

Statement of Accounts 2003-04





Independent Auditors' report to the City of Bradford MDC

We have audited the statement of accounts on pages 10 to 27, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 9.

This report is made solely to the City of Bradford MDC in accordance with Section 2, of the Audit Commission Act 1998. Our work has been undertaken so that we might state to the City of Bradford MDC those matters we are required to state to it in an auditors report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to any one other than the City of Bradford MDC for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 2 the Council's Financial Director (Section 151 Officer) is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on internal control on page 3 reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal control covers all risks and controls. We are not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risks and control procedures. Our review was not performed for any other purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of audit opinion

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

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

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

Opinion

In our opinion the statement of accounts present fairly the financial position of the City of Bradford MDC as at 31 March 2004 and its income and expenditure for the year then ended.

Certificate

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

KPMG LLP
Chartered Accounts
Leeds

6 October 2004

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2003-4

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Introduction to the Council's Accounts

This report sets out the Council's Statement of Accounts for the financial year 2003-4. One of the prime objectives of the report is to provide easily understood information, which gives an insight into how the Council has performed during the financial year.

Facts and figures have been presented as simply and clearly as possible. However the legal and accounting requirements imposed by the Code of Practice on Local Authority Accounting in Great Britain and the Accounts and Audit Regulations 2003 do mean that certain statements are unavoidably detailed.

This foreword includes a **Statement of Responsibilities** and is followed by a new **Statement on Internal Control**. The accounting statements then follow beginning with the **Report of the Finance Director**. This report summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2003-4. Information about the amount of money spent by the Council and where the money comes from is shown in a series of charts. A distinction is made between revenue spending (the annual cost of providing services) and capital expenditure (spending on schemes which will have a long-term benefit for the citizens of Bradford).

The **Statement of Accounting Policies** sets out in detail the accounting policies adopted by the Council. It is followed by the **Consolidated Revenue Account**. This is fundamental to understanding the Council's activities. It reports the total amount spent during the year on all the services the Council is responsible for. It also shows how much of this cost has been met by council taxpayers and how much has been funded by central government through grants.

The **Consolidated Balance Sheet** of the Council identifies the value of the Council's land, buildings and vehicles and how much it has borrowed. It also shows how much the Council owed to suppliers and how much was owed to the Council at the year-end. The **Statement of Total Movements in Reserves** brings together monies held in reserves. A distinction is made between reserves that can be used to support future revenue spending, those earmarked for a specific purpose and those which are not cash reserves. The **Cash Flow Statement** sets out in detail where the Council received cash from and what this cash was spent on.

Further specialised statements include the **Housing Revenue Account** (detailing the residual transactions incurred after the transfer of the Council's housing stock to Bradford Community Housing Trust (BCHT) in February 2003) and the **Collection Fund**, showing how much money has been collected from council tax and non-domestic rates and how this money has been passed on to precepting authorities.

All the above accounts have a short note describing their purpose and where appropriate further notes to explain significant financial matters.

Bradford Metropolitan District Council's Responsibilities

The authority is required to:

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

The Finance Director's Responsibilities

The Finance Director is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting and the Accounts and Audit Regulations 2003.

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

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were both reasonable and prudent
- Kept proper and up to date accounting records
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

In addition the Department of Finance has issued

- A code of practice for all finance officers employed by the Council
- A manual on the practices to be adopted in the preparation of the Council's year end accounts
- Various corporate standards giving guidance on specific accounting issues

Certification of the Accounts

I certify that the statement of accounts presents fairly the position of Bradford Metropolitan District Council at 31st March 2004 and its income and expenditure for the year ended 31st March 2004.

Signed:

Steve Morris
Finance Director

Date: 15 July 2004

In accordance with the Accounts and Audit Regulations 2003, I certify that the statement of accounts was approved by the Council on 20 July 2004.

Signed:

Cllr Irene Ellison-Wood
Lord Mayor

Date: 20 July 2004

1. Scope of Responsibility

Bradford Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Bradford Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Bradford Council for the year ended 31 March 2004 and up to the date of approval of the Statement of Accounts.

3. The Internal Control Environment

The Council has a detailed constitution which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure the Council is efficient, transparent and accountable to local people. This includes the operation of a balance of duties between the Standards and the Overview and Scrutiny Committees which provides a check to the work of the Council's Executive. The Council operates within a robust financial framework to ensure value for money and a performance management framework which is there to support continuous improvement in service delivery.

The key elements of the internal control environment include:

- Establishing and monitoring the achievement of the Council's objectives
- The facilitation of policy and decision-making
- Ensuring compliance with established policies, procedures, laws and regulations. In 2003-04 this required substantial work on risk management, which has now been progressed within each department and which included departmental workshops to train staff and enhance their ability to manage risk appropriately so that corporate and departmental objectives are met.
- Ensuring the economical, effective and efficient use of resources, and securing continuous improvement in the way in which Council functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
- The financial management of the Council and the reporting of financial management
- The performance management of the Council and the reporting of performance management.

4. Review of Effectiveness

Bradford Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. Managers within the authority have responsibility for the development and maintenance of the internal control environment. Assurances have been sought that reasonable steps have been taken by Directors in the maintenance of the internal control environment within their departments.

The review of the effectiveness of the system of internal control is informed by the work of the Internal Audit Section. The key areas of assurance relate to the work detailed in the Annual Internal Audit Report on the Council's internal control environment. This work is reported to Council through the Standards Committee.

The work of external audit provides additional assurance through their comprehensive performance assessment and the publication of the Annual Letter. The Council also receives assurances from other statutory inspectors and regulators. Where required the Council will follow up all inspections with an improvement plan to remedy any weaknesses identified.

We have been advised that the review of the effectiveness of the system of internal control has identified two weaknesses. These are reported in Section 5 below. An action plan to address each weakness has been developed and will be implemented in 2004-5 to ensure continuous improvement of the systems in place.

5. Significant Internal Control Issues

The key control issue has been the requirement to embed risk management processes within the Council. In 2003-4 progress was made in the development of a strategy and implementation plan evidenced by an improvement in the external auditor's assessment within the CPA for use of the resources from band 1 to band 2. The Council fell short of achieving band 3 due to the extent to which risk management was embedded within Council departments. Support is being made available to embed the process and develop risk management action plans. This will be monitored both as part of a departmental strategic planning process and by the change management board.

Internal controls within the Council's Performance Management Framework identified weaknesses in the data collection systems or definitions of a small number of Performance Indicators. In 2004-5 this is to be addressed by monitoring and support from the Service Improvement Team. Further improvements include incorporation of Performance Indicators within Departmental Strategic Plans and the issuing of further guidance on the production of Performance Indicators to service managers.

Philip Robinson
Interim Chief Executive

Date: 19 July 2004

CIlr Margaret Eaton OBE
Leader of the Council

Date: 19 July 2004

Report by Steve Morris, Finance Director

In the financial year 2003-4 the Council showed a net underspending on General Fund of £548,000, which has been used to increase the General Fund Balance. The net underspend is after action taken by Directors, under Financial regulation 15, to carry forward budgets totalling £2.0m to meet commitments in 2004-5.

The overall net underspend of £548,000 in 2003-4 is the result of:

Variations in spending by Departments		
	£000	£000
Asset Management	474	
Environmental Services	265	
Social Services	3,421	
All other services	-115	4,045
Variations in other costs		
Capital financing costs – interest savings	-3,767	
Bank interest and charges	-302	
Contingencies not used	-524	-4,593
Net underspending		-548

- Asset Management overspent by £474,000, principally as a result of a dispute over Kirkgate Car Park rental income.
- The overspending of £265,000 by Environmental Services was in the areas of refuse collection and waste disposal. The amount of waste produced in the district continues to rise, as does the number of recycling schemes. Together these increase costs.
- Social Services overspent by £3,421,000 compared to a figure of £3,162,000 reported in the financial monitor report to the Executive on 23 March 2004. The main area of pressure continues to be the cost of out of authority placements for looked after children.
- Capital financing costs were less than estimated due to interest rates and the delayed take up of borrowing required to finance capital investment. The overall position on capital financing costs, bank charges and interest received was a saving of £4,069,000 compared to a figure of £3m reported in the financial monitor to Executive on 23 March.

Schools

There was a net surplus on schools delegated budgets of £8.758m. (This compares with a projected surplus of £2.533m reported to the Executive on 23 March). The net surplus is made up of deficit balances of £6.740m and surplus balances of £15.498m. These sums have been carried forward to schools budgets in 2004-5 in accordance with delegated arrangements.

General Revenue Reserves and Balances

General revenue reserves and balances act as a necessary contingency against unforeseen events. At 31 March 2004 general revenue reserves and balances totalled £8.2m. In 2004-5, £1.1m will be transferred to the Change Programme Reserve, leaving an anticipated balance, excluding the housing revenue account surplus, of £7.1m. Of this sum, £6.048m is the General Fund Balance. Further information on the authority's reserves can be found on page 23.

How much money did the Council spend?

