Statement of Accounts for the year ended

March 31

2013

Calderdale MBC

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EXPLANATORY FOREWORD BY THE HEAD OF FINANCE

He who pays the piper calls the tune. For local government generally, the tune seems to be set firmly in the minor key as central government struggles to deliver its fiscal priorities and keep the country out of recession.

In paying the piper the Government has, over a number of years, been spending more than it can afford. As a result, we are now into the fourth year of austerity measures – a raft of (mainly) public spending cuts designed to eliminate the structural deficit, heralding the largest reduction in public spending in almost 100 years. The expectation that the private sector would be able to expand to absorb this lost capacity and so avoid deeper recession had been looking less promising, with growth slower than envisaged, and continuing economic uncertainty in eurozone markets; however, the first small shoots of recovery may just be beginning to emerge, but it remains to be seen whether this is sustainable.

The forecast for local government, however, is for a continued period of retrenchment, with central government sticking to the beat of cutting expenditure rather than increasing revenues through fiscal measures, and offering protection to health and education budgets.

If this is to continue, and without any significant cuts to the welfare budget, unprotected budgets such as local government will continue to take a disproportionate hit. On this basis, cuts in funding for local government services would be as much again in the 3 years to 2017/18 as in the 5 years to 2014/15 – a total cut of over 50% during the period. Were this to happen, the shape of the public sector would, at the end of this period, be very different from that inherited by the coalition Government in 2010.

It is unlikely, even once the public sector deficit has been eliminated, that the Government will be able to afford any real growth in public services within the tax burdens likely to be tolerated by individuals and businesses. This means that over the course of the next decade, there may have to be a significant shift in the nature of services provided or consumer expectations, with greater reliance on private or independent, rather than public, provision.

The landscape is tough, and the horizon is some way distant. Local government budgets continue to be constrained on two fronts by the demands of demographic and social factors such as an ageing population and care needs, and by reduced sources of income both nationally and locally. Any capacity to raise income through charging for specific services or raising local taxes has to be managed within consumer expectations of what it is fair to be paying. The Government is particularly concerned that any council tax rises should be kept in check so that, despite the consumer price index currently running at an annual average of more than 2.7%, Councils currently have to hold a referendum if they wish to raise council tax levels by more than 2%.

At the same time, the Council is managing the implications of major Government policy agenda initiatives, such as localising business rates and council tax benefit; the delivery of services within a City regions framework; and the transfer of public health services from the NHS.

And yet, although central government is very much the conductor of the piece, the Council is still a local organisation, run by locally elected representatives, delivering local services to local people. It is, in fact, surprisingly big business, comparable in size to many FTSE 250 companies.

The Council provides a very wide range of services from within a directorate structure.

Directorate	Main Responsibilities	Type of Services Provided
Adults, Health & Social Care	Adult Social Care	A range of day care, home care and residential care services and support for older people, and funding for clients' own care service packages.
Children and Young People's Services	Children and Education Services	Education services covering early years, schools, youth & adult learning, and social care provision covering looked after children (including fostering and children's homes), family support, and youth justice.
Communities	Cultural Services	Museums, theatres, sport centres, libraries, parks, tourism.
	Housing Benefit	Administration and payment of means tested benefits for people in rented accommodation.
	Environmental and Regulatory Services	Operation of crematorium and cemeteries, licensing (alcohol, entertainment and taxis) community safety (CCTV).
Economy and Environment	Planning Services	Building and development control, planning, conservation, and economic development.
	Environmental and Regulatory Services	Waste collection and disposal, recycling, flood defence, food standards and safety, pest control and public conveniences.
	Housing Services	Housing advice, homelessness, private sector renewal.
	Highways, Roads and Transportation	Road maintenance, winter services, road safety, street lighting and parking.
Chief Executives Office	Central Services to the Public	Elections and registration costs, and the administration and payment of means tested benefits towards council tax.

Each year, the Council sets a budget within the framework of a medium term financial strategy. The annual budget determines council tax levels for the coming year, and the Council seeks to manage changes within the context of resource availability and service demand over the medium term. Longer term forecasting is made difficult by the political and statutory environment within which councils operate. For example, the changes for the coming year from April 2013 require the Council to assume responsibility for the provision of public health services (formerly provided by the NHS) at an estimated cost of £10m, and to determine its own local council tax benefit scheme which is to be run with 10% less funding than previously available when run as a nationally determined scheme.

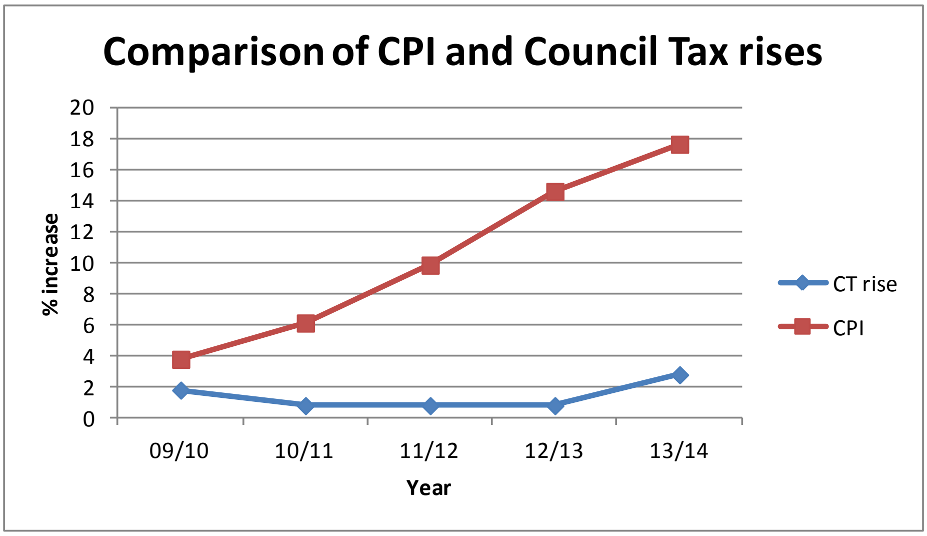
The 2013/14 budget round resulted in an additional £3.9m savings requirement in 13/14 rising to a further £15.4m in later years. Coupled with savings previously required during the tenure of the coalition government, this amounts to total savings of £72m by 2015/16.

It is difficult balancing the competing demands of such a diverse range of services when identifying where savings are to be made. Some services are statutory and some are subject to factors very much outside the Council's control (for example demographic and topographical factors).

Reflecting local consultation, the Council has developed key themes for budget proposals around investing in the local economy and infrastructure; transforming social care; supporting children and young people, and improving service accessibility and value for money.

The budget makes provision for a fund to encourage new enterprise and job creation within the Borough; progression of a major development at the Piece Hall (a unique, historic site in the town centre); and partnership working to provide greater broadband speeds throughout Calderdale. New technology will be used to help people live independently and exercise individual choice in addressing their care needs. Partnership working will help develop more early intervention services for both older and young people. These priorities are being met by a raft of measures designed to manage service demand, encourage leaner working and promote income growth.

Council tax for 2013/14 has increased by just under 2% - the first increase in 4 years. Since the 1st April 2008, council tax has risen by just 2.8%. Compared to price increases generally of over 17% during the same period, this is a saving on council tax bills of £180.



In addition to general cost increases, budgets have been squeezed by the rising demands of social care costs, Government funding cuts, and the need to manage major Government policy initiatives such as localising business rates and council tax benefit, and the transfer of Public Health services.

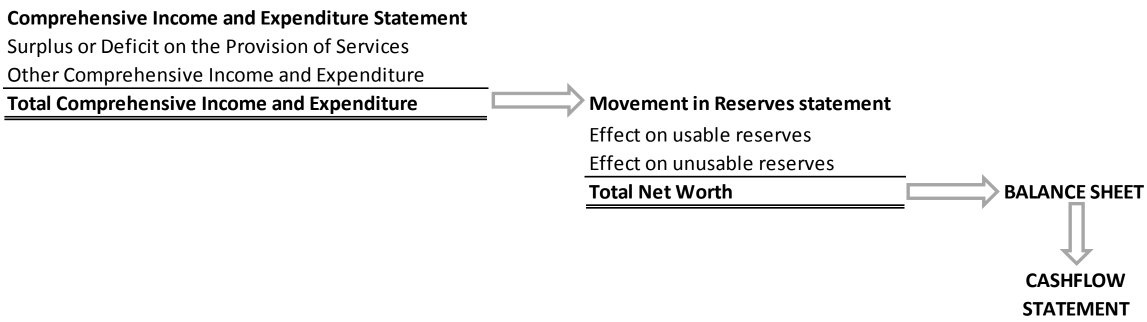
For a 2 adult band D property, the increase in council tax since 2008 amounts to just 65 pence per week per property. Such households pay just over £100 per month for all Council services, with most Calderdale households actually paying much less than this.

Government funding generally for capital projects has been cut by two thirds in the last three years. Falling land and property prices have further reduced the amount available to the Council to recycle into capital investment. The Council is progressing a capital programme to deliver £100m of schemes including a major development of the historic Piece Hall; a new central library; rationalisation of town centre office space, as well as targeting specific funding towards road improvements, school schemes and other regeneration initiatives.

Commentary on the main financial statements for 2012/13

This section provides a brief commentary on the four main accounting statements, and highlights the reasons for the major changes from last year. There are specific disclosure notes expanding on many of the figures included in these financial statements and the issues underpinning them. In order to declutter the accounts and improve readability, we have agreed with our auditors to limit disclosures to activity/balances of £1m or more.

The main accounting statements are inter-related. Total comprehensive income and expenditure is broken down in the movement in reserves statement between usable and non usable reserves. These constitute the net worth of the Council in the balance sheet. The reasons for movements during the year in cash (and cash equivalent) balances held on the balance sheet are shown in the cashflow statement. These inter-relationships are shown below.



The ***comprehensive income and expenditure statement (CIES)*** has two parts to it.

The first, the *surplus or deficit on provision of services*, shows the accounting cost of providing services during the year (net £38m). These figures are specified in accordance with relevant International Financial Reporting Standards. They do not represent the amount to be funded from local taxation. Charges against council tax are specified in regulations, which differ from accounting standards. The surplus or deficit on the provision of services is reconciled back to the actual charge against council tax (net £0.289m) in the movement in reserves statement.

The second part, *other comprehensive income and expenditure*, includes other recognised gains and losses during the year due to asset and liability changes rather than economic performance.

These figures combined account for the movement during the year in the Council's net worth (as reflected in the balance sheet), and are analysed in the movement in reserves statement between usable and unusable reserves.

Surplus or deficit on provision of services (SDOPS)

The SDOPS on page 14 shows a deficit of £38.5m compared to the deficit of £14.0m in 2011/12. The main reasons for this change are: -

- The loss on disposal of fixed assets has increased by £20m to £39.4m. This is due mainly to the transfer of the newly built Trinity Academy school to the Academy Trust (Academy Trusts do not have to pay for the transferred assets).
- Increased interest costs of £1.2m due primarily to the early settlement of some high interest debt. This will generate savings in future years.

Other comprehensive income and expenditure

- *Pensions liability*

  Net pension liabilities are reported under the IAS19 reporting standard, which sets out how balance sheet entries and charges to the income and expenditure account are to be recognised. The net liability is the difference between the Council's share of the pension fund assets and the underlying commitment, based on an 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. Returns on pension fund assets rose by around 14% during the year. This was much higher than anticipated and added a further £35m to the value of pension fund assets. Pension fund liabilities increased over the period. These are discounted back to the balance sheet date. A combination of a lower real discount factor and a rise in future mortality assumptions, has increased pension liabilities during the year by about 6%. The net result of increased returns and liabilities, is that there has been an overall actuarial increase in the pension fund deficit of £14m.

  IAS19 valuations differ from actuarial valuations for funding purposes which are used to determine future levels of employer contributions in accordance with the funding strategy. The pension fund is evaluated on a triennial basis (last done at March 2010). On this basis, the funding position (at 90%) is significantly stronger than that identified under IAS19. Deficits will continue to be addressed by scheme changes, fund management and the review of contribution rates in line with the longer term view taken by fund reviews.

- *Fixed Asset Revaluations*

  The Council revalues a proportion of its land and buildings each year. Where possible, falling values are reflected against previously recognised gains in the revaluation reserve, and revaluation increases are charged to the revaluation reserve unless reversing impairments previously recognised in the comprehensive income and expenditure statement. Valuation increases of £14m have been recognised in the revaluation reserve rather than through the surplus/deficit on the provision of services.

The ***movement in reserves statement***

This statement shows movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The movement in comprehensive income and expenditure is fully analysed in that separate statement. This includes a full analysis of the surplus or deficit on the provision of services, which shows the true economic cost of providing the Council's services. This is different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes, and the requisite adjustments (relating particularly to charges for pensions and fixed assets) from accounting basis to funding basis are separately identified. After allowing for transfers to and from earmarked reserves, there was a contribution from general fund balances of £0.289m.

The ***balance sheet*** shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold: -

- the unrealised gains and losses recognised in other comprehensive income and expenditure where the amounts would only crystallise if assets were sold or the pension fund terminated.
- the required adjustments between the accounting basis and the funding basis under regulations for charges made within the comprehensive income and expenditure statement relating to fixed assets, pensions and holiday and similar pay as shown in the movement in reserves statement.

Usable reserves have fallen by £8m (due mainly to using capital grants and receipts in earlier years to fund capital expenditure during the year, and using reserves to support the revenue budget). The balance on unusable reserves has fallen by £30m (due principally to the rise in the pension fund deficit).

Usable reserves

- Balances and reserves

The Council had general balances of £8.592m at the year end. Some of these balances (approximately £2.2m) have already been earmarked to support future years' budgets. Total balances at the year end are 1.8% of gross expenditure. Excluding expenditure on schools (which have their own specific reserves) balances are 2.3%.

Earmarked reserves are sums set aside for specific purposes to meet items of future expenditure. The main Council reserves are for future capital investment; regeneration and economic support; service development and improvement; and contingent liabilities. Council reserves have remained static at £41m. Mainly due to the transfer of funding on conversion to academies, schools reserves and contingencies have reduced by £1.7m to £11.2m, and school balances are now at a level equivalent to 6% of the individual schools budget for 2013/14.

- Capital grants unapplied reserve

This is the balance of capital grants where any conditions have been met, but where the expenditure has not yet been incurred. The reduction of £4.3m is due to using funding received in earlier years to pay for capital expenditure in 2012/13.

- Capital receipts

There was a net reduction of £2.9m which was used to finance capital expenditure in 2012/13.

Changes in assets and liabilities

- Short term investments

Short term investments fell during the year by £10.9m, and the cash has been used to replace longer term, more expensive borrowing.

- Fixed assets

The decrease in fixed asset values reflects the transfer of academy schools (including the Trinity Academy), and depreciation of the assets used. This has been partly offset by revaluation increases and new capital expenditure during the year.

The ***cash flow statement*** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities indicates the extent to which the operations of the Council have been funded by way of taxation, grant income and other fees charged by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities show the extent to which longer term funding borrowing commitments have been settled or increased, and are therefore indicative of claims on future cash flows by providers of capital.

Cash arising from ongoing operations was used to pay for capital investment. Some short term investments were cashed in and used to repay loans. Cash balances (which include all school bank accounts) rose across the Council by £4m.

There are also a number of other statements:-

- *The collection fund* shows the transactions of the Council as the billing authority in relation to national non domestic rates and the council tax.
- *The statement of accounting policies* 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 sets out the respective responsibilities of the Council and the Head of Finance.
- *The annual governance statement* which sets out the framework to promote efficiency and effectiveness and manage risks, no longer forms part of these statements, but is published as a separate, accompanying document.

It is the main financial statements, disclosure notes and accounting policies which form the body of the statement of accounts subject to external audit scrutiny and opinion, and to which the statement of responsibilities refers. The explanatory foreword, annual governance statement and glossary lie outside the scope of such certification.

Financial performance during the year

Revenue spending

The Council spends £0.5bn annually to deliver services. This is partly funded by service charges and specific grants. The resulting net funding requirement (£0.2bn) is met by general Government grants, council tax and general balances. The Council sets its budget each February to determine council tax levels for the coming year and the extent to which it intends to use balances to support current operations.

Performance against budgets is monitored regularly, and formally reported quarterly to Cabinet. These reports highlight pressure areas and responses to manage those pressures, and give Members updated information of forecast available balances and reserves going forward. Final year end outturn reports are presented to Cabinet in June.

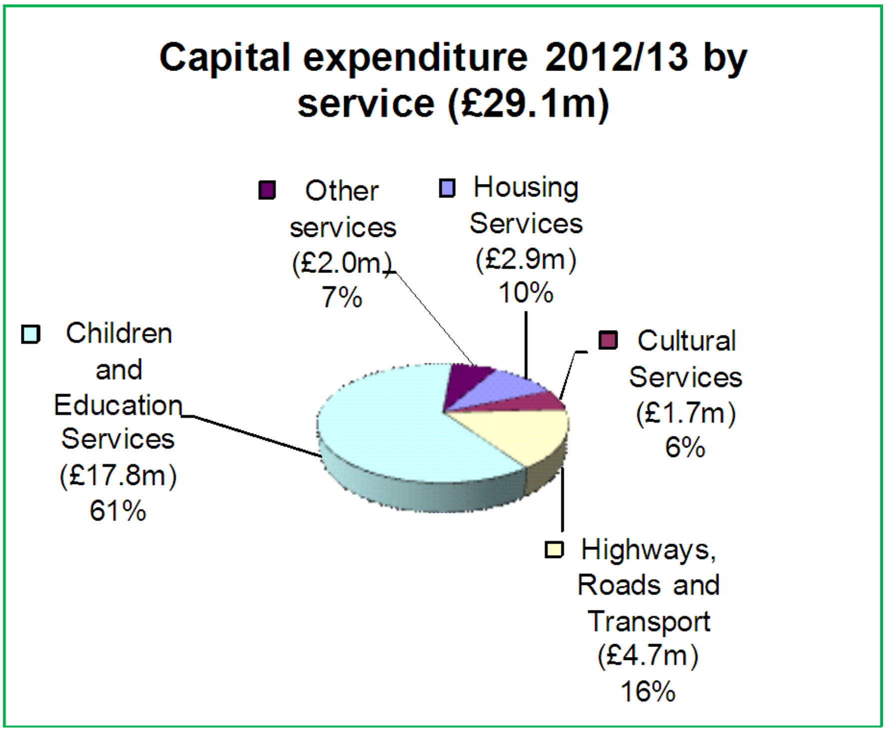
In 2012/13, Council net expenditure was £0.6m more than the final budget. This was due to costs incurred as a result of flooding in the region (£1m), and a savings shortfall in the implementation of a cross directorate asset and facilities management service (£0.8m), being partially offset by improvements of £1.2m relating to:-

- Benefit payments and associated grant claims (£0.6m)
- Unused contingencies and miscellaneous items (£0.6m)

The table below compares the original budget, the final budget and the actual outturn, and shows how these figures are reflected in the financial statements.

