at the end of the contract at nil cost. This transaction is being accounted for by identifying the element of the contract payments which notionally relates to the acquisition of the buildings 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 will 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 schools will have in 2031, initial valuations of the school buildings have been made. In order to reflect expected price increases during the life of the contract, these valuations have been adjusted for inflation, using the Treasury's long term GDP deflator. The resulting expected total value for the school buildings is being built up as a long term debtor in annual equal amounts over the life of the contract, in accordance with the SORP. If, during the life of the contract, the expected transfer value of the schools falls, this will be treated as an impairment and provision for the fall in the expected value will be made.

Prepayment

As part of the payments made under the contract, a one off payment was made in 2005/06. This results in lower unitary payments over the life of the contract. This one off payment has been capitalised on the balance sheet as deferred consideration (a prepayment for services receivable), and is being charged to the income and expenditure a/c in equal instalments over the remaining period of the contract to reflect the real cost of services received.

PFI Credits (grant funding)

Government grants received for PFI schemes in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

20. Landfill Allowance Trading Scheme

The Council is a waste disposal authority and receives tradable landfill allowances for the disposal of biodegradable municipal waste (BMW) to landfill. Allowances granted give disposal rights, and are recognised as current assets on the balance sheet. A provision has been created to cover allowances required for the disposal of BMW to landfill in the year. This liability will be discharged in 2007/8. Any surplus in the income and expenditure a/c arising from an excess of allowances granted over those required has been appropriated into a reserve for future use.

All valuations are based on the weighted average at which current and previous years' allowances have been traded during the year. Due to the very thin market, no reliable fair value can be ascribed to future year allowances, and therefore no recognition of these has been made on the balance sheet.

GLOSSARY

Accounting Policies The principles, bases, conventions, rules and practices applied to specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, measuring and presenting assets, liabilities, gains, losses and changes to reserves

Accruals The concept that income and expenditure is accounted for as earned or incurred, not as money received or paid.

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

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

Balances The accumulated surplus on the Council's General Fund

Capital Expenditure Expenditure on the acquisition or creation of a fixed asset, or expenditure which adds to and not merely maintains the value of an existing asset.

Capital Receipts Proceeds from the sale of capital assets such as land and buildings. Such receipts can be used to repay debt or to finance new capital expenditure.

Collection Fund A statutory account maintained by the Council to account separately for the collection and distribution of council tax and non domestic rates. The West Yorkshire Police Authority, the West Yorkshire Fire and Rescue Authority and the Council's General Fund all make demands upon this fund to help pay for running their services throughout the year. Any surpluses or deficits on this fund are borne by the 3 precepting authorities.

Community Assets These are assets that the Council intends to hold forever and which have an indeterminable useful life. There may be restrictions on their disposal. Examples include parks, historic buildings, museum exhibits and works of art.

Consistency The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Constructive Obligation An obligation that derives from an authority's actions where:

- a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- b) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Liability A condition that exists at the balance sheet date which may arise in the future dependent on the occurrence, or non-occurrence, of one or more uncertain future events.

Council Tax This is a banded property tax that is levied on domestic properties throughout the Borough. The banding is based on estimated property values as at 1st April 1991.

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

Current Service Cost (Pensions) The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailement For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employees' services earlier than expected, for example as a result of discontinuing a service activity; and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

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

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.

Deferred Charges Expenditure that is properly capitalised but does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as grants for home improvements or to businesses for capital works.

Depreciation A charge to service revenue accounts reflecting the wearing out, consumption, or other reduction in the economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Discretionary Benefits Retirement benefits awarded at the discretion of the Council and which there are no legal, contractual or constructive obligations to pay.

Earmarked Reserve A sum set aside for a specific purpose to meet expected future expenditure.

Expected Rate of Return For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

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 method of acquiring or disposing of fixed assets where under the lease agreement all the risks and rewards of ownership of a fixed asset are substantially transferred to the occupier in return for rental payments to the legal owner of the asset.

Financial Reporting Standards (FRS) Financial Reporting Standards are accounting standards developed by the Accounting Standards Board which seek to promote consistency in the accounting treatment of certain transactions and issues. There must be disclosure of any departure from FRS's applicable to the Council's accounts.

Fixed Assets Tangible and intangible assets yielding benefit to the local authority and the services it provides for a period of more than one year.

General Fund The total services of the Council (except for Collection Fund), the net cost of which is met by Council Tax and Government Grants.