In 2003-4 the gross revenue expenditure on the provision of services was £952.2m. This included £938.5m on General Fund services, markets and Housing Revenue Account transactions, £13.5m paid to the West Yorkshire Passenger Transport Authority and £183,000 paid in local precepts to Keighley Town Council and Ilkley Parish Council. For a further breakdown of the amount spent on individual services see either the chart following or the Consolidated Revenue Account (page 10).

The spending statements on services follow the expenditure analyses for services set out in the Best Value Accounting Code of Practice (BVACOP), the purpose of which is to facilitate Best Value comparisons between different authorities. As the service analyses are mandatory for all local authorities' financial statements, they do not necessarily match the current management structure and financial monitoring framework of the Council.

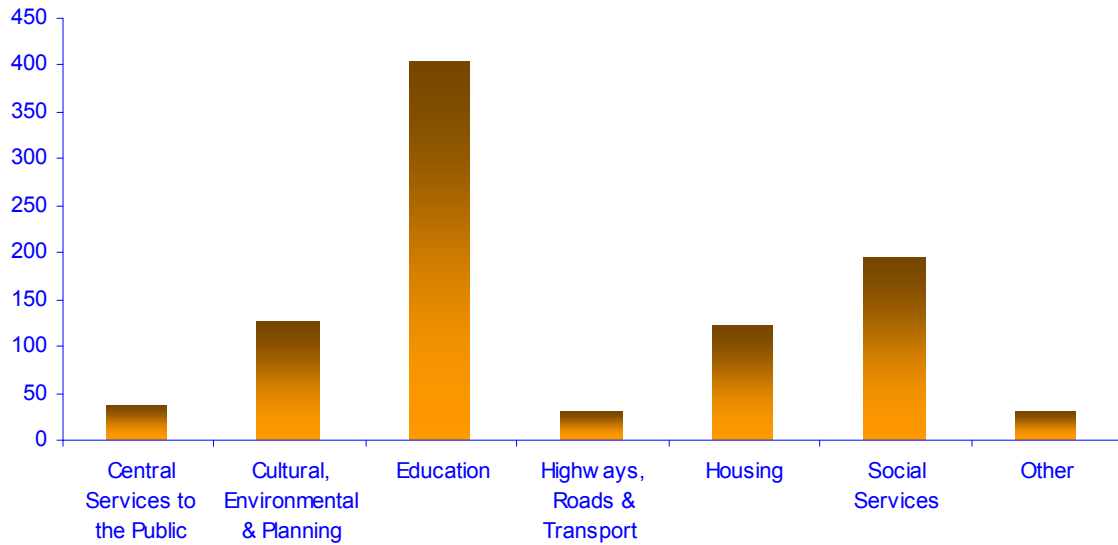
Where did the Council get its money?

The Council's General Fund revenue spending is mainly funded through Revenue Support Grant (£291.2m), Council tax (£120.6m) and redistributed non-domestic rate income (£137.0m). The government through specific grants provides a further £264.2m of funding. The Council itself raises the remaining money (£139.2m) in the form of rents and fees and charges for services provided.

What is the money spent on?

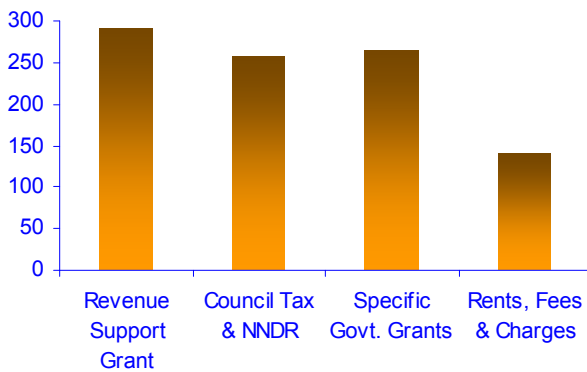
Local authority services are labour intensive with staff costs accounting for £409.5m of revenue expenditure. In 2003-4 spending on other operating costs and capital financing costs was £429.4m and Council tax and rent benefits together totalled £113.3m.

Where the money was spent (£m)

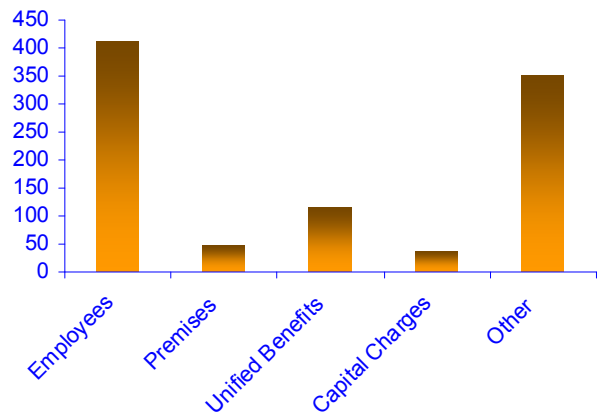


Other is made up of the following services – corporate management, democratic representation and management, non distributed costs, court and probation services and exceptional items.

Where the money came from (£m)



What the money was spent on (£m)



Capital Expenditure

The amount the Council can spend on capital schemes each year is limited by the resources available and by the Local Government and Housing Act 1989. Through this Act, the government controls borrowing and other credit arrangements and the extent to which capital receipts may be used to finance new expenditure.

The Council's planned spending for the year was £118.2m and actual spending was £97.5m, an underspending of £20.7m. The underspending and the unspent resources have been rolled forward to 2004-5.

In total, capital resources of £56.6m were protected and carried forward at 31 March 2004 for use in future years. This figure includes funding for the slippage from 2003-4 and a planned carry forward to support Capital Investment Plan commitments. The resources are held as:

	£m
Receipts in advance (capital grant income held over to 2004-5)	13.0
Usable Capital Receipts Reserve	20.2
Renewal and Replacement Reserve	23.4
	56.6

These resources are held for the following purposes:

Capital receipts ring-fenced under council decisions:	
- transport (Bingley town centre)	0.9
- regeneration (integrated development plan)	1.9
Other specific resources received in advance by services and to be used in future years	13.5
Corporate resources to fund slippage from 2003-4 and planned support for the capital investment plan in future years	36.0
Working balance on the Renewal and Replacement Reserve	1.4
Unallocated capital resources	2.9
	56.6

Where the money came from

The spending of £97.5m was funded as follows:

- £37.5m (38%) by external borrowing generating capital financing charges which will form part of future revenue spending.
- £20.2m (21%) from capital receipts from the sale of land and buildings.
- £36.3m (37%) from government and other grants.
- £3.5m (4%) from revenue contributions and working capital.

Major Capital Schemes in 2003-4

The table opposite shows the expenditure in 2003-4 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes	Main Schemes £000	Total Spend £000
Arts, Heritage and Leisure		1,375
Queens Hall Burley	277	
Cliffe Castle	536	
Asset Management		36
Community Development and Lifelong Learning		4,528
Sure Start Barkerend	522	
Sure Start Keighley	1,694	
Canterbury Childcare	721	
Neighbourhood Nursery Initiative	831	
Community Safety		10
Customer Services		693
City Centre One Stop Shop	506	
Education and Schools		34,091
Schools Reorganisation	15,909	
Spaces for Sports and Arts	2,285	
NDS Condition Allocation	2,175	
Major Capital Repair and Renewal	619	
Devolved Formula Capital	4,752	
Environmental Services		1,288
Recycling Scheme	430	
Recycling Infrastructure	630	
Marketing and Communications		39
Haworth and Ilkley TIC	39	
Policy and Executive		274
Electronic Government	255	
Regeneration and Housing		20,838
SRB Programmes	5,131	
Neighbourhood Renewal Fund	1,233	
Trident	3,521	
Integrated Development Plan	1,736	
Renovation Grants	3,319	
Social Services		4,906
Children's Homes Provision	1,719	
Disabled Equipment and Adaptations	694	
FAME Project	355	
Transportation, Design and Planning		29,435
Bridge Strengthening	1,937	
Local Safety Schemes	310	
Transport Package Schemes	3,642	
Highway Maintenance and Improvements	4,160	
South Bradford Integrated Transport	6,548	
Bradford Centre Integrated Improvements	11,133	
		97,513

Council Tax and Community Charge Collection

At 31 March 2004, the Council had collected over 95% of the value of council tax bills sent out for 2003-4. The recovery process continues for outstanding arrears.

Housing Revenue Account (HRA)

On 24 February 2003 the Council successfully transferred the ownership of its housing stock to Bradford Community Housing Trust (BCHT). In 2003-4 net residual costs of £218,000 were charged to the HRA, leaving a surplus of £43,000 on the HRA at 31 March 2004.

The rules on closure of the HRA mean that this cannot take place until 1 April 2005 at the earliest. Any surplus will be transferred to the General Fund once approval has been received and the HRA has been closed.

Trading Services

Markets

The markets undertaking shows a surplus for the year of £291,000. After funding capital investment in 2003-4, £208,000 was paid into the markets reserve and carried forward to fund future maintenance and development works on markets properties.

Other trading services

The authority's other trading services collectively made a net deficit of £56,000 in 2003-4. The final trading position for the year ended 31 March 2004 for those services that continue to operate as trading accounts was:

2003-4 Surpluses (-)/ Deficits	£000
School & Welfare catering	-228
Building cleaning	-15
Other catering	-12
Vehicle services	158
Buildings maintenance	153
Total net deficit	56

The net deficit of £56,000 for the year has been met from the appropriation reserve. This leaves an undistributed surplus of £392,000 in the appropriation reserve carried forward at 31 March 2004.