		Decrease / (Increase) in general fund balances	Net expenditure to be funded	Total funding
		£'000	£'000	£'000
OUTTURN COMPARED TO COUNCIL BUDGETS	Original Budget	-123	179,777	-179,900
	Final Budget	-333	179,705	-180,038
	Actual Outturn	**289**	**180,342**	**-180,053**
OUTTURN AS SHOWN IN MOVEMENT IN RESERVES STATEMENT	Surplus/Deficit on provision of services	38,485	232,292	-193,807
	Adjustment for accounting entries not chargeable to general fund balances	-36,000	-49,754	13,754
	Movement on reserves	-2,196	-2,196	0
	Movement in general fund balances	**289**	**180,342**	**-180,053**

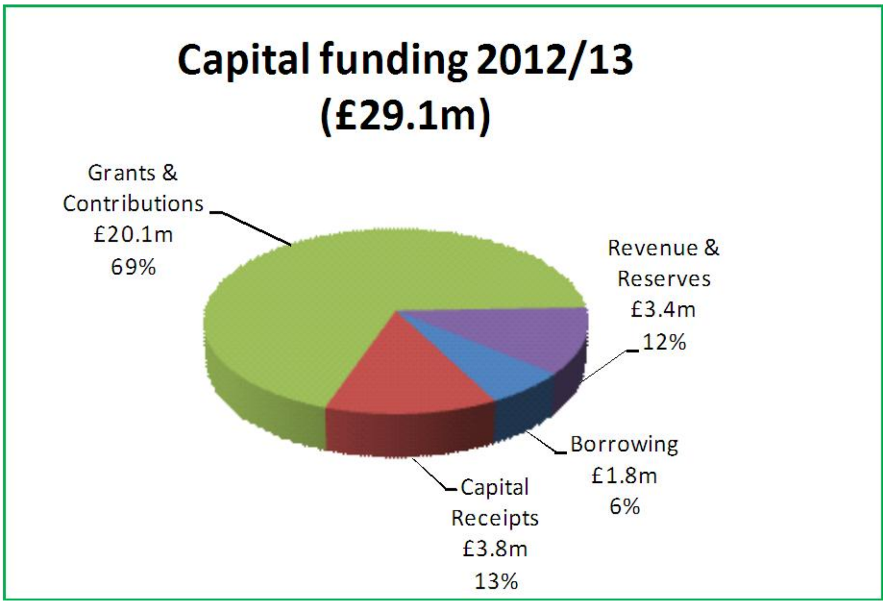
Capital spending



Capital expenditure is distinct from the everyday revenue expenditure required to run services. It represents investment in items of property, plant and equipment (such as buildings, roads, land, and vehicles), the benefits of which last for more than one year. It also includes certain grants and loans given to third parties (mainly for regeneration / housing schemes).

In addition to the rolling programmes for works to roads (£4.6m) and private sector housing improvement and regeneration developments (£2.4m), there has been major investment during the year on: -

- The completion of Salterhebble, Midgley and Heptonstall primary schools
- The Trinity Academy secondary school and extension
- Recreational facilities
- The installation of energy efficient biomass boilers in schools.



The main source of funding continues to be grants and contributions from the Government and other bodies (although this source of funding continues to be cut). There is a limited amount of revenue funding (principally from individual schools, and reserves earmarked for this purpose), with the remainder of the capital programme being funded by borrowing, and from capital receipts (the monies generated through selling fixed assets). The Council has in place a programme of asset sales to support new capital investment.

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 2013 amounted to £109.0m (a net reduction of £5.1m) against long term assets valued at £550.2m.

Major events during the year

During the year, 6 more schools converted to academies, taking the total to 22 (just under one quarter of all schools previously under Council control). Annual income and expenditure on the 6 schools was £12m. Four of these schools were Council owned and were valued at over £9m on the balance sheet.

A further three schools have converted or are working towards conversion in 2013/14. Annual income and expenditure on these schools is £10m, with a balance sheet value of £22m.

Major changes in 2013/14

From 2013/14 the current system of managing business rates income will be replaced by the rates retention scheme. Under the current system, the Council collects business rates on behalf of the government, the income is pooled nationally and the funding redistributed to local authorities on the basis of need. Under the new system, business rates will be accounted for on the same principles as council tax. The Council, fire authority and central government will all be entitled to a share of the net rates income raised and balances held. The Council will collect business rates on behalf of the other interested parties and any differences between rates income due and paid over will be reflected in the collection fund balance. All parties will be entitled to proportionate shares of this balance and will reflect shares of debtor and creditor balances held on the balance sheet.

In promoting the efficient delivery of services, the Council is seeking alternative ways in which to supply them. It is probable that the music service, for instance, will transfer to independent provision during 2013/14. Turnover, based on income and grant, is £0.9m per annum.

Other links

The Council's Statement of Accounts give a true and fair view of the financial position of the Council in relation to the financial 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 available presenting performance information in a more accessible way.

Councils are large, multi-functional organisations. The processes for determining objectives and the systems in place to deliver these are conducted within an overall framework to promote efficiency and effectiveness. This framework is set out in the Annual Governance Statement which serves as an annual review of effectiveness and demonstrates the management of identified risks.

Copies of both the summary accounts and annual governance statement are available on the Council's website: http://www.calderdale.gov.uk/council/finances/accounts/2012-2013/index.html

The website also contains a number of other plans and strategies, such as the medium term financial strategy, detailing what the Council plans to do to achieve its ambitions, what resources it needs to deploy and how it prioritises the resources it has available.

P SMITH, BA CPFA

HEAD OF FINANCE

MOVEMENT IN RESERVES STATEMENTS

y/e 31st March 2013	General Fund Balance £'000	Earmarked GF Reserves £'000	Collection Fund Adjust Account £'000	Capital Grants Reserve £'000	Capital Receipts Reserve £'000	**Total Usable Reserves** £'000	**Unusable Reserves** £'000	**Total Net Worth** £'000
Balance at 1st April 2012	**8,881**	**54,448**	**-635**	**27,918**	**10,822**	**101,434**	**108,008**	**209,442**
Surplus or (deficit) on provision of services (accounting basis)	-38,485	0	0	0	0	**-38,485**	**0**	**-38,485**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**-136**	**-136**
Total Comprehensive Income and Expenditure	**-38,485**	**0**	**0**	**0**	**0**	-38,485	-136	-38,621
Adjustments between accounting basis & funding basis under regulations (note 9)	36,000	0	1,218	-4,305	-2,873	**30,040**	**-30,040**	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**-2,485**	**0**	**1,218**	**-4,305**	**-2,873**	**-8,445**	**-30,176**	**-38,621**
Transfers to / from Earmarked Reserves (note 10)	2,196	-2,196	0	0	0	**0**	**0**	**0**
Increase / Decrease in Year	**-289**	**-2,196**	**1,218**	**-4,305**	**-2,873**	**-8,445**	**-30,176**	**-38,621**
Balance at 31st March 2013	**8,592**	**52,252**	**583**	**23,613**	**7,949**	**92,989**	**77,832**	**170,821**

y/e 31st March 2012	General Fund Balance £'000	Earmarked GF Reserves £'000	Collection Fund Adjust Account £'000	Capital Grants Reserve £'000	Capital Receipts Reserve £'000	**Total Usable Reserves** £'000	**Unusable Reserves** £'000	**Total Net Worth** £'000
Balance at 1st April 2011	**8,998**	**59,431**	**408**	**39,426**	**11,799**	**120,062**	**191,510**	**311,572**
Surplus or (deficit) on provision of services (accounting basis)	-14,004	0	0	0	0	**-14,004**	**0**	**-14,004**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**-88,126**	**-88,126**
Total Comprehensive Income and Expenditure	**-14,004**	**0**	**0**	**0**	**0**	**-14,004**	**-88,126**	**-102,130**
Adjustments between accounting basis & funding basis under regulations (note 9)	8,904	0	-1,043	-11,508	-977	**-4,624**	**4,624**	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**-5,100**	**0**	**-1,043**	**-11,508**	**-977**	**-18,628**	**-83,502**	**-102,130**
Transfers to / from Earmarked Reserves (note 10)	4,983	-4,983	0	0	0	**0**	**0**	**0**
Increase / Decrease in Year	**-117**	**-4,983**	**-1,043**	**-11,508**	**-977**	**-18,628**	**-83,502**	**-102,130**
Balance at 31st March 2012	**8,881**	**54,448**	**-635**	**27,918**	**10,822**	**101,434**	**108,008**	**209,442**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/12 Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000	Service	2012/13 Expenditure £'000	2012/13 Income £'000	2012/13 Net Expenditure £'000
			Continuing operations			
22,729	-18,459	4,270	Central services to the public	22,933	-18,548	4,385
29,084	-8,092	20,992	Cultural & Related Services	25,152	-7,715	17,437
23,613	-3,290	20,323	Environmental & Regulation Services	21,439	-3,483	17,956
11,336	-5,489	5,847	Planning Services	9,819	-4,303	5,516
232,481	-180,854	51,627	Children's and Education Services	212,520	-159,280	53,240
26,221	-4,255	21,966	Highways, roads and transport services	27,464	-4,142	23,322
74,477	-68,585	5,892	Housing Services	77,569	-72,457	5,112
77,792	-25,243	52,549	Adult Social Care	76,428	-24,462	51,966
4,371	0	4,371	Corporate and democratic core	4,405	0	4,405
-2,271	0	-2,271	Non distributed costs	447	0	447
499,833	**-314,267**	**185,566**	**Net Cost of Services**	**478,176**	**-294,390**	**183,786**
			Other operating expenditure			
		452	Parish Precepts			506
		-492	Net (Surplus)/Deficit from Trading Operations			-354
		296	Changes in fair value of held for sale assets			0
		19,438	(Gain)/loss on disposal of Fixed Assets & Investments			39,376
		22	Contribution to Housing pooled capital receipts			10
			Financing and Investment Income and Expenditure			
		-1,054	Interest and Investment Income			-1,106
		8,845	Interest Payable and similar charges			9,995
		-1,162	Pensions interest costs and expected return on assets			962
		514	Income & expenditure in relation to investment properties, and changes in fair value			-883
			Taxation and non specific grant income			
		-80,371	Income from Collection Fund			-82,367
		-55,127	Government Grant not attributable to specific services			-35,852
		-62,923	Distribution from non-domestic rate pool			-75,588
		14,004	**(Surplus) or deficit on the provision of services**			**38,485**
			Other comprehensive income and expenditure			
		2,232	(Surplus) / Deficit arising on the revaluation of fixed assets			-14,179
		0	(Gains)/losses on the revaluation/disposal of available for sale financial assets			7
		85,894	Actuarial (gains) / losses on pension fund assets and liabilities			14,308
		88,126	**Total other comprehensive (income) and expenditure**			**136**
		102,130	**Total comprehensive (income) and expenditure**			**38,621**

BALANCE SHEET AT 31ST MARCH, 2013

31st March 2012 £'000		31st March 2013 £'000	Note
	Long Term Assets		
555,455	Property, Plant & Equipment	534,394	18
3,392	Heritage Assets	3,457	20
9,479	Investment Property	9,244	19
303	Intangible Assets	0	
884	Long term investments	877	32
2,479	Long term debtors	2,220	32
571,992	**TOTAL LONG TERM ASSETS**	**550,192**	
	Current Assets		
75,850	Short term investments	65,000	25
814	Inventories	621	
28,309	Debtors	24,727	24
10,732	Cash and cash equivalents	11,821	26
305	Assets held for sale	84	
	Current Liabilities		
-3,020	Cash and cash equivalents - bank overdraft	0	26
-5,749	Short term borrowing	-6,345	32
-44,943	Short term creditors	-41,530	27
-1,416	Short term provisions	-4,375	28
-1,795	Other short term liabilities	-1,541	
631,079	**TOTAL ASSETS LESS CURRENT LIABILITIES**	**598,654**	
	Other Liabilities		
-5,479	Provisions	-2,413	28
-108,364	Long term borrowing	-102,689	32
-262,424	Net pension liabilities	-279,209	33
-45,370	Other long term liabilities	-43,522	32
209,442	**TOTAL ASSETS LESS LIABILITIES**	**170,821**	
	Financed By:-		
	Usable Reserves		
10,822	Usable Capital Receipts Reserve	7,949	29
27,918	Capital Grants Unapplied Reserve	23,613	29
-635	Collection Fund Adjustment Account	583	29
54,448	Earmarked Reserves	52,252	29/10
8,881	General Fund Balance	8,592	29
101,434	**TOTAL USABLE RESERVES**	**92,989**	
	Unusable reserves		
236,834	Capital Adjustment Account	218,113	29
138,516	Revaluation Reserve	143,438	29
-54	Available for Sale reserve	-61	29
-4,920	Accumulated Absences Account	-4,484	29
-262,424	Pensions Reserve	-279,209	29/33
56	Deferred capital receipts	35	29
108,008	**TOTAL UNUSABLE RESERVES**	**77,832**	
209,442	**TOTAL NET WORTH**	**170,821**	

These financial statements replace the unaudited ones certified by the Head of Finance on 30th May 2013

CASHFLOW STATEMENT

2011/12 £'000	2011/12 £'000		2012/13 £'000	2012/13 £'000	Note
	14,004	Net (surplus) or deficit on the provision of services		38,485	
		Adjustments for:-			
-42,501		Non cash movements	-60,401		31
16,764	-25,737	Items that are investing and financing activities	13,493	-46,908	31
	-11,733	Net cash flows from Operating Activities		-8,423	
		Investing Activities			
32,749		Expenditure on property, plant and equipment, heritage assets and investment properties	26,418		
88		Payments for long term investments and other investing activities	13		
-440		Proceeds from the sale of property, plant and equipment, heritage assets and investment properties	-3,119		
-41		Proceeds from the sale of long term investments and other investing activities	-79		
-37,144		Other receipts for investing activites (capital grants and contributions)	-14,482		
27,850		Net movement in short term investments	-10,850		
	23,062			-2,099	
		Financing Activities			
-1,478		Net short term loans raised	-596		
0		Other receipts from financing activities	-383		
1,630		Capital element of finance lease rental payments	1,717		
0		Long term loans raised	0		
2,100		Long term loans repayed	5,675		
300		Other payments for financing activities	0		
	2,552			6,413	
	13,881	**Net (increase) / decrease in cash and cash equivalents**		**-4,109**	
	21,593	**Cash and cash equivalents at 1st April**		**7,712**	
	7,712	**Cash and cash equivalents at 31st March**		**11,821**	26

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Service analysis

The service analysis in the comprehensive income and expenditure statement follows the standard service expenditure analysis as required under the Code of Practice (“The Code”) and under the Service Accounting Code of Practice (SerCOP). This analysis has to be adopted for purposes of external reporting, but differs from that used for internal reporting which follows the Council's directorate/service structure.

Internal reports are used to assist management in allocating resources and to plan, monitor and manage the Council’s performance and finances. They do not reflect in full all the accounting policies used in these financial statements (which serve a different purpose and are geared towards a different audience). In particular, internal reports exclude certain year end entries which are included in these statements for financial accounting purposes, but which balance across the Council to nil and have no impact either on council tax or levels of available funding. These entries include charges to the comprehensive income and expenditure statement relating to the valuation of fixed assets; capital expenditure and funding; retirement benefits; accumulated absences; and a technical adjustment to the council tax precept.