Government Grants Specific 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. Certain grants provided are “general” rather than service specific, and are used to help pay for the net cost of Council services generally. General grants include Revenue Support Grant and payments from the NNDR pool.

Gross Book Value For assets valued at current value, the current value determined by the valuer in line with valuation principles excluding any provision made for cumulative depreciation. For assets valued at historical cost, the historical cost of those assets excluding any provision made for cumulative depreciation.

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

Infrastructure Assets These are assets such as highways, footpaths, bridges and drainage facilities. Benefit can be obtained only by continued use of the asset created.

Interest Cost (Pensions) For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

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

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

Minimum Revenue Provision This is the minimum amount chargeable under statutory regulations each year to the Council’s revenue account to provide for the repayment of loans used to finance capital expenditure.

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

Net Current Replacement Cost The cost of replacing or recreating an asset in its existing condition and in its existing use.

Net Realisable Value The open market value of an asset in its existing use (or market value in the case of non-operational assets) less any expenses incurred in realising the asset.

Non-Domestic Rates These are often referred to as business rates. An NNDR poundage is set annually by the government to be levied on the defined rateable value of business properties. This is the sum to be collected by local authorities and paid into a national pool after deduction of specific costs. These transactions are accounted for within the Collection Fund. The proceeds within the national pool are then redistributed by Central Government as a grant to authorities in accordance with a government formula. Receipt of this grant is shown in the income and expenditure a/c.

Non-Operational Assets These are assets that are not directly occupied, used or consumed in the delivery of services. Examples include land awaiting development and surplus assets.

Operating Lease An agreement in which the use of an asset is derived in exchange for rental payments, but where the risks and rewards of ownership are not substantially all transferred.

Operational Assets These are fixed assets held and occupied, used or consumed in the direct delivery of those services for which the Council has responsibility.

Past Service Cost For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or changes to, retirement benefits.

Precept The payment demanded from the Collection Fund by the West Yorkshire Police Authority, the West Yorkshire Fire and Rescue Authority and the Council's General Fund. It is collected, accounted for and distributed by the Council on behalf of all precepting authorities.

Prior Period Adjustments Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI) A Government initiative which enables authorities to carry out capital projects through partnership with the private sector.

Prudence The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate realisation of which can be assessed with reasonable certainty.

Public Works Loan Board This is a government agency that provides loans to authorities at favourable rates. The Council can borrow from this source to fund its borrowing requirements.

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

Residual Value The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

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 (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) 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 Expenditure The day to day running costs incurred in providing Council services (eg employee costs, supplies and services).

Revenue Support Grant A grant paid to the Council by Central Government after taking into account the Council's share of the NNDR pool, and an assumed level of Council Tax.

Scheme Liabilities The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a) lump-sum cash payments to scheme members in exchange for their rights to receive specified pension benefits;
- b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Statement of Standard Accounting Practices As with FRS's, these are standards developed by the Accounting Standards Board which seek to promote consistency in the accounting treatment of certain transactions and issues. There must be disclosure of any departure from SSAP's applicable to the Council's accounts.

Support Service Charges Charges to service departments for services provided centrally (eg Finance, IT, Personnel, Law and Administration etc.). The treatment of support service charges is described in the accounting policies.

Total Cost The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation charges. This includes an appropriate share of all support services and overheads which need to be allocated or apportioned.

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

Vested Rights In relation to a defined benefit scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- b) for deferred pensioners, their preserved benefits;
- c) for pensioners, pensions to which they are entitled.

Vested rights include, where appropriate, the related benefits for spouses or other dependents.

Independent Auditors' Report to the members of Calderdale Metropolitan Borough Council

We have audited the financial statements of Calderdale Metropolitan Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

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

This report, including the opinion, has been prepared for and only for Calderdale Metropolitan Borough Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom

2006, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the explanatory foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

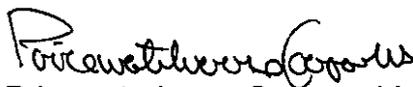
Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Calderdale Metropolitan Borough Council as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.


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24/4/07

The maintenance and integrity of the Calderdale Metropolitan Borough Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Council's Responsibilities

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

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Calderdale Metropolitan Borough Council made proper

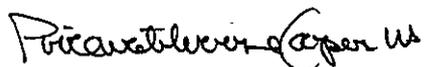
arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 19 December 2006. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



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24/9/07