General Principles

The accounts have been prepared in accordance with;

- the Accounts and Audit Regulations 2003
- the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)
- Financial Reporting Standards (FRS) issued by the Accounting Standards Board
- the Best Value Accounting Code of Practice (BVACOP)

These specify the accounting principles and practices required to prepare a statement of accounts which presents fairly the financial position and transactions of a local authority.

Income and Expenditure (Debtors and Creditors)

Income and expenditure are accounted for in the year in which they arise by the creation of debtors and creditors. There are a small number of exceptions to this accrual concept.

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- Interest on all new or rescheduled loans taken out since April 1988 is accrued in accordance with the Code of Practice on Local Authority Accounting. There remains a small number of loans taken out before that date for which, in accordance with previous practice, interest is not accrued. Non accrual of interest amounted to £171,000 at 31 March 2004.
- To take advantage of lower interest rates loans are rescheduled from time to time. There was an outstanding deferred debtor at 1 April 2003 in respect of loans rescheduled in 1994-5. Premium payments and discounts arising from rescheduling together with interest not accrued on rescheduled loans were treated as a deferred debtor and written down over a number of years. There was some further rescheduling of loans in 2003-4 and a premium of £242,000 was paid. This was met from the provision for credit liabilities account in the year.
- Expenditure on rent allowances is accounted for on a 52-week basis, with an occasional 53rd week being charged into the accounts.

Capital Charges

Capital charges are made for the use of fixed assets in the provision of a service.

Capital charges made to service revenue accounts (including central support services) include straight line depreciation plus a notional interest charge based on the fixed assets included in the balance sheet at 1 April 2003. For former statutory DSOs the interest is based on the average of the fixed asset values at 1 April 2003 and 31 March 2004.

The notional rate of interest used is 3.5% for fixed assets held at current value and 4.625% for assets held at historic cost.

Costs of Support Services

In accordance with current accounting practice, the costs of central support services are recovered from users either by cost apportionments (based on time spent or usage) or by charges under service level agreements. The costs of Corporate and Democratic Core (CDC) and Non Distributed Costs (NDC) as required by CIPFA's BVACOP have not been recharged to service departments or trading services.

Pension Costs

Prior to 2003-4 pension costs were charged to revenue based on employer's pension contributions payable and payments to pensioners in the year. FRS 17 "Retirement Benefits" requires the authority to account for retirement benefits when the benefit entitlements are earned, even if the actual payments will be many years hence.

The full implementation of FRS 17 in 2003-4 represents a change to the accounting policies applied in prior years. Prior period adjustments have been made to restate the information in the Consolidated Revenue Account (CRA), (note 1, page 11) and establish the pension liability and the pension reserve in the Consolidated Balance Sheet (CBS), (note 16, page 20).

The attributable pension liabilities have been measured on an actuarial basis using the projected unit method. A real discount rate of 3.5% has been used to discount the liabilities to present values. The approach is approximate in nature but the authority is not aware of any circumstances which would invalidate this methodology.

In service accounts the cash payments made to the West Yorkshire Pension Fund (WYPF) have been replaced with the actuarially calculated current service cost. The current service cost (£20.470m) which represents the true economic pension cost of employing people in a financial year has been apportioned to services pro rata to employer's cash pension contributions.

The attributable assets of the WYPF have been measured at fair value. The performance has been based on asset splits as at 31 December 2003 and investment returns for the nine months up to that date. The final quarter's performance has been estimated from market index returns.

Additional pension costs such as added years benefits, for which the WYPF recharge the authority direct, have been included in the liabilities and contributions for FRS 17 purposes. See the CRA note 10 on page 13 for further details.

As FRS 17 requires that all defined benefits awarded to employees are recognised in the pension asset/liability, an actuarial calculation of the liabilities in respect of the compensatory added years benefits awarded to teachers, has been obtained and included within the overall pension liability (CBS note 16, page 20).

Capital

Fixed assets

All expenditure on the acquisition, creation or enhancement of fixed assets above the de minimis level of £10,000 has been capitalised on an accruals basis. Additions are initially included at their cost of acquisition.

The fixed asset values used in the accounts are based on valuations carried out by the Council's Asset Management Director.

Authorities are required to revalue each asset at least once every five years. As part of the authority's Asset Management Project a thorough review of all of the authority's assets and the values was completed in 2003-4. The outcome of the review has led to a full revaluation of assets in 2003-4, the splitting of asset valuations between site value and buildings and a reassessment of the estimated useful lives of assets.

Depreciation

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

- Operational buildings have been depreciated over a period of 50 years.
- Non-operational investment properties have not been depreciated except where they are leased and have an unexpired term of 20 years or less (these have been depreciated over the unexpired term of the lease).
- Infrastructure assets are depreciated over 30 years
- Computer and other equipment over 5 years.

Assets are not depreciated in their year of acquisition.

Impairment

During 2003-4 all property assets have been revalued. No impairment of assets has been identified during this process. Fire damage of £0.6 million on Margaret McMillan Primary School incurred in 2002 and £0.6 million on Iqra Community Primary School incurred in 2001 have been reinstated from insurance monies in 2003-4.

Capital Receipts

These result from the sale of Council assets. Capital rules require that part of certain receipts must be set aside for debt repayment. The balance of receipts is held in the Usable Capital Receipts Reserve until used to finance new capital expenditure or to repay debt.

Capital Grants

Grants used to finance spending on fixed assets are credited to the Government Grants Deferred Account. Amounts are released from the account to offset any provision for depreciation charged to the revenue account in respect of the assets concerned.

Leases

Rentals paid under operating leases are charged to revenue and are accounted for net of benefits received or receivable.

Current Assets

Stocks, stores and work in progress are included at the lower of cost or net realisable value. Investments of the Council are shown at original cost.

Provisions

The Code of Practice on Local Authority Accounting states that balances can only be classified as provisions when due to a past event, it is more than likely that the authority will have to make a payment to settle its present obligation.

Contingent Liabilities

When the authority can estimate with a degree of certainty that a future event will confirm a contingent loss it is included in the financial statements. Where a material contingent loss cannot be accurately estimated or where the event is not considered sufficiently certain, it is not included in the accounts but disclosed as a note to the accounts.

Reserves

The council maintains certain reserves for the purposes of meeting liabilities other than those covered by provisions.

Revenue Reserves

- The general revenue reserves and balances are available for planned future expenditure, subject to minimum balances being preserved
- The Collection Fund is not available for General Fund expenditure
- The remaining earmarked revenue reserves, which are supported by spending plans are amounts set aside for specific purposes out of the balances of the Council's funds.

Capital Reserves

- The Fixed Asset Restatement Reserve and Capital Financing Reserve are not cash reserves and cannot be called upon to support spending
- The Usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes

Pension Reserve

- This is the difference between the actuarially calculated value of the pension fund assets and the present value of scheme liabilities.

Provision for Bad Debts

Provision has been made in the Housing Revenue Account in respect of former tenants' arrears and other outstanding debts, in the Collection Fund for community charge and council tax debtors and in the General Fund for other bad and doubtful debts.

Provision for Credit Liabilities

The monies the Council borrows to finance its capital spending are known as credit liabilities. Under the Local Government and Housing Act 1989 the Council must set aside certain amounts each year as a provision to meet these liabilities. In 2003-4 the provision has been used to repay debt.

Associated and Subsidiary Companies

The council has financial relationships with a number of associated and subsidiary companies. None of these either individually or in aggregate, is material and therefore has not been consolidated into the Council's accounts.

Deferred Liabilities

Deferred liabilities consist of liabilities which by arrangement are payable beyond the next year, at some point in the future or will be paid off by an annual sum over a period of time.

This statement reports the net cost for the year of the services provided by the Council. It brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers.