Directorate income and expenditure is as follows:

Segmental subjective analysis as reported to management 2012/13	**children & young people** £'000	**communities** £'000	**adults health & social care** £'000	**economy & environment** £'000	**chief executives** £'000	**central accounts** £'000	**Net service expenditure** £'000
Grants and contributions	-151,211	-71,016	-11,185	-3,049	-17,655	-180,053	-434,169
Fees, charges & other income	-9,967	-17,662	-13,706	-28,511	-26,572	-2,728	-99,146
Interest & investment income	-16	0	0	-4	-16	-1,073	-1,109
Total income	**-161,194**	**-88,678**	**-24,891**	**-31,564**	**-44,243**	**-183,854**	**-534,424**
Employee expenses	120,963	18,322	16,543	17,564	15,179	-1,882	186,689
Other operating expenses	87,567	83,248	58,528	36,658	25,618	12,732	304,351
Support Service Recharges	6,993	11,790	3,659	14,426	8,996	5	45,869
Total expenditure	**215,523**	**113,360**	**78,730**	**68,648**	**49,793**	**10,855**	**536,909**
Net Funding requirement before reserves	**54,329**	**24,682**	**53,839**	**37,084**	**5,550**	**-172,999**	**2,485**
Movement in reserves	**-1,687**	**-318**	**506**	**-1,709**	**222**	**790**	**-2,196**
Movement in balances	**52,642**	**24,364**	**54,345**	**35,375**	**5,772**	**-172,209**	**289**

Segmental subjective analysis as reported to management 2011/12	children & young people £'000	safer & stronger (renamed communities) £'000	adults health & social care £'000	economy & environment £'000	chief executives £'000	central accounts £'000	Net service expenditure £'000
Grants and contributions	-169,674	-67,936	-11,479	-4,430	-17,309	-184,622	-455,450
Fees, charges & other income	-13,272	-17,310	-14,016	-24,835	-25,888	-25	-95,346
Interest & investment income	-20	0	0	-8	-13	-1,013	-1,054
Total income	**-182,966**	**-85,246**	**-25,495**	**-29,273**	**-43,210**	**-185,660**	**-551,850**
Employee expenses	137,828	19,321	17,480	16,051	15,834	2,044	208,558
Other operating expenses	90,233	80,462	59,677	34,635	25,216	17,606	307,829
Support Service Recharges	6,490	10,372	3,155	12,067	8,473	6	40,563
Total expenditure	**234,551**	**110,155**	**80,312**	**62,753**	**49,523**	**19,656**	**556,950**
Net Funding requirement before reserves	**51,585**	**24,909**	**54,817**	**33,480**	**6,313**	**-166,004**	**5,100**
Movement in reserves	**-231**	**248**	**1,035**	**-705**	**1,677**	**-7,007**	**-4,983**
Movement in balances	**51,354**	**25,157**	**55,852**	**32,775**	**7,990**	**-173,011**	**117**

The above directorate analysis of movement in balances reconciles back to the net cost of services within the comprehensive income and expenditure statement as follows:

2011/12 £'000	**Reconcile segments to Net Cost of Services in Comprehensive Income and Expenditure Statement**	**2012/13 £'000**
117	Movement in balances	289
	Remove amounts reported to management not included in Net cost of Services	
- 19,716	Other operating expenditure	- 39,538
- 7,143	Financing and investment income and expenditure	- 8,968
198,421	Taxation and non specific grant income	193,807
8,904	Adjustments between accounting basis & funding basis	36,000
4,983	Movement on reserves	2,196
185,566	**Net Cost of Services in Comprehensive Income and Expenditure Statement**	**183,786**

The net cost of services is identified subjectively below:

Reconcile segments to total income and expenditure per Provision of Services Subjective Analysis 2012/13 £'000

	Service analysis	Amounts not reported (year end accounting entries)	Amounts not included in net cost of services	Allocation of recharges	**Net cost of services**	Operating, financing and taxation	**Surplus/deficit on the provision of services**
Fees, charges & other service income	-99,146	0	8,848	52,461	**-37,837**	0	**-37,837**
Interest and investment income	-1,109	0	1,109	0	**0**	-1,106	**-1,106**
Income from council tax	-81,149	-1,218	82,367	0	**0**	-82,367	**-82,367**
Net surplus from trading operations	0	0	0	0	**0**	-354	**-354**
Government grants and contributions	-353,020	-15,820	111,441	846	**-256,553**	-111,440	**-367,993**
Total income	**-534,424**	**-17,038**	**203,765**	**53,307**	**-294,390**	**-195,267**	**-489,657**
Employee expenses	186,689	1,079	-3,899	-2,699	**181,170**	0	**181,170**
Other service expenses	293,850	4,665	-14,889	-4,739	**278,887**	0	**278,887**
Support service recharges	45,869	0	0	-45,869	**0**	0	**0**
Depreciation, amortisation and impairment	0	18,119	0	0	**18,119**	0	**18,119**
Interest payments	9,995	0	-9,995	0	**0**	9,995	**9,995**
Precepts & levies	506	0	-506	0	**0**	506	**506**
Payments to housing capital receipts pool	0	10	-10	0	**0**	10	**10**
Pensions interest costs	0	962	-962	0	**0**	962	**962**
Investment and held for sale properties	0	-40	40	0	**0**	-883	**-883**
Gain or loss on disposal of fixed assets	0	39,376	-39,376	0	**0**	39,376	**39,376**
Total operating expenses	**536,909**	**64,171**	**-69,597**	**-53,307**	**478,176**	**49,966**	**528,142**
Movement in reserves	**-2,196**	**0**	**2,196**		**0**		**0**
Surplus or deficit on the provision of services	**289**	**47,133**	**136,364**	**0**	**183,786**	**-145,301**	**38,485**

Reconcile segments to total income and expenditure per Provision of Services Subjective Analysis 2011/12 £'000

	Service analysis	Amounts not reported (year end accounting entries)	Amounts not included in net cost of services	Allocation of recharges	**Net cost of services**	Operating, financing and taxation	**Surplus/deficit on the provision of services**
Fees, charges & other service income	-95,346	0	9,619	45,024	**-40,703**	0	**-40,703**
Interest and investment income	-1,054	0	1,054	0	**0**	-1,054	**-1,054**
Income from council tax	-81,414	1,043	80,371	0	**0**	-80,371	**-80,371**
Net surplus from trading operations	0	0	0	0	**0**	-492	**-492**
Government grants and contributions	-374,036	-18,387	118,050	809	**-273,564**	-118,050	**-391,614**
Total income	**-551,850**	**-17,344**	**209,094**	**45,833**	**-314,267**	**-199,967**	**-514,234**
Employee expenses	208,558	-5,067	-4,137	-2,857	**196,497**	0	**196,497**
Other service expenses	298,532	5,549	-24,598	-2,413	**277,070**	0	**277,070**
Support service recharges	40,563	0	0	-40,563	**0**	0	**0**
Depreciation, amortisation and impairment	0	26,266	0	0	**26,266**	0	**26,266**
Interest payments	8,845	0	-8,845	0	**0**	8,845	**8,845**
Precepts & levies	452	0	-452	0	**0**	452	**452**
Payments to housing capital receipts pool	0	22	-22	0	**0**	22	**22**
Pensions interest costs	0	-1,162	1,162	0	**0**	-1,162	**-1,162**
Investment and held for sale properties	0	1,701	-1,701	0	**0**	810	**810**
Gain or loss on disposal of fixed assets	0	19,438	-19,438	0	**0**	19,438	**19,438**
Total operating expenses	**556,950**	**46,747**	**-58,031**	**-45,833**	**499,833**	**28,405**	**528,238**
Movement in reserves	**-4,983**	**0**	**4,983**		**0**		**0**
Surplus or deficit on the provision of services	**117**	**29,403**	**156,046**	**0**	**185,566**	**-171,562**	**14,004**

2 Changes in accounting estimates and policies

The Council's accounts are prepared under, and comply fully with, International Financial Reporting Standards (IFRS). The accounting policies arising from adoption of these standards are disclosed elsewhere in the statement of accounts. The Council makes full retrospective application of any new standards such that the statements reflect the position as if these policies had always been in place.

No new IFRS standards have been adopted during the year. There are, however, two changes which will be adopted for the 2013/14 accounts relating to IAS1 (Presentation of Financial Statements) and IAS19 (Employee benefits).

The change to IAS1 is presentational and requires other comprehensive income and expenditure at the foot of the comprehensive income and expenditure statement to be split between those items reclassifable to profit and loss at a future date, and those which are not reclassifiable. Only gains and losses on the revaluation/disposal of available for sale financial assets will be reclassifiable, and the Council currently has very little of such items of income or expenditure.

The main change to IAS19 is that rather than the calculation of separate interest and expected return on plan assets figures in the surplus or deficit on the provision of services, there will be one composite figure based on the net defined liability and discount rate at the start of the year. As the discount rate applied is typically lower than the rate for expected return on assets (dropping from 6.7% to 4.4%), the effect will be to increase the charge to the Surplus/Deficit on the provision of services by approximately £12m. The expected return figure (less the interest calculated above) will be credited to other comprehensive income, and so there will be a corresponding increase in other comprehensive income and expenditure. Overall, there will be no effect on total comprehensive income and expenditure, or on the balance sheet, or on the cost to council taxpayers.

The expected returns figure credited above, along with actuarial gains and losses, will form part of a new term "remeasurements". Remeasurements are recognised in other comprehensive income and are not reclassifiable.

3 Critical judgements in applying accounting policies

In applying the Council's accounting policies, various judgements have to be made. Those which have a significant bearing on the figures recognised in the financial statements include:

Asset valuations. The Council is rationalising service delivery and the buildings from which services are provided. Asset valuations are based on service potential. Where a service is to be terminated, any unrecovered service potential is recognised at the point of termination. Where an asset is permanently underutilised, valuation methods reflect this.

Componentisation. Building components of significant value or with a life significantly different from the rest of the building, have been considered and identified as separate assets where there is likely to be a material effect on the amount charged for depreciation. As a result, we have identified the cremators as separate components.

Contingent Liabilities. A number of issues have arisen with potential liabilities for the Council, the outcome of which is based on possible future events. Those events for which, on balance, provision in the accounts is not warranted are detailed in note 30.

Business rate revaluations. At the first of April 2013, following the localisation of business rates, variations in business rate income will impact significantly on council funding. Although revaluation appeals can be backdated, they are recognised in the collection fund account once they have been determined. Revaluation appeals which have not been resolved by the Valuation Office Agency are considered to be contingent liabilities until a decision is made.

Financial assets and liabilities. Only other operational debtors/creditors and those with other public bodies and corporations have been recognised as financial assets/liabilities under the financial instruments disclosure note. All remaining debtors and creditors are deemed to arise under statutory debts or not to arise from contracts requiring the delivery of cash/financial assets.

Treatment of grants. Where grant funding has been received, judgement has been made as to whether any conditions associated with the receipt of that grant have been met or not. Grants with unmet conditions are included within creditors. Grants have been recognised through the comprehensive income and expenditure statement where conditions have been met. Sums have been appropriated into reserves where the grant monies have not yet been spent.

Closed landfill sites. Once landfill sites have been filled, there are on-going maintenance requirements under the terms of the site license to monitor stability and manage issues of gas and leachate. These are treated as annual revenue costs as they are incurred. If it becomes apparent that work is required to take action to secure or remediate a site, the cost of this is recognised as a provision until the work can be carried out.

Embedded leases. All significant service contracts (with annual costs over £100k) have been analysed to identify whether there are any embedded lease arrangements, where delivery of the service is dependent upon the provision or supply of specific, identified assets. One contract for printers/photocopiers has been identified as an arrangement containing a lease. The arrangement has been considered and the leased assets accounted for as an operating lease, with disclosure being made in the relevant disclosure note.

Leases. All leases have been assessed to determine whether they should be classified as finance or operating leases. Finance leases for a small number of vehicles have come to an end. All other leases have been classified and accounted for as operating leases.

Group accounts. We have considered relationships with a number of organisations involved in voluntary sector support, regional and local economic/development and tourist initiatives, and matters of common interest. We have determined that none fall to be accounted for within group accounting arrangements.

Academy schools. A number of schools have either become, or are considering becoming academies. Until such time as they actually convert, these schools are treated like other schools with any carrying amount on the balance sheet reflecting the ownership of the service value embedded in the asset. Schools are written out on transfer, and any unrecovered value is recognised in the comprehensive income and expenditure statement at that date.

Schools. In common with many other local authorities, the Council recognises ownership interests in community schools and voluntary controlled schools. These are valued at fair value and included in the Council's balance sheet. Ownership of foundation schools and voluntary aided schools is not vested in the Council and such buildings are not recognised. However, the costs of providing actual education services from such establishments and the revenues arising are recognised as service costs under net cost of services. CIPFA have initiated national discussions in order to promote uniformity of accounting treatment for schools. It is likely, but not certain, that the outcome will closely mirror the Council's current accounting treatment. Until these matters are resolved, we will continue with our existing accounting policy in terms of recognition of school buildings.

Private Finance Initiative schools. We have determined that, in respect of the Council's 5 school PFI scheme, irrespective of legal title, control of the assets rests effectively with the Council. One school is a foundation school which will, on termination of the contract, revert to the ownership of the governing body. Three of the schools are considering academy conversion, with one of these due to convert in the summer of 2013. In the meantime, due to the contractual arrangements in place between the Council and the provider, all these schools have been recognised as Council assets with a value on the balance sheet of £64m, and a liability to pay future rentals of £43m.

4 Assumptions made about the future and other major sources of estimation uncertainty

The balance sheet contains some estimated figures based on possible future events, or which are otherwise uncertain. All relevant factors are taken into account in determining values for assets and liabilities, but actual results could differ from the estimates based on the assumptions made. Potentially material effects include:-

Property, plant and equipment. Assets are depreciated over their useful lives which are dependent on assumptions about the level of repairs and maintenance. Asset lives are reviewed as part of the annual revaluation programme. The Council is already rationalising its property portfolio and in view of funding cuts, it is possible that future investment in properties which don't feature within the Council's long term property solution will fall. A reduction in asset life of one year for 20% of the asset holding would result in accelerated depreciation, and a reduction in total asset values of less than £0.1m.

Short term investments. This is based on the assumption that all institutions will be able to repay these on the due dates. The Council has had no defaults on any of its investments, and although one counter party credit rating has been adjusted after the balance sheet date, this should not impact on its ability to meet its repayment obligations and so impairment of outstanding amounts is not considered necessary.

Debtors. Approximately 27% of the debtors outstanding are public bodies from whom payment is fairly certain. The remainder have been assessed for credit liabilities – i.e. the chance that payment will not be made and that the asset should be impaired accordingly. Rates of non payment are based on historical collection rates for council tax and other operational debtors. If collection rates were to worsen due to the current economic climate, an amount of £100k would be required for each additional 5% impairment of debts (£190k for council tax debt).

Provisions. Provision has been made for the estimated resolution of a small number of issues. Based on past claims experience, provision has been made for the settlement of a number of outstanding insurance claims, and in particular for clawback of monies by MMI (the Council's former insurer which has gone into liquidation). A sum of £0.5m has been estimated for this. There is cover for any likely variations from this figure within earmarked reserves for contingent liabilities.

Employee benefits. An accrual has been made in the accounts for the cost of untaken annual leave, lieu time and flexi time at the year end. The calculation is based on representative sampling undertaken in previous years across employees, grades and directorates. The proportion of days to be accrued has remained relatively static (varying around the average between +13% and -9%). A change of 10% would result in a change of £0.1m in the accrual.

Net pensions liability. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes to individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £69m. However, the assumptions interact in complex ways. During 2012/13, the actuaries advised that the overall pensions liabilities had reduced by £1m as a result of estimates being corrected as a result of experience, and increased by £50m attributable to updating assumptions.

5 Material items of income and expense

There was a loss on disposal of fixed assets of £39m due to the transfer during the year of schools to academy trusts, and assets to community groups at less than market value.

£1.6m was spent on the road network due to flooding over the summer, and adverse weather conditions in winter.

Premium repayment charges of £1.4m were incurred in the early repayment of high interest loans. There will be savings in future years as a result of this action.

6 Events after the balance sheet date

These statements were authorised on the 30th May 2013. Events taking place after this date are not reflected in the financial statements or notes. Any events taking place after the year end but before the date of authorisation are considered and reflected only where the event provides information on conditions existing at the balance sheet date.

7 Asset transfers after the 31st March 2013

On the 1st April 2013, Mount Pellon Primary school became an academy. The school was transferred at nil value. The school had a value of £6.5m on the balance sheet at 31st March 2013 reflecting the service potential embodied in the asset at that date. Control of this service potential passed over on transfer of the asset, and this transaction will be reflected in the 2013/14 accounts.

8 Academy Schools

3 schools were actively pursuing conversion to Academy status at the balance sheet date. These include the school above which became an academy on the 1st April 2013. In total, these three schools have a balance sheet value of £22m.

Balances held for the three schools at the 31st March 2013 are as follows: -

Debtors	£0.1m
Cash in hand	£0.2m
Creditors	-£0.2m
Total net assets	£0.1m
Financed by	
School reserves	-£0.1m

9 Adjustment between accounting basis and funding basis under regulations

Proper accounting practices require recognition of certain items of income and expenditure within the comprehensive income and expenditure statement, which are not required under statutory provisions to be met from council tax (e.g. retirement costs, asset valuations and depreciation charges). This note details the adjustments made and the reserves to which these entries have been moved before calculating the actual effect on general fund balances and future capital financing resources.

2012/13	General fund balance	Usable capital receipts reserve	Capital grants unapplied reserve	Collection fund adjust. a/c	Movement in unusable reserves
Adjustments involving the capital adjustment a/c					
Reversal of items charged to the CIES					
Charges for depreciation/impairment of non current assets	21,593				-21,593
Revaluation of PPE	-3,604				3,604
Movements in the market value of investment properties	-40				40
Amortisation of intangible assets	131				-131
Capital grants and contributions	-12,537		-4,305		16,842
Net revenue expenditure funded from capital under statute	1,381				-1,381
Amounts of non current assets written off on disposal or sale	40,332				-40,332
Insertion of items not charged to the CIES					
Minimum revenue provision	-7,726				7,726
Capital expenditure funded from revenue	-3,407				3,407
Adjustments involving the capital receipts reserve					
Sale proceeds	-956	956			0
Other capital receipts		18			-18
Payment to the housing receipts pool	10	-10			0
Use of the capital receipts reserve to repay debt		-44			44
Use of the capital receipts reserve to finance new capital expenditure		-3,793			3,793
Adjustments involving the pensions reserve					
Reversal of IAS19 pension charges	18,815				-18,815
Employers' pension contributions	-16,338				16,338
Adjustments involving the collection fund adjustment a/c					
Collection fund income recognised in the CIES	-82,367			82,367	0
Collection fund income recognised under statute	81,149			-81,149	0
Adjustments involving the accumulated absences a/c					
accrual for holiday pay and similar items	-436				436
Total adjustments	**36,000**	**-2,873**	**-4,305**	**1,218**	**-30,040**

2011/12	General fund balance	Usable capital receipts reserve	Capital grants unapplied reserve	Collection fund adjust. a/c	Movement in unusable reserves
Adjustments involving the capital adjustment a/c					
Reversal of items charged to the CIES					
Charges for depreciation/impairment of non current assets	27,412				-27,412
Revaluation of PPE	-1,285				1,285
Movements in the market value of investment properties	1,405				-1,405
Movements in the market value of held for sale assets	296				-296
Movements in the valuation of heritage assets	24				-24
Amortisation of intangible assets	115				-115
Capital grants and contributions	-14,861		-11,508		26,369
Net revenue expenditure funded from capital under statute	2,024				-2,024
Amounts of non current assets written off on disposal or sale	21,341				-21,341
Insertion of items not charged to the CIES					
Minimum revenue provision	-13,057				13,057
Captal expenditure funded from revenue	-7,442				7,442
Adjustments involving the capital receipts reserve					
Sale proceeds	-1,903	1,903			0
Other capital receipts		41			-41
Payment to the housing receipts pool	22	-22			0
Use of the capital receipts reserve to finance new capital expenditure		-1,566			1,566
Use of the capital receipts reserve to finance new capital expenditure		-1,333			1,333
Adjustments involving the pensions reserve					
Reversal of IAS19 pension charges	12,904				-12,904
Employers' pension contributions	-19,206				19,206
Adjustments involving the collection fund adjustment a/c					
Collection fund income recognised in the CIES	-80,371			80,371	0
Collection fund income recognised under statute	81,414			-81,414	0
Adjustments involving the accumulated absences a/c					
accrual for holiday pay and similar items	72				-72
Total adjustments	**8,904**	**-977**	**-11,508**	**-1,043**	**4,624**

10 Earmarked reserves

Reserves at 1st April	Balance b/f 1/4/2012 £'000	Added to Reserves £'000	Taken from Reserves £'000	Balance c/f 31/3/2013 £'000	Purpose of reserve
Social services transformation	-	928		928	One off funding for implementation of reforms to care services
Public Health grant	-	530		530	Upfront and one-off project funding for public health services
Shared Services	-	837		837	Facilitate savings through the provision of shared services
High Needs education reserve	-	1,196		1,196	Grant funding carried forward into 2013/14
Early Year's reserve	868	407	-200	1,075	Grant funding carried forward into 2013/14
Adults & community Learning	583	668	-583	668	Grant funding carried forward into 2013/14
Improvement notice action plan	1,516	255	-1,516	255	Funding for improvements in children's social care
IT reserves	1,935			1,935	Replace IT equipment such as servers and other hardware
s106 Planning Agreements	1,494	150	-539	1,105	Developer contributions for specific schemes or purposes
Property Rationalisation	461		-269	192	Facilitate office moves within the Council
Contingent Liabilities	13,786	294	-3,950	10,130	Cover for insurance and other potential liability claims
Investment reserve	6,593	2,104	-541	8,156	Funding for the capital schemes and for invest to save initiatives
Early retirement	460	287		747	Pension fund obligations for past retirements & redundancies
Severe weather	634		-634	-	Cover for the impact of severe weather conditions
Waste disposal	1,994	391	-100	2,285	Funding for the proposed shared waste service with Bradford MDC
Cromwell Bottom landfill site	1,600	151		1,751	Land remediation scheme
Performance Reward Grant	1,829		-662	1,167	Grant funding committed towards specific schemes
Regeneration reserve	1,062		-207	855	Funding for regeneration initiatives across Calderdale
Economic fighting fund	730		-261	469	Funding to help alleviate economic hardship
Economic investment fund	-	2,000		2,000	Funding to promote economic growth
Policy reserves - carry forwards	1,560	796	-1,560	796	Service and central underspends carried forward into 2013/14
Other Earmarked Reserves	4,396	1,813	-2,262	3,947	Miscellaneous service reserves
Total non schools reserves	**41,501**	**12,807**	**-13,284**	**41,024**	
Schools staff absences	1,753	11		1,764	Schools' funding to provide cover for staff absences
School contingencies	3,027	78	-513	2,592	Other funding sources held for schools
Statutory schools reserves	8,167	1,509	-2,804	6,872	School reserves
Total school reserves	**12,947**	**1,598**	**-3,317**	**11,228**	
Reserves at 31st March	**54,448**	**14,405**	**-16,601**	**52,252**	

This note sets out the main earmarked reserves held at the year end. All reserves are created either by service directorates under delegated powers, or by specific Council resolution. 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 2013 is £6.872m. Three schools had deficits totalling £0.028m.

11 Government Grants

Increasingly, Government grants are received in the form of general funding of Council activity rather than towards specific services. A small number of service specific grants are still received and are analysed as service income in the net cost of services. The main ones are as follows:

Analysis of income received on Government grants	2012/13 £m	2011/12 £m
Service specific grants		
Housing Benefit Grant (Rent Allowances)	68.3	65.1
Council Tax Benefit Grant	16.3	16.4
Dedicated Schools Grant	122.2	135.4
Pupil Premium Grant	4.1	2.2
Sixth form Funding (YPLA)	4.6	8.2
Adult and Community Learning (Skills Funding Agency)	1.0	1.0
PFI Grant	1.6	1.6
Other Government Grants	3.1	9.6
TOTAL	**221.2**	**239.5**

Some grants have specific conditions attached to them requiring repayment if the conditions are not met. These are not reflected in the comprehensive income and expenditure statement, but are carried as creditors until the conditions have been properly met. There is £3m included as short term creditors (£2m in 2011/12), being principally monies advanced by the Primary Care Trust for specific projects, and advance receipts for specific services.

Grants which are non specific, are included under “Government Grant not attributable to specific services”. Non specific grants include:-

	2012/13	2011/12
Non specific grants	**£m**	**£m**
Revenue support grant	1.5	19.4
Core grants	17.7	16.5
Local services support grant	0.6	1.0
PFI interest	3.2	3.3
Other revenue non specific grants	0.3	0
Capital grants with fulfilled conditions	12.5	14.9
TOTAL	**35.8**	**55.1**

Grants for capital schemes with no outstanding conditions which have not yet been applied to finance capital expenditure, are carried forward in the capital grants unapplied reserve pending development of the various schemes. £24m has been carried forward (£28m in 2011/12). £19m of this total is schools related capital grants.

12 Dedicated Schools Grant

The Council’s expenditure on schools is funded primarily by grant monies provided by the Department for Education. An element of the grant is recouped by the Department to fund academy schools in the Council’s area. The Dedicated Schools Grant (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 educational 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, and variances on central expenditure being carried forward in reserves for future years’ DSG.

Details of the deployment of DSG receivable for 2012/13 are as follows:

SCHOOLS BUDGET FUNDED BY DEDICATED SCHOOLS GRANT	CENTRAL EXPENDITURE	INDIVIDUAL SCHOOLS BUDGET	TOTAL
	£000s	£000s	£000s
2012/13			
Final DSG for 2012/13 before Academy recoupment	17,095	146,362	163,457
Academy figure recouped for 2012/13	-336	-40,888	-41,224
Total DSG after Academy recoupment for 2012/13	16,759	105,474	122,233
Brought forward from 2011/12	2,345		2,345
Final budgeted distribution for 2012/13	19,104	105,474	124,578
Less actual central expenditure	-17,110		-17,110
Less actual ISB deployed to schools		-105,474	-105,474
Carry forward to 2013/14	**1,994**	**0**	**1,994**
2011/12			
Final DSG for 2011/12 before Academy recoupment	19,120	142,956	162,076
Academy figure recouped for 2011/12	-201	-26,469	-26,670
Total DSG after Academy recoupment for 2012/13	18,919	116,487	135,406
Brought forward from 2010/11	1,926	0	1,926
Final budgeted distribution for 2011/12	20,845	116,487	137,332
Less actual central expenditure	-18,500		-18,500
Less actual ISB deployed to schools		-116,487	-116,487
Carry forward to 2012/13	**2,345**	**0**	**2,345**

13 Other Long Term Commitments

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. The value of these assets on the balance sheet at the start of the year was £65.1m. After depreciation and revaluations, the valuation of the schools at the year end was £63.9m. There is also a liability on the balance sheet to pay future lease rentals. Following in year payment, this fell from an opening liability of £44.6m to £43.2m.

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. This charge is broken down into 3 elements – a service charge (including provision for lifecycle replacement costs which are expensed in line with the original PFI operator model agreement); repayment of the liability; and associated interest charges. The scheme attracts annual Government grant funding with the net cost being met by Council contributions, and contributions from the schools.

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

Year ended 31st March 2013	Service Charges £m	Repayment of liability £m	Interest costs £m	Total unitary charge £m
Less than one year	2.5	1.5	3.1	7.1
Between two and five years	10.6	6.8	11.6	29.0
Between six and ten years	14.4	11.4	11.7	37.5
Between eleven and fifteen years	16.0	15.6	7.4	39.0
Between sixteen and twenty years	7.1	7.9	1.7	16.7
Between twenty one and twenty-five years	0.0	0.0	0.0	0.0
	50.6	**43.2**	**35.5**	**129.3**

Year ended 31st March 2012	Service Charges £m	Repayment of liability £m	Interest costs £m	Total unitary charge £m
Less than one year	2.5	1.4	3.2	7.1
Between two and five years	10.4	6.4	12.0	28.8
Between six and ten years	14.1	10.7	12.4	37.2
Between eleven and fifteen years	15.6	14.7	8.4	38.7
Between sixteen and twenty years	10.5	11.4	2.7	24.6
Between twenty one and twenty-five years	0.0	0.0	0.0	0.0
	53.1	**44.6**	**38.7**	**136.4**

These commitments are based on the original model and are index linked at an assumed 2% p.a. An actual annual inflation rate is applied based on specified factors. This rate has, on average, proved to be slightly higher than that assumed in the model (increasing the total unitary charge by £0.3m). This increase (known as contingent rent) forms part of the service charge. The Council will receive grant of £87m towards the annual contract charges over the remaining life of the contract.

14 Members' Allowances

Total members' allowances paid in 2012/13 was £690k (£689k in 2011/12). In accordance with regulations these have been advertised as being available for public inspection.

15 Officers' & Teachers' Remuneration

There are reporting requirements under both regulations and the code for remuneration and other payments to staff as follows: -

- Disclosure of the remuneration of senior employees. Senior employees are defined as holders of specific statutory posts, and those employees identified as having responsibility for the management of the Council.
- The number of exit packages agreed (grouped in rising bands of £20k up to £100k, and bands of £50k thereafter), analysed between compulsory redundancies and other departures, together with the total cost of packages agreed in each band. Exit packages include compulsory and voluntary redundancies; the cost of early pension entitlement; ex gratia payments and any other departure costs. This table includes any exit packages made available to senior officers.
- Disclosure in bands of £5k of the number of employees (including schools based staff) whose remuneration during the period covered by the accounts exceeds £50k. Remuneration means all amounts paid to or receivable by an employee, and expense allowances chargeable to UK tax. These figures include termination settlements as appropriate, but exclude all senior employees listed separately in that specific disclosure.

Remuneration of senior employees

Current Senior Officers		Salary, fees & allowances £'000	Bonuses £'000	Expenses £'000	Compens-ation payments £'000	Pension contributions £'000	Non cash benefits £'000	Total remuneration £'000
Chief Executive [1]	2012/13	69				10		79
	2011/12							0
Head of Finance	2012/13	97				16		113
	2011/12	92				14		106
Head of democratic &	2012/13	82				13		95
partnership servcies	2011/12	82				13		95
Director of children and	2012/13	122				0		122
young people	2011/12		Post filled April 2012					0
Director of economy and	2012/13	122				19		141
environment	2011/12	122				19		141
Director of communities	2012/13	112		1		18		131
	2011/12	112				17		129
Director of adults, health	2012/13	112				18		130
and social care [2]	2011/12	28				4		32
Former Senior Officers								
Chief executive [3]	2012/13	36				4		40
	2011/12	147		1		23		171
Director of adults, health	2012/13							0
and social care [4]	2011/12	42				6		48
Director of children and	2012/13							0
young people [5]	2011/12	99		1	30	14		144
Interim senior officers in 2012/13								
Acting chief executive (May to Nov)	2012/13	101		9				110
Interim senior officers in 2011/12								
Acting director of adults, health	2012/13							
and social care	2011/12	49		3				52
Acting director of children and	2012/13							
young people	2011/12	29						29

[1] Appointed November 2012
[2] Appointed January 2012
[3] Left May 2012
[4] Left August 2011
[5] Left January 2012

Exit packages

2011/12 Voluntary		Officers' and Teachers' Exit Packages including Redundancy and associated Pension Entitlement	2012/13 Voluntary		2012/13 Compulsory	
no. of staff	Total value £'000	£	no. of staff	Total value £'000	no. of staff	Total value £'000
159	989	0 - 19,999	29	269	38	220
38	1073	20,000 - 39,999	13	338	7	200
17	838	40,000 - 59,999	1	53	3	133
6	394	60,000 - 79,999			1	60
2	181	80,000 - 99,999	1	87		
1	108	100,000 - 149,999				
223	3583		44	747	49	613

These figures include redundancy costs which are paid on exit, and consolidated early pension entitlement costs which are borne by the Council, but where the benefit is paid over the lifetime of the pensioner.

Employees earning over £50k

No. of staff 2011/12 Teaching staff	No. of staff 2011/12 Non teaching staff	Officers' and Teachers' Remuneration £	No. of staff 2012/13 Teaching staff	No. of staff 2012/13 Non teaching staff
44	20	50,000 - 54,999	41	16
32	10	55,000 - 59,999	26	7
18	8	60,000 - 64,999	18	6
8	1	65,000 - 69,999	9	2
4	9	70,000 - 74,999	4	1
1	7	75,000 - 79,999	1	3
5	9	80,000 - 84,999		7
1	3	85,000 - 89,999	4	
3	1	90,000 - 94,999		
		95,000 - 99,999		
1	2	100,000 - 104,999	1	
		105,000 - 109,999		
		110,000 - 114,999		
		115,000 - 119,999		
		120,000 - 124,999		
		125,000 - 129,999		
		130,000 - 134,999	1	
	1	135,000 - 139,999		
117	71		105	42

16 Related Party Transactions

Authorities are required to disclose transactions between themselves and related parties. Related parties are entities or persons with significant influence over the financial and operating policy decisions of the Council, and any separate entities controlled or jointly controlled by such persons or close family members. 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, and the safeguards taken to prevent it.

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

- Central Government
- Pension Fund
- Other public bodies
- Members and Chief Officers (including close family and any organisations in which they or their close family have a controlling interest).

- Central Government

The UK Government is responsible for specifying the statutory framework within which local authorities operate, and prescribing the terms of many transactions undertaken. It also provides the majority of its funding. The main grants receivable are detailed in note 11. Year end debtor and creditor balances with Central Government are shown in notes 24 and 27.

- Pension Funds

Payments in respect of post employment benefit plans are detailed in note 33. Pension fund creditors are included in note 27.

- Other Public Bodies

The Council collects and then pays over council tax income on behalf of other precepting authorities. Precepts paid to parish councils are shown in the comprehensive income and expenditure statement. Precepts paid to West Yorkshire Fire and Rescue Authority and the West Yorkshire Police Authority are shown in the collection fund.

Payments are also made to other public bodies providing services within Calderdale. These include a levy paid to the West Yorkshire Passenger Transport Authority of £8.7m (£8.7m in 11/12) for public transport provision, and payments of £0.9m to other local authorities (including a joint committee of West Yorkshire districts) for services such as trading standards, archives, probation and coroners courts.

- Members and Chief Officers

All Members of the Council and chief officers (members of the senior management team and statutory officers) are in positions of significant influence over the Council's financial and operating policies. Related parties includes all such persons and close family members.

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 Head of Democratic and Partnership Services.

Members are under a statutory duty to disclose specific financial interests. These are registered and available for public inspection on the Council's website. Members are also required to disclose financial and other interests in matters being considered at meetings at which they are present. The purpose of such disclosure is to prevent them from taking part in discussions and decisions where there is any potential conflict of interest.

In addition to registerable interests, a questionnaire was circulated to all Members and Chief Officers asking them to declare any further transactions which may need consideration for disclosure as related party transactions. By the nature of the position held in the community, Councillors represent the Council on many local boards and interest groups. In addition Councillors may, in their own right, be involved in, members of, employed by or own, businesses and organisations which may provide services to or be in receipt of funding from, the Council. There have been no material transactions during the year between such groups identified and the Council.

17 External Audit Fees

2011/12 £'000	FEES PAYABLE UNDER THE AUDIT COMMISSION ACT FOR EXTERNAL AUDIT SERVICES	2012/13 £'000
250	External audit services	149
49	Certification of grant claims and returns	31

These are the fees for external audit services under the 1998 Audit Commission Act which were incurred during the year by the Council.

18 Property, plant and equipment

Property, plant and equipment are tangible assets (i.e. those with physical substance) held for the provision of services (either directly or indirectly through other parties) or for administrative purposes.

Property, plant and equipment includes 56 community and voluntary controlled schools (and one foundation school under a pfi contract) valued at £234.7m, but does not include 19 voluntary aided schools and 3 foundation schools. These schools are legally owned by the diocese or by the board of governors respectively and it is they who bear the risks and benefits associated with ownership (e.g. responsibility for maintenance and insurance, sale proceeds etc). Continuing access to the assets relies on the extended goodwill of the diocese or governing body.

It is only the buildings themselves which are excluded from the accounting statements. All running costs associated with service provision and DSG grant funding are included in the accounting statements, and these schools' balances (£1.9m) are included in the balance sheet as part of overall school balances. Capital expenditure on these schools is treated as REFCUS – that is, expenditure funded by capital resources, but from which the Council derives no controllable benefit and so is charged to the education services line in the net cost of services within the comprehensive income and expenditure statement.

The schools provided under the PFI agreement are accounted for as Council schools (even though legal ownership rests elsewhere) as it is considered that the Council effectively controls them through contractual arrangements. This scheme includes one school which is a foundation school and which will, on termination of the agreement, revert to the governing body. Unlike other foundation schools, this school is included as a Council school as there are contractual arrangements in place for the provision of such an asset with a third party (there are no such contractual commitments with other foundation or voluntary aided schools).