Consolidated Revenue Account					
	2002-3 Net Expenditure £000	2003-4 Gross Expenditure £000	2003-4 Income £000	2003-4 Net Expenditure £000	Note
Expenditure on services					(1)
Education	251,062	403,337	125,527	277,810	
Social Services	103,471	193,110	77,934	115,176	
Environmental Services	33,156	41,930	10,415	31,515	
Cultural and Related Services	26,447	45,205	17,754	27,451	
Planning and Development Services	22,486	39,617	22,039	17,578	
Highways, Roads and Transport Services	20,814	28,807	4,174	24,633	
General Fund Housing	10,959	120,110	110,612	9,498	
Central Services to the Public	7,582	35,887	27,822	8,065	
Corporate Management	6,229	12,309	6,016	6,293	(2)
Democratic Representation and Management	4,287	4,797	10	4,787	(2)
Non distributed costs	14,951	8,397	4,151	4,246	(2)
Court and Probation Services	1,046	1,517	525	992	
Exceptional items	62,392	2,562	1,398	1,164	(3)
Discontinued services – Housing Revenue Account	840	905	687	218	(4)
Net cost of services	565,722	938,490	409,064	529,426	
West Yorkshire Passenger Transport Levy	13,116			13,488	
Parish Council Precept	82			183	
Trading account surpluses (-) / deficits					(5)
Former statutory DSOs	-197			56	
Use of DSO earmarked reserves	0			69	
Interest and investment income	-3,181			-3,718	
Asset Management Revenue Account	-14,866			5,267	(6)
Net pension interest cost and expected return on pensions assets	-9,432			10,967	(10)
Net operating expenditure	551,244			555,738	
Appropriations					
Transferred to/from(-) Housing Revenue Account	10			-218	(4)
Contributions to / from (-)					
revenue reserves	3,056			-2,836	(7)
the Capital Financing Reserve	-48,286			6,998	(7)
the Pension Reserve	-2,303			-11,479	(10)
Amount to be met from government grants and local taxation	503,721			548,203	
Council tax payers	-110,601			-119,996	
Redistribution of non-domestic rate income	-144,375			-136,985	
Revenue Support Grant	-246,406			-291,170	
Distribution of the Collection Fund surplus	-1,000			-600	
Net General Fund surplus (-) deficit	1,339			-548	
General Fund Reserve at the beginning of the year	-6,839			-5,500	
General Fund Reserve at the end of the year	-5,500			-6,048	

Note 1. Expenditure on Services

Spending on services is analysed as prescribed in the Best Value Accounting Code of Practice (BVACOP). This analysis does not match the current management structure and financial monitoring framework of the Council.

Prior period adjustment

In 2002-3 the employer's pension contributions payable to the West Yorkshire Pension Fund (WYPF) were included within the net cost of services. The full adoption of FRS 17 in 2003-4 requires that all pension costs be disclosed at the time employees earn them. This represents a change in accounting policy and requires that the 2002-3 CRA be restated on the same basis.

Whilst overall the amount to be met from local taxation and government grants has remained unchanged, the net costs disclosed for individual services have been adjusted to reflect employer's contributions being replaced by an actuarially calculated current service cost. Included within non distributed costs are actuarially calculated pension liabilities in respect of early retirement and added years awarded in cases of redundancy. As the charge the authority has to make against council tax is based on the cash payable in the year, the real FRS 17 cost of pensions have then been reversed out of the CRA after net operating expenditure. The table below summarises the FRS 17 adjustments discussed above.

	2002-3	Restated	Frs 17
	£000	2002-3	Adj
		£000	£000
Total cost of services	552,117	550,771	-1,346
Non distributed cost	1,870	14,951	13,081
Net cost of services	553,987	565,722	11,735
Eliminated by:			
Expected return on pensions assets			-59,253
Interest on pension liabilities			49,821
Transfer from pension reserve			-2,303
			-11,735

Note 2. Corporate and Democratic Core (CDC) and Non Distributed Costs (NDC)

BVACOP clearly defines what expenditure should be accounted for in the CDC as either Corporate Management (CM) or Democratic Representation and Management (DRM). CM includes the costs of the Chief Executive's Office and costs relating to the maintenance of information required for public accountability. DRM relates to all aspects of members' activities.

NDC costs in the main comprise actuarially calculated pension liabilities in respect of early retirement and added years awarded in cases of redundancy.

Note 3. Exceptional items**Yorkshire Enterprise Ltd, £1.4m Receipt**

The authority received £1,398,412 during the year as compensation for retiring from membership of this company (see Consolidated Balance Sheet note 15, page 20.)

Odsal Stadium, £2.3m Payment

Agreement was reached during 2002-3 for commutation of the authority's annual revenue commitments in respect of Odsal Stadium. In accordance with the agreement two equal payments of £2.3m have been paid to Bradford Bulls, one in October 2002 and the second in April 2003.

Debt Premia, £0.2m Payment

In 2003-4 the authority undertook some replacement of external debt to improve the balance of its portfolio. A premium was paid on the debt redeemed, funded from the authority's provision for credit liabilities. In the authority's revenue account, the premium is shown as an exceptional item and the funding shown as a transfer from the capital financing reserve (see note 7).

Note 4. Discontinued Service - HRA

The net residual costs charged to the HRA following the transfer of the authority's housing stock to BCHT in February 2003 have been shown as a discontinued service in 2003-4. The balance of £43,000 on the HRA at 31 March 2004 will transfer to the General Fund once approval has been received from the Secretary of State to close the HRA. For further information about the HRA see page 26.

Note 5. Trading Services**Markets**

The Council operates a total of seven open markets and halls and a wholesale market. Their financial results, which are given below, have, in accordance with BVACOP, been included within the net cost of Planning and Development Services.

In 2003-4 the markets undertaking made a surplus for the year of £291,000. After funding capital investment of £83,000, £208,000 was paid into the markets reserve and carried forward to fund future capital investments in markets properties.

Markets	2002-3	2003-4
	£000	£000
Income	2,345	2,356
Expenditure	2,324	2,343
Trading Surplus	-21	-13
Contribution from reserves	0	-278
Surplus for the year	-21	-291
Used to fund capital expenditure	21	83
Contribution to markets reserve	0	208

Other trading services

Summary Revenue Accounts				
	2002-3	2003-4	2003-4	2003-4
	Surplus			Surplus
	(-)			(-)
	/Deficit	Inc	Exp	/Deficit
	£000	£000	£000	£000
School and Welfare Catering	-47	-13,486	13,258	-228
Building Cleaning	-32	-2,884	2,869	-15
Other Catering	-1	-506	494	-12
Vehicle Services	-1	-10,136	10,294	158
Building maintenance	-116	-5,942	6,095	153
Total	-197	32,954	33,010	56

The deficit on trading services of £56,000 for the year was met from the Appropriation Reserve. This leaves an undistributed surplus of £392,000 in the reserve at 31 March 2004 compared with £448,000 in the reserve at 1 April 2003.

Note 6. Asset Management Revenue Account

The account is required under the prescribed capital accounting arrangements. Capital charges are made to service revenue accounts based on the current value of assets used in the delivery of their services. The income from the charges is credited to this account. The account is charged with the external interest costs paid by the authority on loans raised to finance capital expenditure. It is also charged with the provision made for the depreciation of assets (net of deferred government grants). The net income or expenditure on the account is transferred to the Consolidated Revenue Account.

Asset Management Revenue Account		
	2002-3	2003-4
	£000	£000
Income		
Capital charges –HRA	-16,692	0
Capital charges –other	-41,287	-34,374
Transfer from the Government		
Grants Deferred Account	-1,746	-2,490
Expenditure		
Provision for depreciation	3,729	11,983
External interest charges	41,130	30,148
Balance Transferred to the Consolidated Revenue Account	-14,866	5,267

Note 7. Contributions

Contributions		
	2002-3	2003-4
	£000	£000
To and from (-) revenue reserves	3,056	-2,836
	3,056	-2,836
To and from(-) Capital Financing Reserve		
Financing of capital expenditure	1,477	973
Funding of debt premia	-60,072	-242
Deferred charges	-4,688	-289
Repayment of external loans	14,997	6,556
	-48,286	6,998

Revenue Reserves

Contributions to or from reserves can be seen in the Statement of Total Movement in Reserves (page 22).

Revenue Financing of Capital Expenditure

Authorities are allowed to finance capital expenditure through their revenue accounts. The charge is made by an appropriation to the Capital Financing Reserve.

Funding of Debt Premia

Authorities may fund the cost of debt premia from their provision for credit liabilities. This is done by an appropriation from the Capital Financing Reserve (see note 3).

Deferred Charges

Deferred charges are capital payments that do not result in the creation of a fixed asset. The net cost is charged to service revenue accounts and met by a contribution from the Capital Financing Reserve. (See Consolidated Balance Sheet note 4 on page 17).

Provision for the Repayment of External Loans

The Local Government and Housing Act 1989 requires the Council to set aside from revenue each year an amount for the repayment of external loans (the minimum revenue provision or MRP). The MRP for 2003-4 calculated in accordance with the Act was £16.049m (£16.980m in 2002-3). The charge made to services for depreciation (net of deferred Government grants) meets part of the required provision. The balance is met by an appropriation from the Consolidated Revenue Account to the Capital Financing Reserve.

Provision for the Repayment of External Loans		
	2002-3	2003-4
	£000	£000
Amount charged to services as depreciation	3,729	11,983
Amortised capital grants	-1,746	-2,490
Appropriation from HRA	3,406	0
Additional charge to the Consolidated Revenue Account	11,591	6,556
Total charge to revenue	16,980	16,049

Note 8. Leased Asset Rentals

The Council makes use of certain vehicles and equipment under the terms of operating leases and is committed to paying rentals in future years based on those agreements entered into up to 31 March 2004. Operating lease rentals paid during 2003-4 amounted to £3.9m (£4.3m in 2002-3). The outstanding lease commitments fall into the following years:

Leased Asset Rentals	£000
2004 – 5	3,616
2005 – 6	3,230
2006 – 7	2,435
2007 – 8	1,575
2008 – 9	924
Future years	224

Note 9. Publicity Expenditure

The Local Government Act 1986 requires the Council to keep a separate account of its expenditure on publicity. The total expenditure included in the accounts was:

Publicity Expenditure		
	2002-3	2003-4
	£000	£000
Recruitment and property advertising	5	15
Publicity and promotional services	2,534	2,184
	2,539	2,199

Note 10. Pension Costs

The Council participates in two different pension schemes that meet the needs of employees, both of which provide members with defined benefits related to pay and service.

The schemes are:

The Local Government Pension Scheme: This is a funded scheme for staff. The scheme is administered nationally by a number of separate funds. Bradford is a member of the West Yorkshire Pension Fund.

The authority and employees pay contributions into the fund, at a level pre determined by the fund's professionally qualified actuary at 31 March 2001 for the three years 1 April 2002 to 31 March 2005. The contribution rates set by the actuary are intended to balance the pensions liabilities with the investment asset over the period. The employer's rates also included provision towards the capitalised cost of early retirement for an average of 100 employees each year.

The employer contribution rate for the year 2003-4 in respect of Bradford members of the West Yorkshire Pension Fund was 9.2%. The capitalised cost of early retirement in 2003-4 absorbed within the employer contribution rate of 9.2% was £1.808m (£2.954.m in 2002-3). There were 62 early retirements (excluding ill-health early retirements) in 2003-4.

Note 10. Pension Costs (continued)

Teachers Pension Scheme; This is an unfunded scheme administered by the Department of Education and Employment (DfEE). The contribution rate is set by the DfEE on the basis of a notional fund. The employer contribution rate for 2003-4 was 13.5 %.

Pension Costs as a Percentage of Pensionable Pay					
	Cost in	%	Cost in	%	
	2002-3		2003-4		
	£000		£000		
Local Government Pension Scheme					
Employer contributions	14,055	8.60	14,482	9.20	
Added years costs	3,254	1.99	3,130	1.99	
Teachers Pension Scheme:					
Employer contributions	9,426	8.35	14,480	13.5	
Added years costs	4,922	4.27	4,728	4.41	

FRS 17

Under FRS 17 the authority is required to recognise the cost of retirement benefits when they are earned by employees, rather than when the benefits are actually paid to pensioners. However the overall charge made against the council tax is limited to the employers contributions payable to the pension fund in the year. To ensure that the true cost of retirement benefits, does not have an impact on the level of Council tax, the FRS 17 calculated liabilities are reversed out of the CRA through an appropriation from the pension reserve. The table below shows the impact of FRS 17 on the various segments of the CRA. Note 16 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures.

Pension Costs	Local Government Pension Scheme		Teachers voluntary early retirement benefits		Total	Total
	2002-3	2003-4	2002-3	2003-4	2002-3	2003-4
	£000	£000	£000	£000	£000	£000
Current service cost	21,307	20,470	0	0	21,307	20,470
Past service cost	3,088	1,966	9,571	416	12,659	2,382
Net cost of service						
Interest Cost	46,432	49,085	3,389	3,768	49,821	52,853
Expected return on assets in the scheme	-59,253	-41,886	0	0	-59,253	-41,886
Net operating expenditure						
Contribution from (-)/to pension reserve	5,735	-12,023	-8,038	544	-2,303	-11,479
Employers contributions payable to the scheme	-17,309	-17,612	0	0	-17,309	-17,612
Retirement benefits paid	0	0	-4,922	-4,728	-4,922	-4,728
Overall impact on Council Tax	nil	nil	nil	nil	nil	nil

Note 11. Members' Allowances

The total amount paid in respect of members' allowances in 2003-4 was £1.400m (£1.115m in 2002-3).

Note 12. Employees' Emoluments

Authorities are required to disclose information on employees' emoluments. Remuneration is defined in the regulations as:

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

Employer and employee pension contributions are exempt.

The number of employees whose remuneration excluding pension contributions was £50,000 or more is as follows:

Employee Emoluments	No of Employees	
	2002-3	2003-4
£50,000 - £59,999	64	56
£60,000 - £69,999	21	18
£70,000 - £79,999	17	13
£80,000 - £89,999	5	7
£90,000 - £99,999	2	2
£100,000 - £109,999	3	2
£110,000 - £119,999	-	-
£120,000 - £129,999	-	1
£130,000 - £139,999	1	-

Note 13. Income and Expenditure under the Local Authority (Goods and Services) Act 1970.

Section 1 of this Act authorises local authorities to supply goods and professional and technical services to other public bodies. The Council's income from these services amounted to £1.219m (£1.002 2002-3) and the related expenditure was £1.215m (£997,000 2002-3).

Note 14. Agency Services

The Council undertakes certain revenue and capital works on an agency basis for which it is fully reimbursed. The expenditure is not included in the accounts since it is not part of the Council's normal responsibilities. In 2003-4 the Highways Agency reimbursed the Council a net £172,000 (£28,000 in 2002-3) for residual improvements.

Note 15. Building Control Trading Account

The Local Authority Building Control Regulations require authorities to provide information on the setting of charges for building control administration and for the account to break even over a three year period. Certain building control functions cannot be charged for e.g. general advice and liaising with other statutory authorities. The table below shows that over the last three years the building regulations account made a surplus of £157,000.

Building Regulations 2001-2 to 2003-4				
	2001-2	2002-3	2003-4	Total
	£000	£000	£000	£000
Expenditure	871	918	902	2,691
Income	906	939	1,003	2,848
Surplus	-35	-21	-101	-157

Note 16. Related Party Transactions

Authorities are required to disclose transactions between themselves and related parties. In this context related parties are individuals or bodies who have the potential to influence or control the Council or to be influenced or controlled by the Council. The following information is provided.

Central government

The Government provides the statutory framework within which the council operates, provides the majority of council funding in the form of grants and prescribes the terms of many of the transactions the council has with other parties. Details of Government grants are set out in the Cash Flow Statement (page 25).

Members and chief officers

The register of members' interests has been examined and reveals no matters for disclosure. The register is held by the Member Support Section within City Hall, Bradford and is available for public inspection upon application.

Chief officers were requested to complete a voluntary declaration of any relevant transactions with the authority or between the authority and third parties with which they have some relationship. This resulted in there being no material transactions to disclose.

Subsidiary and associated companies

The Council's interest in companies is explained in note 15 to the Consolidated Balance Sheet (page 20). Transactions with those companies in 2003-4 were:

	2002-3	2003-4
	£000	£000
Leeds Bradford Airport	-301	-230
Yorkshire Enterprise Ltd	0	-1,398
Bradford City Centre URC Ltd	216	384

Other public bodies

Transactions with precepting authorities, joint committees and other related bodies in the year were:

	2002-3	2003-4
	£000	£000
Payment of precepts:		
West Yorkshire Fire and Civil Defence Authority	3,998	5,203
West Yorkshire Police Authority	10,171	11,986
Ilkley Parish Council	82	109
Keighley Town Council	0	74
Payments to joint committees, joint services and other bodies	17,859	18,408
Royds Community Association	519	-545
Parish Councils (running expenses)	180	155

Note 17. External Audit Costs

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

External Audit Costs		
	2002-3	2003-4
	£000	£000
Fees payable under the Audit Commission Act 1998		
General audit services (Sect 5)	298	361
Certification of grant claims and returns (Sect 28)	90	134
Fees payable to the audit commission in respect of statutory inspection	127	53
	515	548

This shows the financial position of the Council at the year-end. Balances on all accounts other than Trust Funds and the Pension Fund are brought together and items that reflect internal transactions are eliminated. The balance sheet shows the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Consolidated Balance Sheet			
	Note	31 March 2003 £000	31 March 2004 £000
Fixed assets	(1)	747,164	722,438
Long term investment	(5)	6,000	6,000
Long term debtors	(6)	7,708	6,836
Total long term assets		760,872	735,274
Current assets:	(7)		
Stocks and work in progress		1,222	1,066
Debtors and payments in advance		80,527	64,471
Deferred debtors		341	309
Investments		126,800	86,900
Cash in hand		28,243	27,689
Less current liabilities	(7)		
Creditors and receipts in advance		125,241	96,551
Short term borrowing (repayable within 12 months)		9,684	7,481
Cash overdrawn		19,509	14,097
Net current assets		82,699	62,306
Total assets less current liabilities		843,571	797,580
Less:			
Long term borrowing	(8)	400,641	417,259
Government grants deferred	(9)	69,489	88,515
Provisions	(10)	9,464	8,482
Deferred liabilities	(11)	651	463
Liability related to defined benefit pension schemes	(16)	250,232	157,919
Total assets less liabilities		113,094	124,942
Financed by:			
Leeds and Bradford Airport holding	(5)	6,000	6,000
Fixed assets restatement reserve		-356,041	-443,265
Usable capital receipts reserve		27,076	20,203
Capital financing reserve		607,169	626,326
Deferred income		1,205	1,104
Deferred capital receipts		6,600	1,556
Pensions reserve	(16)	-250,232	-157,919
Revenue reserves		71,317	70,937
Total equity	(12)	113,094	124,942

Note 1. Fixed Assets

Valuations

Operational and non-operational assets have been valued by Nigel Gillatt MRICS and other similarly qualified officers of the Council's Department of Asset Management, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all properties were inspected. (This was not considered by the valuer to be necessary for the purposes of the valuation.) Operational properties were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for an asset, the depreciated replacement cost. Non-operational properties were valued on the basis of open market value.