Movement on Tangible Fixed Assets y/e 31st March, 2013	**Property, Plant and Equipment (PPE)**						**Total PPE Assets**
	Land and Buildings	Vehicles, Plant & equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Certified Valuation at 1/4/12	444,204	0	0	0	1,358	0	**445,562**
Accumulated spend	22,198	11,617	124,547	6,274	16	20,768	**185,420**
Accumulated depreciation	-25,061	-8,191	-42,210	0	-65	0	**-75,527**
Net Book Value at 1/4/12	**441,341**	**3,426**	**82,337**	**6,274**	**1,309**	**20,768**	**555,455**
Movements during the year							
Additions	6,648	988	4,895	408		11,348	**24,287**
Disposals	-39,805	-79					**-39,884**
Change in Provision	-2,000						**-2,000**
Revaluations							
- to revaluation reserve	15,167				168		**15,335**
- to surplus/deficit on provision of services	2,884				13		**2,897**
Impairments							
- to revaluation reserve	-14,723						**-14,723**
- to surplus/deficit on provision of services	-3,513				-85	-98	**-3,696**
Reclassifications	29,205					-29,205	**0**
Depreciation during the year							
Depreciation charged	-11,795	-1,088	-4,983		-47		**-17,913**
Disposals	250	45					**295**
Revaluations							
- to revaluation reserve	11,548						**11,548**
- to surplus/deficit on provision of services	707						**707**
Impairments							
- to revaluation reserve	2,019						**2,019**
- to surplus/deficit on provision of services	6				61		**67**
Reclassifications							**0**
Net Book Value at 31/3/13	**437,939**	**3,292**	**82,249**	**6,682**	**1,419**	**2,813**	**534,394**
Certified Valuation at 31/3/13	444,680				1,454	0	**446,134**
Accumulated spend	15,585	12,526	129,442	6,682	15	2,813	**167,063**
Accumulated depreciation	-22,326	-9,234	-47,193	0	-50	0	**-78,803**
Net Book Value at 31/3/13	**437,939**	**3,292**	**82,249**	**6,682**	**1,419**	**2,813**	**534,394**
Nature of asset holding							
Owned	373,994	3,292	82,249	6,682	1,419	2,813	470,449
Finance lease							-
PFI	63,945						63,945
	437,939	**3,292**	**82,249**	**6,682**	**1,419**	**2,813**	**534,394**

Movement on Tangible Fixed Assets y/e 31st March, 2012	Property, Plant and Equipment (PPE)						Total PPE Assets
	Land and Buildings	Vehicles, Plant & equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation at 1/4/11	472,237	0	0	0	2,148	0	**474,385**
Accumulated spend	24,036	11,289	118,642	5,865	11	4,031	**163,874**
Accumulated depreciation	-21,765	-7,407	-37,465	0	-26	0	**-66,663**
Net Book Value at 1/4/11	**474,508**	**3,882**	**81,177**	**5,865**	**2,133**	**4,031**	**571,596**
Movements during the year							
Additions	9,904	828	5,905	409		16,782	**33,828**
Disposals	-22,451	-500			-10		**-22,961**
Revaluations							
- to revaluation reserve	4,510				5		**4,515**
- to surplus/deficit on provision of services	1,235				50		**1,285**
Impairments							
- to revaluation reserve	-13,895				-8		**-13,903**
- to surplus/deficit on provision of services	-8,630				-801	-45	**-9,476**
Reclassifications	-544				-21		**-565**
Depreciation during the year							
Depreciation charged	-11,985	-1,157	-4,745		-49		**-17,936**
Disposals	1,513	373					**1,886**
Revaluations							
- to revaluation reserve	2,486						**2,486**
- to surplus/deficit on provision of services							**0**
Impairments							
- to revaluation reserve	4,663				7		**4,670**
- to surplus/deficit on provision of services							**0**
Reclassifications	27				3		**30**
Net Book Value at 31/3/12	**441,341**	**3,426**	**82,337**	**6,274**	**1,309**	**20,768**	**555,455**
Certified Valuation at 31/3/12	444,204				1,358	0	**445,562**
Accumulated spend	22,198	11,617	124,547	6,274	16	20,768	**185,420**
Accumulated depreciation	-25,061	-8,191	-42,210	0	-65	0	**-75,527**
Net Book Value at 31/3/12	**441,341**	**3,426**	**82,337**	**6,274**	**1,309**	**20,768**	**555,455**
Nature of asset holding							
Owned	376,243	3,151	82,337	6,274	1,309	20,768	490,082
Finance lease		275					275
PFI	65,098						65,098
	441,341	**3,426**	**82,337**	**6,274**	**1,309**	**20,768**	**555,455**

The Council has identified sufficient capital resources to progress its approved capital programme which includes grant funding earmarked for school schemes of £19m; £42m on major town centre projects such as the Piece Hall, Central Library and offices including new Customer First premises, and rolling programmes of highways works, housing grants and further general school improvements costing approximately £10m p.a.

The Council is contractually committed as at the 31st March 2013 to expenditure of £0.9m (£11.2m in 2011/12) under contracts at primary schools.

19 Investment properties

2011/12	Movement on Investment Properties	2012/13
		£'000
10,791	Certified Valuation at 1st April	9,344
175	Accumulated spend	135
10,966	**Net Book Value at 1st April**	**9,479**
	Movements during the year	
54	Additions	72
-136	Disposals	-347
	Revaluations	
1,108	- to surplus/deficit on provision of services	427
	Impairments	
-2,513	- to surplus/deficit on provision of services	-387
9,479	**Net Book Value at 31st March**	**9,244**
9,344	Certified Valuation at 31st March	9,098
135	Accumulated spend	146
9,479	**Net Book Value at 31st March**	**9,244**
	Nature of asset holding	
9,479	Owned	9,244
9,479		**9,244**

Investment properties are those assets held solely to earn rentals or for capital appreciation, and are not used to provide services or for administrative purposes. Rental income of £0.9m (£0.9m in 11/12) was earned in the year.

Investment properties are measured at fair value reflecting market values at the balance sheet date. After initial recognition, gains and losses on revaluation are recognised in the surplus/deficit on the provision of services. Investment properties are not depreciated.

20 Heritage Assets

2011/12	Movement on Heritage Assets	2012/13
		£'000
3,392	Certified Valuation at 1st April	3,392
0	Accumulated spend	0
3,392	**Net Book Value at 1st April**	**3,392**
	Movements during the year	
24	Additions	65
	Impairments	
-24	- to surplus/deficit on provision of services	
3,392	**Net Book Value at 31st March**	**3,457**
3,392	Certified Valuation at 31st March	3,392
0	Accumulated spend	65
3,392	**Net Book Value at 31st March**	**3,457**
	Nature of asset holding	
3,392	Owned	3,457
3,392		**3,457**

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held principally for their contribution to knowledge and culture rather than for any operational reasons. Heritage assets are accounted for generally in accordance with the accounting policy for property, plant and equipment. Specifically:-

- Some heritage buildings and structures (such as cemetery chapels, church spires and ruins, a dovecote, fountains, statues, war memorials and a gibbet) have not been valued due to the lack of comparable market values and the difficult valuation issues surrounding such items.

- Apart from 70,000 items of little or no value, museum collections and artwork are carried on the balance sheet at insurance value. These were valued in 2002, but the expense of revaluing these is not considered worthwhile in view of the amounts involved. There is one painting with a value over £300k, and this valuation was refreshed in 2011.

The balance sheet includes collections of artwork £2.8m, civic regalia £0.2m, furniture £0.2m, and other artefacts £0.2m. In total, there are approximately 200 such items. These have indeterminate lives and residual values commensurate with carrying values and hence depreciation is not considered necessary.

Much of the artwork transferred to the Council on local government reorganisation in 1974. Collections are fairly static and acquisitions, sales and donations are infrequent. Council policy in relation to acquisitions and disposals can be found on the website. Some items are on permanent display. Others are included in temporary exhibitions. Items in storage can be viewed by appointment through the museum service, and access is given through the use of loans to other museums, and via the internet. For example all the oil paintings can be viewed online.

21 Valuation of Tangible Fixed Assets

- Property assets. The Council's land and buildings property stock has been valued by the Council's in house valuers J Wilkinson MRICS and D Gilliard FRICS on the basis of current value in existing use, except where a building is of a specialised nature and there is no available market evidence, in which case depreciated replacement cost has been used, based on a modern equivalent asset using the instant build approach. Property assets are assessed at fair value in line with the professional valuation standards of the Royal Institution of Chartered Surveyors, either on a general rolling programme basis over a 5 year period, or specifically where there has been significant spend on an asset or evidence of general valuation changes for types of assets during the year (PPE assets). Investment properties and held for sale assets are assessed annually to reflect market values at the balance sheet date. Valuations have been undertaken as follows: -

Date valued	2012/13	2011/12	2010/11	2009/010	2008/09	Prior to April 2008	Certified Value	Net Book Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Land and Buildings	127,373	52,665	127,187	104,742	32,713		444,680	437,939
Vehicles, Plant & Equipment							-	3,292
Infrastructure							-	82,249
Community Assets							-	6,682
Surplus Assets	265	159	904	26	100		1,454	1,419
Assets under Construction							-	2,813
Heritage Assets		320				3,072	3,392	3,457
Investment Properties	2,727	4,648	698	472	553		9,098	9,244
Held for Sale Assets			58	26			84	84
Total	130,365	57,792	128,847	105,266	33,366	3,072	458,708	547,179

The majority of higher value assets are specialised and are therefore assessed using depreciated replacement cost. They are valued using appropriate average building cost information services indices reflecting property type and locality and, in echoing broader measures, they typically differ from simple market values. Building costs have been variable during the year. Land values have generally been low, though small plots of land of non-specific use ("accommodation land") have continued to demonstrate resilience indicating continued interest in small scale speculation. Landed assets have been revalued according to assumptions which better reflect land use planning allocations within the Council's unitary development plan.

- Plant, vehicles and equipment are held at current value. Where asset lives are 5 years or less, or the value of the item is less than £300k, or where it is impractical to obtain a valuation, historical cost is taken as a proxy for current value.

- Infrastructure assets (e.g. highways and bridges), community assets (e.g. parks, cemeteries) and assets under construction are measured at historical cost. Community assets were recorded initially at nominal value, with subsequent expenditure being capitalised at historical cost. All other assets are held at fair value.

With the exceptions of land (unless it has a finite life), buildings under construction, and community assets (unless specifically appropriate), all items of property, plant and equipment are depreciated over their useful economic lives. Depreciation is calculated by writing off the valuation of the asset less any estimated residual value over the useful life of the asset calculated on an individual basis dependent upon the type of asset. For example: -

- 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.
- Plant, vehicles and equipment have been depreciated on a straight line basis over periods of between 5 and 15 years.

22 Financing of capital expenditure

This table shows how the Council's total capital expenditure in the year has been financed. Expenditure which can be met from capital resources, but which is not expenditure on fixed assets owned by the Council (refcus) comprises mainly spend on housing related grants and advances, and foundation or voluntary aided schools. This is treated as revenue expenditure and is included with any associated grant funding in net service costs within the surplus/deficit on the provision of services. Adjustments are made to these entries so that the net cost can be met through capital resources and does not fall on council taxpayers. Expenditure under the equity homebuy scheme is shown as an investment, and other loans are included as long term debtors.

2011/12 £'000	Capital expenditure	2012/13 £'000
33,828	Property, plant and equipment	24,287
24	Heritage Assets	65
54	Investment properties	72
88	Investments	0
0	Long Term Debtors	13
5,549	Revenue expenditure financed by capital (refcus)	4,664
39,543		**29,101**
	Financed by	
874	Borrowing	1,776
1,333	Capital Receipts	3,793
29,894	Grants & Contributions	20,125
7,442	Revenue & Reserves	3,407
39,543		**29,101**

23 Finance and Operating Leases

Lease rental payments (the Council as lessee)

Finance leases

The Council has finance leases in place for a number of vehicles. These are due to terminate shortly and their value has now been written out of the balance sheet. The remaining lease commitments are as follows:-

	2012/13			2011/12		
	Repayment of liability	Interest costs	**Total charge**	Repayment of liability	Interest costs	**Total charge**
	£m	£m	**£m**	£m	£m	**£m**
Less than one year	0.0	0.1	**0.1**	0.3	0.0	**0.3**
Between one and five years	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Over five years	0.0	0.0	**0.0**	0.0	0.0	**0.0**
	0.0	0.1	**0.1**	0.3	0.0	**0.3**

There are also a small number of properties on long-term leases mainly exceeding 100 years. The net book value of these properties is £7.1m (£5.8m in 2011/12). Premium payments were made at the time of entering into the leases, so there are no outstanding liabilities for future lease rental payments for these properties.

Operating leases

The Council has in place arrangements for the provision of a number of vehicles, sweepers and printers/photocopiers which are accounted for on an operating lease basis. Rental payments of £0.7m were made during the year (£0.5m in 2011/12), and these are included in the net cost of services. Commitments to future operating lease payments for the Council are as follows:-

	2012/13 Future rental costs	2011/12 Future rental costs
	£m	£m
Less than one year	0.5	0.6
Between one and five years	1.0	1.5
Over five years	0.0	0.0
	1.5	2.1

The Council is also lessee for a few, predominantly short-term, property leases. The current minimum value of future lease payments is £2.4m (£3.6m in 11/12) as follows:-

	2012/13 Future rental costs	2011/12 Future rental costs
	£m	£m
Less than one year	0.5	0.6
Between one and five years	1.1	1.8
Over five years	0.8	1.2
	2.4	3.6

Lease rental income (the Council as lessor)

Operating leases

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). The Council had rental income of £1.3m (£1.3m in 2011/12) receivable during the year.

	2012/13				**2011/12**			
	Shops	Markets	Offices/other	**Total**	Shops	Markets	Offices/other	**Total**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Less than one year	0.5	0.3	0.2	**1.0**	0.6	0.3	0.2	**1.1**
Between one and five years	1.1	0.0	0.5	**1.6**	1.2	0.0	0.5	**1.7**
Over five years	0.4	0.0	0.2	**0.6**	0.6	0.0	0.3	**0.9**
	2.0	0.3	0.9	**3.2**	2.4	0.3	1.0	**3.7**

24 Short term debtors

2012 Debt	2012 Allowance	ANALYSIS OF DEBTORS AT 31st MARCH	2013 Debt	2013 Allowance
£'000	£'000		£'000	£'000
5,714		Central government	7,194	
622	-3	Other local authorities	681	0
1,247	-9	Health bodies	1,187	-7
0		Public corporations	0	
16,373	-2,709	Other operational debtors	12,627	-3,287
9,455	-4,384	Council tax payers	10,133	-5,079
2,003		Prepayments	1,278	
35,414	**-7,105**	**Total Debtors**	**33,100**	**-8,373**

This is an analysis of sums owing to the Council and not received by the 31st March 2013 (but due within 12 months of that date), and of any prepayments made. To mitigate against the risk of non payment of debts, the main categories of debtor have been reviewed for impairment both individually and collectively, and appropriate provision made for monies due which it is anticipated may not be recovered. Charges during the year for impairment of debtors of £1.1m have been made to the net cost of services in the comprehensive income and expenditure statement, and £1.1m to the collection fund in respect of the Council's share of council tax arrears.

25 Short Term Investments

These are cash balances held over the year end and temporarily lent out to financial institutions - £62.4m (£63.1 in 2011/12) and the Government's Debt Management Office - £2.6m (£12.75m lent to other local authorities in 2011/12). The balances invested are distinct from cash equivalents as the liquidity of the investments is for a fixed period and the investments cannot be cashed in other than at the arranged date without the consent of the counterparty and probable penalties.

26 Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements. For the purpose of the cashflow, the total cash movement also includes the Council's reconciled bank balance.

2011/12	Cash and cash equivalents - cash held	2012/13
£'000		£'000
10,572	Cash held in school bank accounts	8,535
0	Cash held in Council bank accounts	3,117
160	Cash held by the Council	169
10,732		**11,821**
-3,020	**Cash and cash equivalents - bank overdraft**	**0**
7,712	**Total cash and cash equivalents**	**11,821**

27 Short term creditors

2012 £'000	ANALYSIS OF CREDITORS AT 31st MARCH	2013 £'000
9,132	Central government	10,894
444	Other local authorities	478
642	Health bodies	262
2	Public corporations	0
20,612	Other operational creditors	18,647
4,920	Accumulated absences	4,484
4,295	Pension Funds	2,165
2,263	Council tax payers	1,128
2,633	Other accruals and deferred income	3,472
44,943	**Total Creditors**	**41,530**

These are sums owed by the Council which have not been paid at the 31st March 2013 and which are due for settlement within one year. The analysis also includes other monies received in advance of services being provided or grant conditions being fulfilled, and which will be recognised as income once services have been provided or grant conditions met.

28 Provisions

(i) Insurance claims (£3.7m)

Provision has been made for possible settlement of a number of insurance claims. The Council is self-insured up to specific limits for various categories of risk. 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 £1m to £1.5m 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.

Provision has also been made for clawback from settled claims arising from years for which cover was provided by an underwriter which has gone into liquidation. A levy notice is expected soon under the scheme of administration.

(ii) Other claims (£1.6m)

The Council has made provision for a small number of other items, including costs incurred in a PFI scheme which is now unlikely to proceed, and settlement of expenses incurred by a third party in objecting to a compulsory purchase order for land within its ownership. This item has been indemnified by the developer of the site who will reimburse the estimated settlement costs (£0.5m), and this sum has been accrued into the accounts.

(iii) Capital provision (£1.5m)

Recognition has been made of future capital expenditure requirements relating to land restoration obligations at a former landfill site. Capital financing resources have been identified to pay for this work which is expected to be completed next year.

All material provisions are listed below:

ANALYSIS OF MOVEMENT IN PROVISIONS 2012/13	Insurance claims	Other	Capital provision	Total
	£'000	£'000	£'000	£'000
Opening balance 1/4/12	2,948	447	3,500	6,895
Additional provision made	2,745	1,567		4,312
Settlements made	-1,972	-181		-2,153
Reversal of amounts not used	0	-266	-2,000	-2,266
Closing balance 2012/13	**3,721**	**1,567**	**1,500**	**6,788**
of which expected to be settled within 12 months	*1,308*	*1,567*	*1,500*	*4,375*
ANALYSIS OF MOVEMENT IN PROVISIONS 2011/12				
Opening balance 1/4/11	3,411	4,482	3,500	11,393
Additional provision made	1,045	192		1,237
Settlements made	-1,508	-4,227		-5,735
Reversal of amounts not used				0
Closing balance 2011/12	**2,948**	**447**	**3,500**	**6,895**
of which expected to be settled within 12 months	*1,232*	*184*		*1,416*

29 Details of movements on reserves during the year

Usable reserves are those reserves which the Council can, at its own discretion, call upon to fund its operating activities and capital investment. These are shown in the movement in reserves statement. Gains and losses during the year arising from operating performance are reflected in the surplus/deficit on the provision of services. The movement in reserves statement also identifies appropriations between general balances and earmarked reserves, and summarises other movements on usable reserves arising from the difference between recognised accounting practices and statutory funding requirements.

The movements in General Fund balances and Earmarked Reserves are identified in the movement in reserves statement. The necessary adjustments to move from charges on an accounting basis to those required to be funded by council tax are itemised in note 9.

The following reserves are earmarked to finance projects within the capital programme. The usable capital receipts reserve is the balance of sums received from the sale of fixed assets which have not yet been applied. The capital grants reserve is the balance of grants recognised where the relevant expenditure has not yet been incurred.