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra- structure Assets £000	Community Assets £000	Investment and Non Operational £000	Total £000
Certified valuation at 31 March 2003	533,851	10,162	111,530	7,727	105,985	769,255
Accumulated depreciation and impairment	-1,284	-3,591	-17,216	0	0	-22,091
Net book value at 31 March 2003	532,567	6,571	94,314	7,727	105,985	747,164
Reclassification of Assets	-1,235	0	-37	4,193	-2,921	0
Additions	45,482	2,748	31,057	0	789	80,076
Disposals	-1,163	0	0	0	-11,174	-12,337
Revaluations and adjustments	-111,411	972	-9,414	14,510	24,861	-80,482
Depreciation for year	-7,462	-2,065	-3,713	0	0	-13,240
Impairment reinstated	1,257	0	0	0	0	1,257
Impairment for the year	0	0	0	0	0	0
Net book value at 31 March 2004	458,035	8,226	112,207	26,430	117,540	722,438

A provision of £7.5m for depreciation on operational buildings has been made. The majority of buildings were previously forecast to have a useful remaining life in excess of 50 years, and depreciation charges were therefore not made on the grounds of materiality. During the year estimated useful lives were revised such that all operational buildings are depreciated in accordance with the Council's accounting policy for depreciation.

The authority has carried out a review of its land and buildings holdings and their value as part of its Asset Management Project. A number of assets previously not included have been added to the asset register. The results of the review have led to significant revaluations and adjustments of fixed assets.

Information on assets held.

Assets held on the register include the following:

Asset Information	Number held at 31 March	
	2003	2004
Other land and buildings		
Nursery schools	7	9
Primary Schools	155	159
Secondary Schools	27	28
Special schools	12	12
Car parks	71	99
Cemeteries and crematoria	22	26
Industrial units and workspaces	59	58
Libraries	19	20
Museums	4	5
Public halls	12	12
Recreation grounds	113	168
Recreation centres (including swimming pools)	13	13
Theatres	3	3
Youth centres	15	17
Children's homes	6	6
Elderly persons' homes	14	15
Centres for people with learning difficulties	34	34
Infrastructure assets		
Roads	1,626km	1,626km
Community assets		
Parks and open spaces	69	108
Non operational	935	1310

Note 2. Capital expenditure and financing

	2002-3 £000	2003-4 £000
Capital investment		
Fixed assets	359,113	80,076
Deferred charges	12,482	17,437
	371,595	97,513
Sources of finance		
Borrowing	66,112	37,473
Capital receipts	260,784	20,218
Government grants and other contributions	31,578	36,269
Major repairs reserve	11,883	0
Revenue contributions	1,478	973
Change in working capital	-240	2,580
	371,595	97,513

Note 3. Capital Commitments

The Council has an approved 5-year capital investment plan, details of which may be found in a separate publication. Major schemes that are contractually obliged or committed are detailed below.

	£000
Schools formula capital	6,283
Schools Modernisation Grant	4,569
Children Centres	3,650
Regen 2000	4,565
Children's home residential provision	1,390
Connecting the Cities	7,562

Note 4. Deferred Charges

These are payments of a capital nature where no fixed asset is created. They are mainly grants made to individuals or organisations for capital purposes, such as improvement grants. The net cost of deferred charges in 2003-4 of £289,000 (£4.7m in 2002-3) was charged to service revenue accounts in accordance with correct accounting practice.

Deferred Charges			Total £000
	Grants £000	Other £000	
Expenditure	4,825	12,612	17,437
Amounts repaid from capital grants and capital receipts	4,825	12,323	17,148
Balance charged to service revenue accounts	0	289	289

In order to maintain an overall neutral effect on the authority's revenue position, a corresponding appropriation was then made from the Capital Financing Reserve to the Consolidated Revenue Account.

Note 5. Long Term Investment

This represents the Council's interest in Leeds Bradford International Airport Ltd.

The Council has a 40% interest (share capital of £6.0m) in the airport, which has issued a total share capital of £15m. The principal activity of the company is the operation of a regional and international airport. The financial accounts of the airport can be obtained from Leeds Bradford International Airport, Leeds, LS19 7TU (Tel. 0113 250 9696).

When the Councils accounts were approved the following financial information for 2003-4 had not been audited.

Profit before tax £2.628m (£1.37m in 2002-3)
 Profit after tax £1.792m (£0.94m in 2002-3)
 Assets £36.3m (£34.7m in 2002-3), before dividend

Note 6. Long Term Debtors

These represent the value of long term advances granted by the Council.

The £1.104m due from Wakefield MDC is in respect of the former Waste Management arrangements. It is being repaid over a period of 15 years starting in 2000-1 at £100,000 per annum. See also note 16 to the Statement of Total Movements in Reserves on page 23.

Analysis of Long Term Debtors	31 March 2003 £000	31 March 2004 £000
	Advances to the following are outstanding:	
Former council house tenants	1,896	1,522
Housing advances	268	256
LBA Debenture	797	739
Waste Management SSA	1,205	1,104
Car loans	3,507	3,180
Other	35	35
	7,708	6,836

Note 7. Net Current Assets

Stocks and Work in Progress	31 March 2003 £000	31 March 2004 £000
	Stocks:	
Trading services	283	277
Other	877	623
Work in Progress:		
Trading services	62	166
	1,222	1,066

Note 7. Net Current Assets (continued)

Debtors and Payments in Advance

Analysis of Debtors and Payments in Advance			
	31 March 2003 £000	31 March 2004 £000	
Amounts falling due in one year			
Former housing tenants' rent arrears	2,054	1,230	
Government departments	29,888	17,173	
Other local authorities	93	277	
Customs and Excise	1,614	2,072	
Inland revenue	0	15	
Council tax/ community charge/ non-domestic ratepayers	18,163	17,502	
Sundry	41,759	40,610	
Total	93,571	78,879	
Less provision for bad and doubtful debts			
Collection Fund	6,174	5,824	
Housing rents	1,853	1,230	
Other	5,017	7,354	
	80,527	64,471	

Investments

At any point in time the cash flow of the authority can result in temporary cash balances which are put into short term investments.

Cash

The balance sheet shows cash in hand of £27.689m and cash overdrawn of £14.097m giving a net cash figure of £13.592m in hand at 31 March 2004 (£8.734m at 31 March 2003). This takes account of the value of cheques issued but not presented. The actual aggregate of bank account balances at 31 March 2004 showed cash in hand of £770,887 (£658,235 at 31 March 2003).

Creditors and receipts in advance

Analysis of Creditors and Receipts in Advance			
	31 March 2003 £000	31 March 2004 £000	
Amounts falling due in one year			
Government departments	9,982	14,311	
Other local authorities	270	166	
Inland Revenue	7,182	6,440	
Payroll equalisation	3,916	4,773	
Sundry	103,891	70,861	
	125,241	96,551	

The balance at 31 March 2003 has been restated as a result of a prior year adjustment. A supplementary credit approval for £701,000 was received by the authority in 2002-3 but not reflected in the statement of accounts. However, the credit approval was taken up and used to fund capital spending. As a result capital funding from government grants was reduced. The prior year adjustment therefore:

- reduces the opening balance of Government Grants Deferred by £701,000 and
- increases creditors by £701,000 as the unused grant is accrued as receipt in advance to be used in 2003-4.

Note 8. Long Term Borrowing

The following is an analysis of amounts owed to lenders at the year end.

Long Term Borrowing			
	Interest Rate Range %	Total outstanding at 31 March	
		2003 £000	2004 £000
Source of Loan:			
Public Works Loan Board	4.125-10.25	401,552	412,884
Commercial Bank	3.7	0	5,200
		401,552	418,084
Analysis of loans:			
Maturing in 1 - 2 years		7,481	14,951
Maturing in 2 - 5 years		37,685	38,095
Maturing in 5 - 10 years		41,784	42,442
Maturing in 10 - 15 years		147,877	157,358
Maturing in more than 15 years		166,725	165,238
		401,552	418,084
Debt transferred to other authorities		-911	-825
		400,641	417,259

Note 9. Government Grants Deferred

These are capital grants used to finance the purchase or enhancement of the authority's fixed assets. The amount on the account is written down as the associated assets are depreciated. The prior year adjustment is explained in the preceding note 7 on creditors.

Government Grants Deferred		
	2002-3 £000	2003-4 £000
Balance brought forward	53,390	69,489
Grants deferred in the year	21,155	21,763
Disposals	-2,609	-247
Amounts released re depreciated Assets	-1,746	-2,490
Previously reported balance	70,190	
Prior Year Adjustment	-701	
Balance at the year end	69,489	88,515

Note 10. Provisions

Provisions have been classified in accordance with the Code of Practice on Local Authority Accounting.

Movements in Provision Balances			
	31 March 2003 £000	Transfers £000	31 March 2004 £000
Insurance	5,802	-235	5,567
Maintenance	2,185	-304	1,881
Mental Health Act	117	0	117
Other	1,360	-443	917
	9,464	-982	8,482

Note 10. Provisions (continued)

Purpose of Provisions

Insurance - to bear the risk of losses as an alternative to providing insurance cover through external insurance companies. The main areas provided for are:

Analysis of Insurance Provision at 31 March		
	2003 £000	2004 £000
Property	751	296
Liability	4,859	5,083
Motor	187	178
Other	5	10
	5,802	5,567

Maintenance - monies provided by developers for agreed future maintenance of specific recreation and highway schemes.

Mental Health Act - Consequent to a High Court decision in 1999, relating to four other local authorities, Social Services no longer raise charges for service users receiving care under S117 of the Mental Health Act 1983. The provision at 31 March 2004 of £117,000 will be fully utilised in 2004-5 to meet the repayments relating to one claim in respect of charges made before their abolition.

Note 11. Deferred Liabilities

These relate in the main to amounts received by the Council from contractors under the terms of specific contracts. They will be either repaid to the contractor upon satisfactory completion of the works or used to make good any defects.

Note 12. Total Equity

The total assets less liabilities of the authority are financed by movements in reserves and balances. These movements are explained in the Statement of Total Movements in Reserves on pages 22 and 23.

Note 13. Provision for Credit Liabilities

The authority is required to provide a memorandum statement of the amounts that have been set aside as provision to meet credit liabilities. In 2003-4 as in previous years the balance on the account was written down, recognising the repayment of credit liabilities in the year. There were large transactions in 2002-3 arising from the stock transfer for which there are no corresponding transactions in 2003-4.

Provision for Credit Liabilities		
	2002-3 £000	2003-4 £000
Balance brought forward	0	0
Stock transfer transactions		
Reserved capital receipt	60,072	0
Overhanging debt grant (stock transfer set aside)	175,843	0
Amounts applied to fund debt repayment premia	-60,072	0
Amounts applied to repay external loans	-175,843	0
Other transactions in the year		
Minimum revenue provision set aside	16,980	16,049
Reserved capital receipts	5,603	0
Amounts applied to fund debt repayment premia	0	-242
Amounts applied to repay external loans	-22,583	-15807
Balance carried forward	0	0

Note 14. Contingent Liabilities and Assets

The authority has potential liabilities in respect of certain outstanding litigious matters.

Section 117 Mental Health Act 1983

Recent case law has established that authorities face potential liabilities in respect of claims by clients for the reimbursement of care charges previously made under the Mental Health Act 1983. The liabilities could be substantial, although the level and timing of claims cannot be predicted. The authority has a provision of £117,000 at 31 March 2004 relating to a known claim. The Finance Director's financial monitor report to the authority's Executive on 13 July 2004 recognises further potential claims as a financial risk in 2004-5. The report recommends that the authority's general reserves and balances be protected to cover the reported overspendings and financial risks, including £0.5m for Section 117 claims. The three-year financial forecast report to the same meeting of the Executive recommends that the authority make further budgetary provision in 2005-6 and future years.

Kinship Carers

Many authorities have had a policy of paying reduced allowances to kinship carers (friends and family). A test case has established that this policy cannot be sustained which has resulted in some authorities incurring substantial costs. Bradford's position is considered to be different to those authorities and counsel's opinion is being sought to establish the possibility and extent of any liabilities. Although there may be a potential cost it cannot be measured at this time. The position has been explained in the Finance Director's first revenue monitor report and will continue to be monitored throughout 2004-5.

Pension Cases

Currently there are 94 ongoing employment tribunal cases that have been brought by part time staff relating to pension rights which was the subject of a House of Lord's judgement. It is currently not possible to quantify the financial cost to the authority or the timescale in which these cases will be completed.

Waste Disposal

The Council has responsibility for waste disposal. There are potential liabilities relating to waste management licences involving payment to the Environment Agency, which are secured by performance deeds.

Note 15. Associated and Subsidiary Companies

The Council had financial relationships in 2003-4 with Yorkshire Enterprise Ltd, Leeds Bradford International Airport Ltd, Bradford City Centre Urban Regeneration Company Limited and the Bradford Bovis Social Partnership. Details are provided below. Their assets and liabilities are not included in the Council's accounts.

In addition, the Council was involved in a number of other partnerships and companies but these are not significant.

There are no material balances in respect of any associated or subsidiary companies or partnerships not included in the accounts.

Yorkshire Enterprise Ltd is a company limited by guarantee, established by the former West Yorkshire Metropolitan County Council in 1982 to assist and promote the development of small businesses operating within the Yorkshire and Humberside areas. The five district councils in West Yorkshire became members of the company when the County Council was abolished. During 2003-4 the management of the company negotiated the retirement of the five districts from membership of the company. The districts received a compensation payment based on the estimated value of the company and this has been treated as an exceptional item in the authority's Consolidated Revenue Account (see page 11, note 3).

Details of the Council's investment in **Leeds Bradford International Airport Ltd** are shown in note 5 above.

Bradford Bovis Social Partnership (BBSP) is a joint venture company established in 1996 to stimulate the economic, social and environmental regeneration of the Bradford area. BBSP is 50% owned by the Council and 50% by Bovis Urban Renewal Limited.

Bradford City Centre Urban Regeneration Company Limited is a company limited by guarantee that was incorporated in February 2003, registered with Companies House No 04654938. The company is a government designated Urban Regeneration Company with the aim of facilitating the regeneration of Bradford city centre. Its members are the Council and Yorkshire Forward.

Note 16. Pensions

Note 10, page 12 to the Consolidated Revenue Account contains details of the authority's participation in the West Yorkshire Local Government Pension Scheme and the Teachers Pension scheme.

Local Government Pension Scheme

Set out below are the assets and liabilities for retirement benefits attributable to the Local Government Pension Scheme as assessed by the scheme's actuary, Mercer Human Resource Consulting Ltd.

Local Government Pension Scheme		
	31 March 2003 £m	31 March 2004 £m
Market value of assets	638	773
Present value of scheme liabilities	821	866
Deficit	183	93

The deficits represent the extent to which the scheme is unfunded. The impact on the authority of the need to make good the deficit by increasing contributions over the working life of employees will be discussed with the actuary as part of the next full triennial valuation as at 31 March 2004.

The main financial assumptions used in the actuary's assessment of the scheme liabilities are:

	1 April 2003	31 March 2004
Financial assumptions		
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.0%	4.3%
Rate of increase in pensions	2.5%	2.8%
Discount rate	6.0%	6.3%
Expected rate of return on assets		
Equities	7.5%	7.5%
Government bonds	4.5%	4.7%
Other bonds	5.4%	5.5%
Property	6.5%	6.5%
Other	3.75%	4.0%

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments and consist of the following categories, by proportion of the total assets held by the Fund.

	1 April 2003	31 March 2004
Split of assets between investment categories		
Equities	68.5%	74.0%
Government bonds	12.5%	7.6%
Other bonds	3.2%	6.1%
Property	5.4%	5.1%
Other	10.4%	7.2%

Teachers voluntary early retirement benefits

The authority is also responsible for the costs of any compensatory added years benefits granted to teachers. The liabilities in respect of these payments has been calculated by the actuary, Mercer Human Resource Consulting Ltd, based on information provided by the authority. There are no assets to cover teachers voluntary early retirement benefit liabilities.

Teachers voluntary early retirement benefits		
	31 March 2003 £m	31 March 2004 £m
Present value of scheme liabilities	67	65

The financial assumptions used by the actuary in their assessment were as follows:

	1 April 2003	31 March 2004
Rate of inflation	2.5%	2.8%
Rate of increase in pensions	2.5%	2.8%
Discount rate	6.0%	6.3%

Note 16. Pensions (continued)

A summary of the underlying assets and liabilities for both the Local Government Pension Scheme and teachers voluntary early retirement benefits are set out below:

	Local Government Pension Scheme		Teachers voluntary early retirement benefits		Total	
	2002-3 £m	2003-4 £m	2002-3 £m	2003-4 £m	2002-3 £m	2003-4 £m
Present value of scheme liabilities	821	866	67	65	888	931
Market value of assets	638	773	0	0	638	773
Pension Reserve Deficit	183	93	67	65	250	158

A further split of the Local Government Pension Scheme assets between investment categories is detailed below:

Split of assets between investment categories	Assets at 31 March 2003		Assets at 31 March 2004	
Equities	£436.8m	68.5%	£572.1m	74.0%
Government bonds	} £100.1m	15.7%	£58.7m	7.6%
Other bonds			£47.2m	6.1%
Property	} £100.8m	15.8%	£39.4m	5.1%
Other			£55.7m	7.2%
Total	£637.7m		£773.1m	

Note 17. Trust Funds and Custodial Money

The Finance Director acts as treasurer to approximately 55 funds (inclusive of 13 sole trustee charities), held in trust for such purposes as maintenance grants, travel scholarships and book prizes, or for the benefit and care of particular client groups. The fund balances are invested in managed funds, local authority bonds, gilt edged securities and deposit accounts. £162,000 is also held on behalf of clients who are in residential care. They do not represent assets of the Council and are not included in the consolidated balance sheet.