2011/12 £'000	Usable capital receipts reserve	2012/13 £'000
11,799	**Balance at 1st April**	10,822
1,944	Capital receipts received	974
-1,333	Used to fund capital expenditure	-3,793
-1,566	Used to repay debt	-44
-22	Housing pooled contribution	-10
10,822	**Balance at 31st March**	**7,949**

2011/12 £'000	Capital grants unapplied reserve	2012/13 £'000
39,426	**Balance at 1st April**	27,918
9,037	Grants recognised but not applied	8,123
-20,545	Grants used for capital financing	-12,428
27,918	**Balance at 31st March**	**23,613**

The collection fund adjustment account shows the Council's share of the surplus or deficit on the collection fund at the year end. Surpluses are available to the Council to support council tax levels. Deficits will have to be addressed when setting future council tax charges.

2011/12 £'000	Collection fund adjustment account	2012/13 £'000
408	**Balance at 1st April**	-635
80,371	Collection fund income recognised in the CIES	82,367
-81,414	Collection fund income recognised under statute	-81,149
-635	**Balance at 31st March**	**583**

Unusable reserves are those reserves arising from: -

- specific asset and liability revaluations (e.g. fixed asset revaluations and pension fund actuarial gains and losses). These gains and losses are not reflected in the surplus/deficit on the provision of services as they do not arise from operating performance but are as yet unrealised gains and losses arising from revaluations. They are included, however, in the comprehensive income and expenditure statement which brings together all the gains and losses for the period which need to be considered when assessing the financial result.
- accounting adjustments reconciling costs identified in line with accounting requirements to those required by statute (e.g. transfers to the accumulated absences account). Transfers between reserves are summarised in note 9 showing all the adjustments between accounting basis and funding basis under regulations. They are explained in more detail below.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its land and property holdings. The balance is reduced when assets with accumulated gains are: -

- revalued downwards or impaired and the gains are lost
- depreciated, with the reserve being written down by that part of the depreciation charge incurred only because assets have been revalued
- disposed of and the gains are realised.

2011/12 £'000	Revaluation reserve	2012/13 £'000
148,949	Balance at 1st April	138,516
7,001	Upward revaluation of assets	26,883
-9,233	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-12,704
-2,232	*Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services*	*14,179*
-4,239	Difference between fair value depreciation and historical cost depreciation	-3,615
-3,962	Accumulated gains on assets sold or scrapped	-5,642
-8,201	*Amount written off to the Capital Adjustment Account*	*-9,257*
138,516	**Balance at 31 March**	**143,438**

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date have been consolidated into the balance on the capital adjustment account.

Available for Sale Financial Instruments Reserve

2011/12 £'000	Available for sale reserve	2012/13 £'000
-54	Balance at 1st April	-54
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-7
-54	**Balance at 31st March**	**-61**

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. This reserve contains the cumulative decrease in the repayment value of housing loans which are linked to an equity share of the purchased property. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and any gains are lost
- disposed of and the gains are realised.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The accounting charges to the comprehensive income and expenditure statement for depreciation; asset valuations and disposals; and expenditure funded by capital resources are reversed through the movement in reserves statement and charged to the capital adjustment account. There are also movements from the revaluation reserve to convert fair value figures to a historical cost basis. The Account is credited with amounts set aside by the Council to repay debt, or as finance for the costs of acquisition, construction and enhancement of fixed assets.

2011/12 £'000	Capital adjustment account	2012/13 £'000
230,198	**Balance at 1st April**	**236,834**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-27,412	• Charges for depreciation and impairment of non current assets	-21,593
1,285	• Revaluation gains on Property, Plant and Equipment	3,604
-115	• Amortisation of intangible assets	-131
-2,024	• Net revenue expenditure funded from capital under statute	-1,381
-21,341	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal of Fixed Assets in the Comprehensive Income and Expenditure Statement	-40,329
-49,607		-59,830
8,201	Adjusting amounts written out of the Revaluation Reserve	9,257
-41,406	*Net written out amount of the cost of non current assets consumed in the year*	*-50,573*
	Capital financing applied in the year:	
1,333	• Use of the Capital Receipts Reserve to finance new capital expenditure	3,793
1,566	• Use of the Capital Receipts Reserve to repay debt	44
5,824	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,414
20,545	• Application of grants to capital financing from the Capital Grants Unapplied Account	12,428
13,057	• Statutory provision for the financing of capital investment charged against the General Fund	7,726
7,442	• Capital expenditure charged against the General Fund	3,407
49,767	*Total capital financing applied in the year*	*31,812*
-1,405	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	40
-296	Movements in the market value of Held for Sale assets debited or credited to the Comprehensive Income and Expenditure Statement	0
-24	Movements in the valuation of Heritage assets debited or credited to the Comprehensive Income and Expenditure Statement	0
-1,725	*Total other adjustments*	*40*
236,834	**Balance at 31st March**	**218,113**

The Account contains accumulated gains and losses on investment properties, heritage assets and held for sale assets.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service. Liabilities are updated to recognise the effect of inflation, and assumptions are amended for investment returns and any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed by the Council making employer contributions to pension funds, or paying any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a shortfall between the benefits earned by past and current employees, and the resources the Council has set aside to meet them. Statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

2011/12 £'000	Pensions reserve	2012/13 £'000
-182,832	**Balance at 1 April**	**-262,424**
-85,894	Actuarial gains or losses on pensions assets and liabilities	-14,308
-12,904	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-18,815
19,206	Employer's pensions contributions and direct payments to pensioners payable in the year	16,338
-262,424	**Balance at 31st March**	**-279,209**

Accumulated Absences Account

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

2011/12 £'000	Accumulated absences account	2012/13 £'000
-4,848	**Balance at 1st April**	**-4,920**
4,848	Settlement or cancellation of accrual made at the end of the preceding year	4,920
-4,920	Amounts accrued at the end of the current year	-4,484
-72	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	436
-4,920	**Balance at 31st March**	**-4,484**

Deferred capital receipts

This is the amount outstanding on the mortgages to former tenants acquiring their own council houses. The balance is written down by the proceeds from the repayments made. These sums are treated as usable capital receipts when received.

2011/12 £'000	Deferred captial receipts	2012/13 £'000
97	**Balance at 1st April**	**56**
0	Write offs	-3
-41	Repayments made during the year	-18
56	**Balance at 31st March**	**35**

30 Contingent Liabilities

Losses (costs) which are foreseeable and can be estimated with a degree of certainty have been accrued into the financial statements. Contingent liabilities are those which may arise in the future depending on some future event, the outcome of which cannot be predicted and the costs of which cannot be estimated with reasonable accuracy. This may be because, for example, claims may or may not be made; cases may or may not be pursued through the courts or other means of arbitration; defaults may or may not occur. Because of the great uncertainty surrounding them, such events have not been accrued into the accounts. The main contingent items are for matters arising under: -

- Insured events. Contingent liabilities exist for some outstanding claims at the balance sheet date, claims not yet received in respect of events occurring in earlier years, and further possible sums due under the scheme of administration relating to claims for years for which the underwriter has gone into liquidation (a separate provision has been created for the estimated amount). Appropriate provision has been made where claims have been received.
- The Council acts as guarantor for a small number of staff in bodies that have been admitted to the pension fund. On cessation of the body's participation in the fund, any shortfalls are initially claimed from the admitted body. If they cannot be recovered from that source, the pension fund would look at the guarantee arrangements and draw down from bonds that are in place and, if still insufficient, from the guarantor. Based on the latest valuation exposure would, in the event, be in the region of £1m.
- The Council provides a bank overdraft guarantee for the Calderdale and Kirklees Careers Service Partnership up to a limit of £150k, although the partnership currently has no overdraft facility in place.
- Appeals against business rate valuations are made to and resolved by the Valuation Office Agency. Once decided, valuation changes are backdated, and so can affect periods prior to the reported one. The Council has no control over the number of appeals made, the rate at which they are resolved, or the extent of any change made. Such matters are treated as contingent liabilities at the year end and reflected in the collection fund accounts in full in the year in which any decision is made. These sums are shared between the participating authorities. Since the year end, there have been upward revaluations of £0.1m, and downward revaluations totalling £0.6m.

In recognition of these potential risks the Council has provided some cover in reserves.

31 Cash Flow

The cash flows from operating activities include the following items: -

2011/12 £'000		2012/13 £'000
-287	Dividends Received	-316
-315	Interest Received	-834
8,460	Interest Paid	10,116

The surplus/deficit on the provision of services has been adjusted for the following non cash movements.

2011/12 £'000		2012/13 £'000
	Non cash movements	
-18,051	Depreciation and amortisation	-18,044
-9,916	Impairments/downward revaluation through the rev	-36
2,982	Change in provisions	-1,893
-2,492	Change in debtors/creditors	2,574
15	Change in inventories	-193
6,302	Change in pension liability	-2,477
-21,341	Non current assets sold	-40,332
-42,501		-60,401

The surplus/deficit on the provision of services has been adjusted for the following that are investing and financing activities.

2011/12 £'000		2012/13 £'000
	Items that are investing and financing activities	
1,903	Proceeds form sale of of PPE, Investment Property and intangibles	956
14,861	Capital grants recognised in year as financing cash flows	12,537
16,764		13,493

32 Financial Instruments

Financial instruments included in the balance sheet are analysed below.

	2012/13		2011/12	
	Long Term	Current	Long Term	Current
	£'000	£'000	£'000	£'000
Available for sale financial assets	877		884	
Loans and receivables	2,220	95,216	2,479	107,817
Total financial assets	**3,097**	**95,216**	**3,363**	**107,817**
Financial liabilities at amortised cost	**146,211**	**38,167**	**153,734**	**41,396**

Financial assets

Available for sale assets (£0.9m)

There is one financial instrument categorised as an available for sale asset.

- Equity homebuy scheme.

To facilitate the decanting of householders from sites which are being redeveloped for social housing, loans may be offered under the “homebuy scheme” to enable those affected to buy properties elsewhere so that the proposed development sites can be vacated. These loans are repayable and legal charges have been put on the properties to ensure repayment on sale. Cash loans are shown below as loans and receivables. Equity loans represent a share of equity in the purchased property, and are treated as available for sale investments. These are valued at a fair value of £0.9m using appropriate property inflation rates.

Changes in fair values are taken to the Available-for-Sale reserve. Negative balances would be written down to the comprehensive income and expenditure statement if there were a prolonged decline in fair values, or other clear evidence of impairment. In the absence of such evidence, a negative balance is held in this reserve (representing fair values below cost), pending future revaluations.

Loans and Receivables (£97.4m)

Loans and receivables are shown on the balance sheet at amortised cost. All balances shown are an adequate approximation of fair value in view of the amounts involved.

• Long term debtors	£2.2m
• Current debtors	£18.4m
• Short term investments	£65.0m
• Cash and cash equivalents	£11.8m
	£97.4m

- Long Term Debtors (£2.2m)

The Council has a small number of debtors being repaid over various periods longer than one year. These are shown in the balance sheet at principal outstanding. Cash homebuy scheme loans are loans advanced as detailed above. Repayments are determinable as their value is not linked to the value of the property. Loans to Academy schools are sums previously advanced by the Council for building work at schools which the schools were repaying with interest in accordance with an agreed timetable. The Academies have undertaken to continue with these repayments, and the sum due has been recognised on transfer as a capital receipt. The Welbeck debtor relates to the Council's share of the costs incurred as part of a joint development of the Welbeck waste disposal site. The outstanding sum is being repaid by Wakefield Council over the next 2 years.

2011/12 £'000	ANALYSIS OF LONG TERM DEBTORS	2012/13 £'000
53	Council house mortgages	35
681	Cash homebuy / improvement schemes	694
107	Settlement of dispute re Welbeck	71
48	Loans to employees	47
1,461	Loans to Academy schools	1,298
60	Loans to organisations	60
69	Miscellaneous	15
2,479		**2,220**

- Current Debtors (£18.4m)

The sum of £18.395m (other operational debtors and public body debtors net of allowance for credit losses) has been included in current financial assets. Council tax arrears are statutory debts and do not arise from contracts and so do not class as financial assets, and prepayments are not included as financial assets as they are not contracts giving rise to financial assets and liabilities.

- Short term investments (£65.0m)

The Council holds a number of short term investments at the 31st March. These relate to surplus cash balances held over the year end and lent out temporarily as part of treasury management operations to the Debt Management Office (£2.6m) and financial institutions (£62.4m). To mitigate against the risk of loss, the Council places investment limits (approved annually) on each organisation (excluding the Bank of England and UK Government) depending on its credit rating and asset base. The current maximum investment of £20m at any one time is reserved for other local authorities, and applies also to clearing banks with maximum Fitch and Moody's credit ratings of F1+ and P-1 respectively, combined with assets over £400bn (Fitch and Moody's are global credit rating agencies). There are other levels in place which for the majority of the year ranged from £15m to £2m depending on an organisation's rating and asset base. The minimum credit rating used is F2 (Fitch) and P-2 (Moody's) signifying a strong capacity to make timely settlement of commitments.

The Council has not suffered any counterparty defaults during the year. The deposits invested at the year end have been assessed for impairment by looking at each institution's credit rating and general standing. One counterparty has since suffered a downgrading by Fitch from F2 to F3, which places it below the Council's minimum limit for new deposits. There is £3m invested, due for repayment in stages up to July 2013. There are no indications that the repayment obligations will not be met, and it has not been considered necessary to write off or impair this, or any of the investments held at the balance sheet date. All of the Council's counterparties are domiciled in the UK.

Investment income from all financial assets (principally short term investments) is credited to the comprehensive income and expenditure statement and shown as part of financing and investment income and expenditure. It varies with interest rate fluctuations and the level of cash balances available to the Council. It is monitored regularly, and prudent forecasts of anticipated future market conditions in the coming year are made as part of the annual budget setting process.

- Cash and cash equivalents (£11.8m)

This is cash balances held in individual school bank accounts as part of the delegated financial management of schools (£8.5m); the reconciled position on the Council's bank accounts (£3.1m), and other temporary cash holdings.

The cash at bank figure is the reconciled position on the Council's bank accounts at 31st March 2013. The cash position is monitored daily and managed to ensure that, through a combination of active investment management, short term borrowing on the money markets and agreed overdraft facilities with the bank, the Council has sufficient funds with which to meet its commitments, and can earn interest on any surplus balances.

Financial liabilities

• Borrowings	£109.0m
• Other liabilities	£45.1m
• Current creditors	£30.3m
	£184.4m

Financial liabilities are shown on the balance sheet at amortised cost. Fair values are disclosed below for each type of financial liability where the carrying value on the balance sheet is not an adequate approximation.

- Borrowings (£109.0m)

All borrowings are shown at amortised cost which for these loans is the same as principal outstanding. Of the total borrowings of £109.0m, £105.7m has been borrowed from the PWLB, with £3.3m being borrowed from other sources such as other financial institutions, local authorities and other bodies. Contractual obligations (both principal repayments and associated interest charges) arising from Council borrowings are detailed below.

2011/12 Principal £'000	2011/12 Interest due to maturity £'000	ANALYSIS OF LOANS BY MATURITY AT 31st MARCH	2012/13 Principal £'000	2012/13 Interest due to maturity £'000
5,749	75	Maturing within one year	6,345	80
3,000	236	Maturing within 1 - 2 years	2,000	183
9,400	1,864	Maturing within 2 - 5 years	11,400	2,130
25,363	10,161	Maturing within 5 - 10 years	25,082	9,709
70,601	72,521	Maturing in more than 10 years	64,207	65,189
114,113	**84,857**	**Total borrowing**	**109,034**	**77,291**

As the Council has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The main risk is that the Council will need to replace a significant proportion of its borrowings at a time of unfavourable interest rates. The main treasury management strategy to deal with this is to manage the Council's debt maturity profile so that it is as smooth as possible taking account of historic debt and available interest rates.

All borrowings are at fixed rates and therefore unaffected by interest rate movements (though increases in interest rates would cause the fair value of debt to fall). Interest payable is charged to the comprehensive income and expenditure statement and shown as part of financing and investment income and expenditure.

The fair value of borrowings from the PWLB (£105.7m) is £135.1m. This is the amount which the PWLB would require to settle all outstanding sums on the balance sheet date. The fair value is greater than the carrying amount as the portfolio of borrowings includes a number of fixed rate loans where the interest rate payable is greater than the rates available at the balance sheet date for similar loans. This commitment to pay above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The fair value of other borrowing is the principal outstanding (£3.3m).

- Other liabilities (£45.1m)

This reflects long term commitments by the Council relating to, future rentals required under leasing arrangements and the schools PFI scheme, and to the repayment of other loan debt administered by Wakefield, Bradford and Leeds Councils in relation to transferred assets as part of statutory reorganisations of functions.

These liabilities are carried at amortised cost which for these items is the same as principal outstanding. The fair value of these liabilities is £61.7m based on discounting future cash flows at prevailing interest rates.

ANALYSIS OF OTHER LIABILITIES

2011/12 Short term £'000	2011/12 Long term £'000		2012/13 Short term £'000	2012/13 Long term £'000
78	1,849	Loan debt	75	1,774
1,381	43,214	PFI scheme liability	1,466	41,748
336	-	Finance lease liability	-	-
-	307	Capital scheme retentions	-	-
1,795	**45,370**	**Total**	**1,541**	**43,522**

- Current creditors (£30.3m)

The total of £30.281m for operational creditors and public body creditors has been included in financial liabilities. All other categories of creditor arise from statutory debts (council tax), are governed by more specific reporting standards (pension fund and accumulated absences), or are not contracts giving rise to financial assets and liabilities (deferred income).

33 Pension Costs

As part of the terms and conditions of its employment of its officers and other employees, the Council offers retirement benefits through participation in two pension schemes designed to provide members with index linked pension benefits earned as employees based currently on final salaries (subject to scheme review) and length of service. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments which needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two pension schemes:

- The Local Government Pension Scheme is a funded scheme administered by the West Yorkshire Pension Fund (WYPF). This means that both scheme members and the employer pay contributions into a fund, with these contributions being calculated at a level intended to balance the pension liabilities with investment assets over time. Contribution rates are calculated every three years based on an actuarial review of the fund, and rates will vary according to changes in, for example, investment returns, mortality rates, employee turnover, projected earnings and scheme rules. This scheme is accounted for as a defined benefit scheme.
- The Teachers' Pension Scheme (TPS) is an unfunded scheme administered by Capita Teachers` Pensions on behalf of the DfE. This means that there are no investment assets built up to meet the 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.

The Council may sometimes award discretionary benefits (such as early pension entitlement) to staff members (including teachers) in the event of early retirement. Liabilities arising from such awards are accrued in the year of the award. Discretionary benefits are accounted for as defined benefit schemes. They are unfunded but the liabilities can be identified to the Council. Cash has to be generated to meet payments as they become due. Discretionary awards to teachers are also accounted for as a defined benefit scheme, whereas all other teacher pension benefits are accounted for as a defined contribution scheme.

Defined Benefit Schemes

Transactions relating to retirement benefits

In line with IAS19 (the relevant accounting standard), retirement benefit costs are recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the statutory charge against council tax is based on the amounts payable by the Council to the pension fund in the year. Appropriations from a pensions reserve are therefore required within the movement in reserves statement to replace the real cost of retirement benefits with the statutory charge so that the additional costs of providing for retirement benefits in accordance with IAS19 do not impact on levels of local taxation.

The following transactions have been made during the year in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement:

Amounts recognised in the surplus/deficit on the provision of services	Local Government Pension Scheme £000s		Teachers' Pension Scheme £000s	
	2012/13	2011/12	2012/13	2011/12
Net Cost of Services:				
Current service Cost	17,431	16,362		0
Past Service Cost	422	3,560	0	71
Effect of curtailments and settlements	0	-5,927		0
Financing / investment income & expenditure				
Interest Costs	35,494	36,219	453	520
Expected return on scheme assets	-34,985	-37,901		0
Total pension cost recognised in the surplus/deficit on the provision of services	**18,362**	**12,313**	**453**	**591**
Adjustment between accounting basis and funding basis under regulation				
reversal of net charges made for retirement benefits in accordance with IAS19	-18,362	-12,313	-453	-591
employers contributions payable to scheme	15,465	18,337		
retirement benefits payable to pensioners			873	869
Total adjustment made	**-2,897**	**6,024**	**420**	**278**

In addition to the pension costs recognised in the surplus/deficit on the provision of services, actuarial losses of £14.3m (losses of £85.9m in 2011/12) were included in the comprehensive income and expenditure statement. The cumulative amount of actuarial losses recognised is £229.5m.

Present value of scheme liabilities	Local Government Pension Scheme £000s		Teachers' Pension Scheme £000s	
	2012/13	2011/12	2012/13	2011/12
1st April	-756,781	-686,459	-10,269	-9,857
Current service cost	-17,431	-16,362	0	0
Interest cost	-35,494	-36,219	-453	-520
Contributions by plan participants	-5,011	-5,397	0	0
Past service costs	-422	-3,560	0	-71
Actuarial gains and losses	-48,610	-55,476	-544	-690
Curtailments	0	0	0	0
Settlements	0	18,827	0	0
Benefits / transfers paid	25,675	27,865	873	869
31st March	-838,074	-756,781	-10,393	-10,269

Of the estimated liabilities, £16.9m of the WYPF and all of the TPS scheme liabilities are unfunded, based on the discretionary award of pension benefits (£16.3m and £10.3m respectively in 2011/12).

Fair value of scheme assets	Local Government £'000	
	2012/13	2011/12
1st April	504,626	513,484
Expected rate of return	34,985	37,901
Actuarial gains and losses	34,846	-29,728
Settlements	0	-12,900
Employer contributions	15,465	18,337
Contributions by plan participants	5,011	5,397
Benefits / transfers paid	-25,675	-27,865
31st March	569,258	504,626

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. A building block approach is used in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return for each asset class is set out within this note. The overall expected rate of return is derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at the year end. These returns are expected to be available to finance pension liabilities. The returns actually achieved in 2012/13 of £69.8m (£8.2m in 2011/12) are much higher than expected.

	2012/13 £m	2011/12 £m	2010/11 £m	2009/010 £m	2008/09 £m
Present Value of liabilities					
• Local government pension scheme	-838.1	-756.8	-686.5	-820.9	-510.0
• Teachers Pension Scheme	-10.4	-10.3	-9.8	-11.4	-8.6
Fair value of assets					
• Local government pension scheme	569.3	504.6	513.5	460.8	339.5
Surplus/(deficit) in pension schemes:	-279.2	-262.5	-182.8	-371.5	-179.1
• Local government pension scheme	-268.8	-252.2	-173.0	-360.1	-170.5
• Teachers Pension Scheme	-10.4	-10.3	-9.8	-11.4	-8.6
Total	**-279.2**	**-262.5**	**-182.8**	**-371.5**	**-179.1**

The net liability shows the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £279.2m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a positive overall balance of £177.3m. The deficit will be addressed over time by actuarial assessments covering the performance of the fund; possible revisions to the scheme, and changes in contribution rates following regular triennial reviews. Deficits are intended to be addressed over the remaining working life of employees. Finance is only required to be raised to cover teachers' pensions when the pensions are actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2014 is £13.4m, and £0.9m in respect of enhanced teachers' unfunded benefits.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Teachers Scheme and the Local Government fund liabilities have been assessed by Hewitt Ltd, an independent firm of actuaries. The reported figures are based on assumptions made during the last triennial revaluation (March 2010), updated to reflect current conditions. Some assumptions are updated annually (e.g. inflation, pay increases, discount rates, asset values) whilst others taking a longer term view (e.g. mortality rates, demographic factors) may not be. Mortality assumptions have been changed as shown below along with the other principle assumptions used by the actuary.

	Local Government 2012/13	Local Government 2011/12	Teachers' Pension 2012/13	Teachers' Pension 2011/12
Long term expected rate of return on assets				
Equity Investments	7.80%	8.10%	n/a	n/a
Government Bonds	2.80%	3.10%	n/a	n/a
Other Bonds	3.80%	3.70%	n/a	n/a
Property	7.30%	7.60%	n/a	n/a
Cash liquidity	0.90%	1.80%	n/a	n/a
Other assets	7.80%	8.10%	n/a	n/a
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
men	22.1	22.0	22.1	22.0
women	24.3	24.1	24.3	24.1
Longevity at 65 for future pensioners:				
men	23.9	23.8	23.9	23.8
women	26.2	26.1	26.2	26.1
RPI price inflation (funded/unfunded)	3.6% / 3.5%	3.5% / 3.4%	3.50%	3.40%
CPI price inflation (funded/unfunded)	2.7% / 2.6%	2.5% / 2.4%	2.60%	2.40%
Rate of Increase in salaries	4.60%	5.00%	n/a	n/a
Rate of increase in pensions (funded/unfunded)	2.7% / 2.6%	2.5% / 2.4%	2.60%	2.40%
Rate for discounting scheme liabilities (funded/unfunded)	4.4% / 4.1%	4.7% /4.6%	4.10%	4.60%

% split of assets	31st March 2013	31st March 2012
Equity investments	72.5	71.1
Government Bonds	11.9	12.6
Other Bonds	5.7	5.4
Property	3.1	3.6
Cash liquidity	3.6	2.8
Other assets	3.2	4.5
Total	100.0	100.0

The Teachers' Pension Scheme has no assets to cover its liabilities. This table shows the proportions of assets held by the Local Government Pension Scheme.

Actuarial changes on the pensions reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2013.

History of experience gains and losses	2012/13	2011/12	2010/11	2009/010	2008/09
• Local government pension scheme					
Asset increase / (decrease) due to the difference between expected / actual returns	6.1%	-5.9%	3.8%	21.4%	-31.1%
Liability (increase) / decrease due to experience gains and losses	0.1%	-0.8%	7.7%	0.8%	0.0%
• Teachers Pension Scheme					
Liability (increase) / decrease due to experience gains and losses	0.2%	-2.3%	-1.7%	2.5%	0.0%

Defined Contribution Schemes

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 14.1%, employers' contributions of £6.8m have been charged to the accounts during the period (£8.2m in 2011/12), and nothing needed to be accrued as a creditor (£nil in 2011/12). Expected contributions to the Teachers' Pension Scheme in the year to 31st March 2014 are £6.2m, but this depends on the number of schools converting to academies.

34 Authorisation

Relevant events after the balance sheet date have been considered up to 19th September 2013. This is the date on which these statements of accounts were authorised for issue by the Head of Finance.

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. The balance on this fund is shared between the Council and the other preceptors. That element due to the Council is incorporated into the Council's balance sheet. The balance due to/from other preceptors is included in creditors/debtors.

2011/12 £'000	COLLECTION FUND	2012/13 £'000
	INCOME	
77,217	Billed to Council Taxpayers	79,840
16,226	Council Tax Benefit	16,033
53,884	Non-Domestic Rates income (net of interest on refunds)	56,250
0	Contributions towards previous year's collection fund deficit	1,066
147,327	**TOTAL INCOME**	**153,189**
	EXPENDITURE	
	Precepts and Demands	
81,014	Calderdale Metropolitan Borough Council	82,078
8,569	West Yorkshire Police Authority	8,677
3,441	West Yorkshire Fire & Rescue Authority	3,484
93,024		94,239
	Business Rates	
52,399	Payment to National Pool	55,043
349	Cost of Collection	350
52,748		55,393
	Bad and Doubtful Debts	
824	Write offs	1,100
1,470	Provision	1,053
2,294		2,153
	Contributions	
459	Towards previous year's collection fund surplus	0
148,525	**TOTAL EXPENDITURE**	**151,785**
-1,198	**MOVEMENT ON FUND BALANCE IN YEAR**	**1,404**
469	**OPENING FUND SURPLUS / (DEFICIT) AT 1ST APRIL**	**-729**
-729	**CLOSING FUND SURPLUS / (DEFICIT) AT 31ST MARCH**	**675**

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 2012/13 was 45.8p. 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 2012/13 was £75.6m (£62.9m in 2011/12). This was paid into the comprehensive income and expenditure statement.

In 2012/13, the gross amount collectable net of refunds was £56.250m, based on a non domestic rateable value at the 31 March 2013 of £153,610,332. After deducting allowances and other adjustments, including £0.858m for a provision for uncollectable amounts (£1.136m in 2011/12), the amount payable to the NNDR pool was £55.043m.

The total bad debt provision for NNDR as at 31st March 2013 was £2.156m.

2. Council Tax

Council Tax surplus at 31st March 2013

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 2013, the Collection Fund had a surplus of £0.675m. This surplus is shared proportionately between the precepting authorities. Calderdale's share of this surplus, £0.583m, is included on the balance sheet in the collection fund adjustment account.

Calculation of Council Tax Base 2012/13

In accordance with Section 67(2) of the Local Government Finance Act 1992, the Council Tax base was approved by the Council on 19 December 2011. The amount calculated as Calderdale's Council Tax base for 2012/13 (allowing for a 98.5% collection rate), was as follows:-

Band	Number of dwellings	Proportion of band D tax	2012/13 band D equivalent
A-	48.75	5/9	27.08
A	37,722.75	6/9	25,148.50
B	15,797.00	7/9	12,286.54
C	13,489.75	8/9	11,990.88
D	6,585.25	9/9	6,585.25
E	4,739.25	11/9	5,792.42
F	2,537.50	13/9	3,665.28
G	1,163.00	15/9	1,938.33
H	32.25	18/9	64.50
	82,115.50		67,498.78
Less allowance for non-collection			-1,012.47
Council tax base - band D equivalent			**66,486.31**

The total Council Tax requirement in 2012/13 (including Parishes, Police and Fire Authorities) was £94.239m. The Council Tax at band D equivalent was set at £1,417.42 for 2 adults and £1,063.07 for one adult.
Bad Debts Provision

The total bad debt provision for Council Tax as at 31 March 2013 was £5.856m.

3. Payments to precepting bodies

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

Payments made to precepting bodies	Precept for 2012/13	Share of deficit	Payments made
	£m	£m	£m
Calderdale MBC	82.078	-0.929	81.149
West Yorkshire Police Authority	8.677	-0.098	8.579
West Yorkshire Fire and Rescue Authority	3.484	-0.039	3.445
	94.239	**-1.066**	**93.173**

STATEMENT OF ACCOUNTING POLICIES

GENERAL

The statement of accounts summarises the Council's transactions for the financial year to 31st March, and its financial position as at that date. The Accounts and Audit (England) Regulations 2011 require that these statements are prepared in accordance with proper practices and signed by the responsible finance officer by 30th June, and then formally signed by the Council and published by 30th September together with the audit certificate/opinion. Proper practices are based on IFRS standards as incorporated into the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

The selected accounting policies have been applied to all material items for inclusion in the accounting statements and disclosure notes. Only those items which are insignificant within the context of the financial statements and whose exclusion does not impair the reliability or interpretation of the financial information provided have been omitted from inclusion.

Accounting policies are determined by the Code. Where the Code is not explicit, unless there are any specific legislative requirements (which always take precedence), accounting treatment will be determined by application of IFRS or similar standards; the framework for preparing and presenting financial statements; or issued guidance notes.

In selecting appropriate policies and accounting treatment, judgement has been exercised to ensure that, through a balanced and sensible application of competing qualitative characteristics, costs and time, the resulting accounting statements both faithfully reflect the substance of the transactions and other events that have taken place by being free from material error, exaggeration or systematic bias, and are relevant in enabling an assessment of the stewardship of public funds and the making of any economic decisions based on materially significant disclosures. The statements are presented in such a way as to be comparable between accounting periods and other organisations, and understandable to those with a reasonable knowledge of local government and accounting practices. Although this is unavoidably quite a technical document, every effort has been made to explain either in the text or the glossary, any technical terms necessarily involved.

ACCOUNTING POLICIES

Accounting policies have been chosen to give a true and fair view of the financial transactions of the Council. The accounting policies are: -

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, an allowance for credit losses has been made and charged to revenue for the income that might not be collected.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature within three months from the date of acquisition and are readily convertible to known amounts of cash with no risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Collection Fund

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). The key feature of the accounting policy is that billing authorities act as agent collecting and distributing monies on behalf of other council tax preceptors, or the Government (for NNDR).

NNDR

As all activity is undertaken on behalf of the Government, the balance sheet does not recognise balances relating to individual rate payers as such balances are not assets and liabilities of the Council. The balance sheet only recognises cash collected from rate payers which has not yet been paid over to the Government (creditor) or, where the cash paid over exceeds that collected, the excess is recognised as a debtor.

As cash is only collected on behalf of the Government, monies collected or paid over are not operating activities of the Council and, except for monies allowed to be retained in respect of the cost of collection and any amounts billed to cover the costs of pursuing unpaid NNDR debts, NNDR transactions are excluded from the cashflow statement. Cash held as agent, being the difference between business rates cash collected and paid over, is included in other receipts/payments within financing activities.

The comprehensive income and expenditure statement recognises the amount of general Government grant receivable from the national pool.

Council tax
Council tax income included in the comprehensive income and expenditure statement is the accrued income for the year due to the Council. Regulations specify that sums to be released from the collection fund to the general fund should be the Council's precept plus any share of the previous year's surplus or deficit. Any difference between the income included in the comprehensive income and expenditure statement and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included in the movement in reserves statement.

Debtor and creditor balances relating to individual council taxpayers are apportioned between all preceptors, and only the Council's share of these is recognised on the balance sheet. Any difference between cash collected on behalf of other preceptors and cash paid over to them is included as a creditor (where more cash has been collected than paid over) or a debtor.

The cashflow statement includes as operating activities only the Council's share of council tax collected from taxpayers in the year, and the net cost of pursuing council tax arrears. As cash is collected as agent on behalf of the other preceptors, monies (precepts) paid over to them are not revenue activities of the Council and are excluded from operating activities. Cash held as agent, being the difference between other preceptors' cash collected and paid over, is included in other receipts/payments within financing activities.

Contingent Assets

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

Contingent Liabilities

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

Employee benefits

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include accrued annual leave, lieu time and flexi time earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. They are recognised as an expense for services in the year in which employees render service to the Council. The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that such benefits are charged against council tax in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. They are charged to service costs in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of employment.

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

Post Employment Benefits
Employees of the Council are members of two separate pension schemes:

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). This is an unfunded scheme, meaning that 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. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension scheme in the year, which is based on a rate set on the basis of a notional fund supported by a 5 year actuarial review.

The Local Government Pensions Scheme. This is a funded scheme administered by the West Yorkshire Superannuation Fund (WYSF). Payments calculated to balance pension liabilities and assets over time, are made by both the Council and its employees into a fund.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council, and is accounted for as a defined benefit scheme. All retirement benefits are accounted for in accordance with the relevant reporting standard IAS19 which stipulates how such commitments are to be recognised in the comprehensive income and expenditure statement and on the balance sheet.

The liabilities of the scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices.

The assets of the fund attributable to the Council are included in the balance sheet at fair value based on current bid price (securities) or market value (property).

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

- current service cost. The increase in liabilities as a result of years of service earned in the year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost. The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These costs are charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- interest cost. The expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- expected return on assets. This is the annual investment return on the fund assets attributable to the Council based on an average of the expected long-term return. The charge is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments. These arise as a result of actions to relieve the Council of liabilities, or events that reduce the expected future service or accrual of benefits of employees. Such charges are debited or credited to the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses. These are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. These amounts are charged to the Pensions Reserve
- contributions paid to the West Yorkshire Pension Fund. This is the cash paid as employer's contributions to the pension fund in settlement of liabilities. Employer contributions are not accounted for as an expense in the Comprehensive Income and Expenditure Statement which reflects the current service cost.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, not the amount calculated according to the relevant accounting standards (IAS19). There are appropriations in the Movement in Reserves Statement to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits, and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. This ensures that the additional costs of providing for retirement benefits in accordance with IAS19 do not impact on levels of local taxation.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
The Council can make discretionary awards of retirement benefits in the event of early retirement or voluntary redundancy. 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 award, and are accounted for as defined benefit schemes using the same policies as are applied to the WYPF scheme.

Events after the balance sheet date
Events after the Balance Sheet date are those that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts is adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Where the event is indicative of conditions that arose after the reporting period, appropriate disclosures are made, but the amounts in the Statement of Accounts have not been adjusted. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional items
When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts.

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period, together with appropriate explanatory disclosure notes.

Financial Assets

Financial instruments are contracts giving rise to a financial asset in one entity, and a financial liability in another. Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables
Loans and receivables are valued at amortised cost using the effective interest rate method. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the majority of loans and receivables, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where any significant soft loans are made (extended credit at less than market rates), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at the (higher) effective rate of interest rather than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Comprehensive Income and Expenditure Statement. Short duration receivables with no stated interest rate, and any small value loans considered immaterial for valuation as above are measured at the original invoice amount.

Available for sale financial assets
Available for sale assets are carried at fair value. Depending on the market for such assets, fair value might be the quoted market price (where there is one), cost less impairment, or other amount based on valuation techniques. Gains and losses on re-measurement are taken to the available for sale (AFS) reserve and charged to other comprehensive income and expenditure, except where there is a prolonged decline in fair values or other clear evidence of impairment, in which case losses are taken to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. On derecognition of an asset, any gains/losses are recognised in the comprehensive income and expenditure statement along with any gains/losses previously recognised in the AFS reserve.

Where an asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the comprehensive income and expenditure statement when it becomes receivable by the Council.

Impairment of financial assets
Financial assets are assessed annually for impairment. Impairment losses are incurred if: -

- There is objective evidence of impairment as a result of a past event occurring subsequent to the initial recognition of the asset, or
- A collective assessment of financial assets with similar credit risk characteristics (e.g. business rate debtors; council tax debtors; sundry debtors) suggests that, based on past experience, the sums likely to be realised for the groups of financial assets being collectively assessed are likely to be lower than the carrying values of those groups.

Impairment losses are charged to an appropriate revenue account (i.e. the comprehensive income and expenditure statement or collection fund).

Financial Liabilities

Financial liabilities are carried at amortised cost using the effective interest rate method. This is the rate that discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The financing costs (interest charges) determined by this method of valuation are taken to financing and investment income and expenditure within the comprehensive income and expenditure statement. This results in the Council's financial liabilities being included in the balance sheet at the outstanding principal repayable, and interest charged is the amount payable for the year according to the loan agreement.

Premium payments and discounts on the repurchase or early settlement of debt are taken in year directly to financing and investment income and expenditure within the comprehensive income and expenditure statement unless, in accordance with certain specific conditions, a repurchase/restructure has taken place and the modification to the financial instrument is not considered substantial. In such cases, the loan debt carrying amount is adjusted rather than being taken directly to the comprehensive income and expenditure statement, and the adjustment is written down to the comprehensive income and expenditure statement over the life of the loan by an adjustment to the effective interest rate.

There are no financial guarantees entered into by the Council after the 31st March 2007 which would need to be accounted for as financial instruments. Any financial guarantees given by the Council before that date are only included in the statement of accounts to the extent that provisions might be required or a contingent liability exists.

Government grants and other contributions

All grants and contributions are recognised as income within the comprehensive income and expenditure statement when there is reasonable assurance that the Council will comply with the grant conditions, and the grants or contributions will be received. Conditions are stipulations requiring repayment of the grant if they are not met.

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

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

The Council sometimes acts as Accountable Body for various partnerships and in that role receives grant funding on behalf of the partnership. Where it is considered that the Council determines partner allocations, the grant is recognised as income and allocations as expenditure. Where the Council does not exercise such control, only such grant as may ultimately be awarded to the Accountable Body is recognised as grant receivable.

Heritage Assets

These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held principally for their contribution to knowledge and culture rather than for any operational reasons (mainly museum exhibits). They are held at valuation in accordance with FRS30. Depreciation is not required for those assets with indefinite lives. Valuations are reviewed where there is clear evidence of impairment such as damage or doubts as to provenance. Gains and losses on disposal are included under other operating expenditure. Such charges are not permitted by statutory arrangements to have an impact on the General Fund Balance. Therefore these gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Expenditure in excess of £10k is categorised as an intangible asset only where it can be separately identified.

Inventories

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

Investment property

Investment properties are separately identifiable properties used solely and specifically to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, or are revalued immediately prior to reclassification. They are subsequently measured at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Investment properties are not depreciated but valuations are assessed annually to ensure they reflect market conditions at the year-end.

After initial recognition, gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains and losses on disposal are included under other operating expenditure. Such charges are not permitted by statutory arrangements to have an impact on the General Fund Balance. Therefore these gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Income and expenditure relating to investment properties are also charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Leases

A lease is an agreement conveying the right to use an asset for an agreed period of time in return for a series of payments. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets (IFRIC 4).

A *finance lease* transfers substantially all the risks and rewards of ownership. E.g.: -

- Ownership transfers to the lessee at the end of the agreement, or the lessee has the option to purchase the asset at a price sufficiently lower than the fair value at that date such that it is reasonably certain that (at the start of the agreement) this option will be exercised.
- The secondary rental period is for a rent substantially lower than market rent.
- The lease term is for substantially all the life of the asset.
- The minimum lease payments account for substantially all the fair value of the asset.
- The asset is specialised and can really only be used by the lessee
- The risks of ownership (e.g. losses, obsolescence) lie with the lessee.
- The rewards of ownership (e.g. residual value) lie with the lessee.

All other leases are *operating leases*.

Where a lease covers both land and buildings, the land and buildings elements have been classified separately. As land (usually) has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. However, a lease of land may still be a finance lease (even where the title does not pass to the lessee by the end of the lease term) if consideration of all other factors leads to this conclusion. The separate elements of land and buildings are considered together where the land element is immaterial.

The Council as Lessee

<u>Finance Leases</u>

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment (applied to write down the lease liability), and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation charges and revaluation and impairment losses are therefore substituted by a revenue contribution from the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

<u>Operating leases</u>
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-tine basis over the life of the lease, even where this may not match the pattern of payments.

The Council as Lessor

<u>Finance Leases</u>
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property. Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Therefore these gains are reversed out of the General Fund Balance in the Movement in Reserves Statement, and (for any sale proceeds greater than £10,000) posted to the Capital Receipts Reserve.

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

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

Non current assets held for sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continued use, the asset is reclassified as Held for Sale. This is when the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets; the sale is highly probable (expected to qualify for recognition as a completed sale within one year); there is appropriate management commitment to selling the asset; and an active programme to locate a buyer for the asset at a fair value has been initiated.

The asset is revalued immediately before reclassification, and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus of Deficit on Provision of Services.

Gains and losses on disposal are included under other operating expenditure, and any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Such charges are not permitted by statutory arrangements to have an impact on the General Fund Balance. Therefore these gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement, and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

Depreciation is not charged on Assets Held for Sale.

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

Overheads / Support Service Costs
The principle of total absorption costing has been applied in compliance with the Service Accounting Code of Practice (SerCOP). 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. The full cost of overheads and support services are therefore shared between users in proportion to the benefits received.

SerCOP 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 certain IAS19 accounting entries relating to pensions). These costs are not charged to services, and are disclosed separately on the face of the comprehensive income and expenditure statement as part of net cost of services.

Private Finance Initiative
PFI contracts are agreements with private sector operators to construct or enhance property used to provide public services and to operate and maintain that property for a specified period of time. The operator is paid for its services over the period of the arrangement. Such arrangements are accounted for in line with IFRIC12 Service Concession Arrangements.

IFRIC12 specifies that properties used to provide services under PFI contracts should be recognised as an asset by whichever party exercises control over the property in terms of stipulating the services provided, and any residual interest. As the Council is deemed to control the services that are provided under its 5 school PFI scheme, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

Assets and liabilities
The school buildings are recognised as assets of the Council together with a liability to pay future rentals. These assets are then treated like any other Council assets in accordance with the accounting policy for property, plant and equipment, i.e. they are subject to annual depreciation and regularly revalued so that the carrying amount included in the balance sheet is at fair value.

The liability is written down annually over the period of the contract by the amount of the unitary charge recognised for this purpose.

Comprehensive Income and Expenditure Statement entries
Each year, the Council pays the operator an agreed unitary charge for occupation of the premises and the service provided. This unitary charge is broken down into 3 parts based on the fair value of the property involved and estimated service element costs. The fair value of the property is the amount initially recognised on the balance sheet together with an offsetting liability. This is accounted for as a finance lease, with part of the unitary charge therefore being recognised as a repayment of the liability, and part being the associated interest cost based on the rate implicit in the lease. The rest of the unitary charge reflects the cost of the services provided.

Service costs are included within the net cost of services figure in the comprehensive income and expenditure statement. Interest costs are included in the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The principal element is applied to write down the liability towards the PFI operator on the balance sheet.

In accordance with statutory requirements, revenue provision has to be made towards the reduction of the borrowing requirement relating to this transaction, and a charge equivalent to the amount of principal repaid has therefore been made in the movement in reserves statement such that the overall charge against general fund equals the unitary charge paid.

The Council also receives an annual revenue grant towards the above costs. An amount of grant equivalent to the interest charge is recognised as non specific grant income in the comprehensive income and expenditure statement. All remaining grant is included in net cost of services.

Property, plant and equipment
Physical assets that are held on a continuing basis for use in the provision of services or for administrative purposes are classified as Property, Plant and Equipment (PPE).

Recognition
Expenditure in excess of £10k on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council for periods in excess of one year, and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Capital expenditure is recognised initially at cost, comprising all expenditure that is directly attributable to bringing an asset into working condition for its intended use. All acquired and newly created assets, and assets which have had significant enhancement works completed during the year have been formally revalued. All other capital expenditure has been added to property, plant and equipment at cost until such time as the asset is revalued as part of the 5 year rolling programme.

Increases in valuations are recognised as unrealised gains in the revaluation reserve (or credited to the comprehensive income and expenditure statement where they arise from the reversal of an impairment or revaluation loss previously charged to a service revenue account). The revaluation reserve contains revaluation gains recognised since 1st April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account. Where decreases in value are identified, they are written down against any balance of revaluation gains for the asset in the Revaluation Reserve, and then to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Assets are assessed at each year-end for indications of material impairment. Assets within significant classes of PPE are assessed to see whether there is any evidence that the class as a whole has been impaired. Where indications exist, impairment losses are recognised and accounted for in the same way as revaluation losses.

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 fair value, determined as the amount that would be paid for the asset in its existing use. For specialised properties for which no market evidence exists, depreciated replacement cost is used as an estimate of fair value. Where items of plant, vehicles and equipment are short lived and of relatively low value, historical cost is used as a proxy for current cost.
- Infrastructure assets (e.g. highways and bridges) have been included in the balance sheet on the basis of depreciated historical cost.
- Assets under construction have been included at historical cost and assessed for impairment.
- Community assets (e.g. parks) 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, and depreciated as appropriate.
- Surplus assets are those assets not currently operational, but which do not yet meet the criteria to be classed as held for sale or investment properties. Such assets might, for example, be currently held vacant pending future use. These assets are held at their previous existing use value.

Depreciation
With the exceptions of land (unless it has a finite life), buildings under construction, and community assets (unless specifically appropriate), all items of property, plant and equipment 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. Asset lives are provided by the valuers on an individual basis, but in general: -

- 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.
- Plant, Vehicles and Equipment have been depreciated on a straight line basis over periods of between 5 and 15 years.

Where an item of Property, Plant and Equipment has a major component whose cost is significant in relation to the total cost of the item and whose asset life is significantly different from the life of the asset to which it is attached, the component is separately identified and depreciated.

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

Disposals
On disposal, the net book value of an asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, and the receipt is credited to the same line. This shows the gain or loss on disposal. Any remaining balances relating to the asset in the revaluation reserve are transferred to the capital adjustment account.

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. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Receipts in excess of £10k 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 comprehensive income and expenditure statement, receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement. The usable capital receipts 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.

Provisions
Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and all provisions are reviewed annually and adjusted to reflect the best estimate at the balance sheet date of the anticipated expenditure required to settle the obligation. When expenditure is incurred to which the provision relates, it is charged to the provision carried in the Balance Sheet.

Impairment of assets
Assets are assessed at each year end for evidence of impairment to ensure that they are carried at no more than their recoverable amount. The main asset categories are assessed for impairment in line with the requirements of specific accounting standards for property, plant and equipment, and financial instruments.

- Property, plant and equipment (PPE) assets and heritage assets are assessed in accordance with the policy for accounting for PPE assets. Impairments are written off against any revaluation gains attributable to the relevant assets, with any excess being charged to the relevant service revenue account. Impairments of investment properties and held for sale assets are written off to specific lines within the comprehensive income and expenditure statement.
- Financial assets are assessed annually for impairment in accordance with the policy for accounting for financial assets. Losses are recognized if there is objective evidence of impairment of a financial asset or group of assets, or if past history suggests that the sums likely to be realised are lower than the carrying value. Impairments are recognised in the comprehensive income and expenditure statement.

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 out of General Fund balances in the movement in reserves statement and so count against council tax when set aside. Expenditure funded from reserves is charged directly in the year it is incurred to service revenue accounts in the surplus/surplus on the provision of services. The reserve is then appropriated back into the General Fund balance in the movement in reserves statement so that there is then no net charge against council tax for the expenditure.

Certain reserves are kept to manage the differences in timing between statutory recognition and the accounting treatment of non-current assets, financial instruments, retirement and employee benefits. These are not usable resources for the Council (the movements on these reserves are explained in note 29).

Revenue expenditure financed by capital under statute (refcus)
Refcus is expenditure on assets not owned by the Council but which is allowed to be capitalised under statutory provisions. It does not give rise to assets which can be controlled by the Council. Examples include grants given to third parties for capital purposes, expenditure on private sector housing renewal, or on schools not in Council ownership. There is no on-going controlling benefit to the Council of such expenditure, and so it is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

As this expenditure can be met from capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

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, or has been recovered retrospectively from amounts paid over in previous years.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities.

The Council is required to:

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

The Head of Finance's responsibilities.

The Head of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Head of Finance 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 Code.

The Head of Finance 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 a true and fair view of the position of Calderdale Metropolitan Borough Council as at the 31st March 2013 and its income and expenditure for the year then ended.

P Smith, BA CPFA
Head of Finance
19 September 2013

I confirm that these accounts were approved by the Audit Committee on the 19 September 2013. Signed by the chair of the meeting on behalf of Calderdale Metropolitan Borough Council.

Chair of Audit Committee
19 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALDERDALE METROPOLITAN BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Calderdale Metropolitan Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Calderdale Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and Auditor

As explained more fully in the Statement of the Head of Finance Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Calderdale Metropolitan Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the Auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis of qualified conclusion

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness, we have considered the Improvement Notice issued to the Council in April 2012 by the Undersecretary of State for Children and Families due to poor performance in Children's Social Services. This Improvement Notice is still in place at the date of our Value for Money Conclusion. We have also considered the inspection report from Ofsted, published in June 2013 which concluded overall that arrangements for the protection of children in the Calderdale Metropolitan Borough Council area were judged to be inadequate.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, with exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects, Calderdale Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority’s Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Mark Heap
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP
4 Hardman Street,
Spinningfields,
Manchester,
M3 3EB
26 September 2013

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.

Amortisation The writing down of an intangible asset reflecting its diminution in value as its useful life expires over time.

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.

Cash and cash equivalents Cash, deposits or investments readily convertible to known amounts with no risk of change in value or penalty charge.

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 and cemetery land.

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 a Council's actions where:

a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
b) as a result, the Council 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 not wholly within the control of the Council.

Core Grant Certain Government grants previously given for specific services, but now unringfenced.

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.

Curtailment 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.

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 investment return expected to be earned based on the assets held and market expectations at the beginning of the period (less the expected level of scheme expenses over the period).

Fair Value The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

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 Asset A financial instrument such as bank deposits, investments, loan receivables, trade debtors and other receivables.

Financial Instrument A contract giving rise to a financial asset in one entity, and a financial liability or equity instrument in another.

Financial Liability A financial instrument such as borrowings, bank overdraft, financial guarantees, trade creditors and other payables.

General Fund The total services of the Council (except for the 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 a Council. Sometimes, there is expected to be compliance with certain conditions relating to the activities of the Council but increasingly, grants provided are “general” rather than service specific, and are used to help pay for the net cost of Council services generally.

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.

Held for sale assets A held for sale asset is an asset available for immediate sale which is being actively marketed for sale at a reasonable price in relation to its fair value, and for which a sale is highly probable.

Heritage Assets Heritage assets are those assets held for their historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained for future generations for their contribution to knowledge and culture rather than for any operational benefit. They include historical buildings, decorative structures, civic regalia, museum collections and works of art.

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.

Intangible Fixed Assets Intangible assets that yield benefits to the Council and the service it provides for a period of more than one year, such as software licenses.

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.

International Financial Reporting Standards (IFRS) International Financial Reporting Standards are accounting standards developed by the International Accounting Standards Board (IASB) to promote a single set of high quality global accounting standards. The transition date for local authorities was 1st April 2009 and these standards have applied in full to local authorities’ accounts from 1st April 2010.

Investment Properties Properties held solely to earn rentals or for capital appreciation, and not used to provide services or for administrative purposes.

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.

Liquid Resources Current asset investments that are readily disposable by the Council without disrupting its business and are either of fixed, short term duration readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

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 Debt The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference is to net funds rather than net debt.

Net Realisable Value The open market value of an asset in its existing use 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 comprehensive income and expenditure statement.

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.

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 adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors. 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, which then typically operates and maintains the property for a specified period of time in return for annual “unitary charge” payments.

Projected Unit Method An accrued valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to;

a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Property, plant and equipment These are fixed assets such as land, buildings, and vehicles which yield benefits to the Council for more than one year and which are held, occupied, used or consumed in the direct delivery or administration of those services for which the Council has responsibility.

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.

Refcus (Revenue expenditure funded from capital under statute) Expenditure that is properly capitalised but does not result in, or remain matched with, tangible assets. Examples of refcus are expenditure on items such as grants for home improvements or to businesses or other third parties for capital works.

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 current prices prevailing at the balance sheet date taking into account the expected age and condition at the end of the asset’s useful life.

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 (e.g. 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.

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

Surplus Assets These are assets that are not directly occupied, used or consumed in the delivery of services, or held specifically to earn rental income or for capital appreciation, and which do not meet the criteria to be classed as held for sale or investment properties. Examples include land of indeterminate use.

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 Council 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.