Analysis of Trust Funds and Custodial Money Balances				
	Balance at 1 April 2003	Expenditure	Income	Balance at 31 March 2004
	£	£	£	£
Education charities				
Charles Semon Educational Foundation	0	2,115	452,084	449,969
Semon Home	1,040,692	1,040,692	2,407	2,407
Salt Foundation	240,055	98,466	90,039	231,628
Bradford area	371,713	3,600	14,728	382,841
Keighley area	276,817	3,632	21,336	294,521
Housing charities	64,514	14,750	9,854	59,618
Blind Charities	143,219	0	14,380	157,599
	2,137,010	1,163,255	604,828	1,578,583

Statement of Total Movements in Reserves

This statement brings together all the recognised gains and losses of the Council during the period. Capital reserves, which are not reflected in the consolidated revenue account, are included in the statement to explain how they have arisen.

Statement of Total Movements in Reserves	Notes	2002-3 £000	2003-4 £000
Movement in revenue reserves			
General Fund surplus / deficit (-)		-1,339	548
Housing Revenue Account surplus / deficit (-)		10	-218
Movement on the Collection Fund		711	2,126
Movement on other revenue reserves:			
Other general reserves		1,102	1,929
Corporate earmarked reserves		4,248	-4,639
Service earmarked reserves		-2,294	-126
Appropriation from pensions reserve		-2,303	-11,479
Actuarial gains and losses (-) relating to pensions	(18)	-220,980	103,792
Total increase / decrease (-) in revenue resources	(1) to (12)	-220,845	91,933
Unrealised gains / losses (-) on the revaluation of fixed assets	(13)	-282,555	-75,134
Effects of the disposal of fixed assets			
Increase / decrease (-) in usable capital receipts	(14)	11,351	-6,873
Capital receipts set aside as provision for credit liabilities	(15)	65,675	0
Value of assets sold	(13)	-310,611	-12,090
Net effect of the disposal of fixed assets		-233,585	-18,963
Movement in amounts used to finance capital investment			
Fixed assets financed from capital receipts	(15)	260,243	12,229
Net revenue resources used to fund capital	(15)	-48,286	6,998
Repayment of overhanging debt (stock transfer)	(15)	175,842	0
Long-term debtors (financed from borrowing) repaid	(15)	-132	-70
Total increase / decrease (-) in amounts used to fund capital investment		387,667	19,157
Other movements			
Increase / decrease (-) in deferred income	(16)	-100	-101
Increase / decrease (-) in deferred capital receipts	(17)	1,344	-5,044
Total increase / decrease (-) in other reserves and balances		1,244	-5,145
Total Recognised Gains / Losses (-)		-348,074	11,848

Note 1. Movement in Revenue Reserves

	Note	Balance at 1 April 2003 £000	Net Appropriation £000	Balance at 31 March 2004 £000
General Fund	(2)	5,500	548	6,048
HRA	(3)	261	-218	43
Collection Fund	(4)	6,169	2,126	8,295
General Reserves	(2)			
Trading		448	-56	392
Other Miscellaneous Reserves		1,788	-70	1,718
		2,236	-126	2,110
Corporate Earmarked Reserves				
Change Programme	(5)	10,034	-5,041	4,993
Renewal and Replacement	(6)	23,199	194	23,393
Markets	(7)	0	208	208
Exempt VAT	(8)	2,000	0	2,000
		35,233	-4,639	30,594
Service Earmarked Reserves				
Schools Delegated Budget	(9)	10,950	-2,192	8,758
Neighbourhood Renewal	(10)	1,104	1,302	2,406
Better Use of Budgets	(11)	802	1,348	2,150
Other Earmarked	(12)	9,062	1,471	10,533
		21,918	1,929	23,847
Total Revenue Reserves		71,317	-380	70,937

Note 2. General Fund and General Reserves

These are amounts set aside to provide balances against unforeseen events and to assist cash flow management. All authorities are expected to maintain a prudent level.

In addition to the General Fund balance the authority has a number of general reserves for this purpose. These include trading reserves created from previous and current years' surpluses on trading services to cover against future trading service deficits. They also include a number of other reserves for which the original purpose no longer exists and which now support the General Fund balance.

Note 3. Housing Revenue Account

The HRA statement is shown on page 26.

Note 4. Collection Fund

The surplus can only be used to reduce council tax and cannot be used to fund expenditure. The Collection Fund Statement is shown on page 27.

Note 5. Change Programme Reserve

In 2003-4 a net contribution of £5.041m was made from this reserve to provide for costs arising from the Council's Change Programme. The reserve is used to support budget initiatives and council revenue spending.

Note 6. Renewal and Replacement Reserve

This provides funds to finance capital expenditure and to manage and optimise capital resources. The balance at 31 March 2004 is £23.393m. Of this £1.4m is a working balance, the rest being held for specific purposes. The working balance acts as a contingency supporting the capital investment plan (in the same way that the General Fund balance supports revenue spending).

Note 7. Markets Reserve

This reserve was created from the annual market surplus. Following a decision of the Executive in September 2003 it is currently used to fund capital investment in markets.

Note 8. Exempt VAT Reserve

This is an amount set aside to meet the cost of VAT that the Council would not be able to recover should it exceed the partial exemption limit.

Note 9. Schools Delegated Budget

Schools have underspent their delegated budgets by a net £8.758m. These sums have been carried forward to schools budgets in 2004-5 through this account in accordance with delegated arrangements.

Note 10. Neighbourhood Renewal

The £2.406m represents the unspent balance on the Neighbourhood Renewal Fund for 2003-4.

Note 11. Better Use of Budgets

Under the authority's financial regulations services are permitted to carry forward resources from one year to another to match their operational spending requirements.

Note 12. Other Earmarked Reserves

These are held for services for specific purposes. The balance at 31 March 2004 includes reserves for building works (£2.193m), equipment (£1.241m) and change management (for the integration and implementation of major council-wide proposals, to drive up service improvement and to develop and disseminate best practice and knowledge management, £650,000).

Note 13. Fixed Asset Restatement Reserve

This is not a usable cash reserve. The balance represents the difference between the valuation of assets held on the

asset register and the historic cost of acquiring and enhancing fixed assets.

	2002-3 £000	2003-4 £000
Balance at 1 April	237,125	-356,041
Unrealised gains from revaluation of fixed assets	-282,555	-75,134
Value of assets sold	-310,611	-12,090
Balance at 31 March	-356,041	-443,265

Note 14. Usable Capital Receipts Reserve

Capital regulations currently require part of capital receipts to be set aside for debt repayment and transferred to the Capital Financing Reserve. The balance, or usable part, is transferred to the Usable Capital Receipts Reserve until applied for the financing of capital expenditure.

	2002-3 £000	2003-4 £000
Usable receipts in the year	272,135	13,345
Applied in the year	-260,784	-20,218
Net increase / decrease (-)	11,351	-6,873
Balance at 1 April	15,725	27,076
Balance at 31 March	27,076	20,203

Note 15. Capital Financing Reserve

The Capital Financing Reserve is maintained as a capital accounting requirement and is not a usable cash balance. It contains amounts set aside for debt repayment and amounts in respect of the financing of capital expenditure.

	2002-3 £000	2003-4 £000
Balance at 1 April	153,827	607,169
Capital receipts set aside as provision for credit liabilities	65,675	0
Capital receipts applied to fund fixed assets	260,243	12,229
Net charge to/ from (-) revenue	-48,286	6,998
Repayment of overhanging debt (stock transfer)	175,842	0
Write-down of long-term debtors	-132	-70
Balance at 31 March	607,169	626,326

The net charge to or from revenue is explained in note 7 to the Consolidated Revenue Account on page 12.

Note 16. Deferred Income

This is income due from Wakefield MDC in respect of the former West Yorkshire Waste Management arrangements. Under an agreement that started in 2000-1 the balance due is being repaid at £100,000 per annum over 15 years. The sum outstanding at 31 March 2004 was £1.104m.

Note 17. Deferred Capital Receipts

This amount is the sum outstanding on Council property sales which falls due in future years.

Note 18. Pension Reserve

The actuarial gain identified as a movement on the Pensions Reserve can be analysed as follows:

	Local Government £000	Teachers £000	Total £000
Asset gain (13.2%)	102,255	0	102,255
Liability loss	0	1,537	1,537
Change in assumptions	0	0	0
	102,255	1,537	103,792
Comparative total 2002-3	-220,980	0	-220,980

This statement has been drawn up to show where the Council receives cash from and what this cash has been spent on.

Cash Flow Statement	Notes	2002-3 £000	2003-4 £000
Revenue activities: cash outflows			
Cash paid to and on behalf of employees		-396,206	-408,266
Other operating cash payments		-302,937	-425,422
Exceptional payments		-62,392	-2,562
Housing benefit paid out		-67,637	-87,837
Precept paid to Police and Fire Authorities		-14,169	-17,189
Non-domestic rates paid to national pool		-104,321	-102,546
Total cash outflows		-947,662	-1,043,822
Revenue activities: cash inflows			
Rents (after rebates)		17,859	0
Council tax receipts		103,683	114,201
Non-domestic rate receipts from ratepayers		104,321	102,546
Non-domestic rate receipts from national pool		144,375	136,985
Revenue Support Grant		246,406	291,170
DWP grants for benefits		63,889	82,675
Other government grants	(2)	175,069	181,429
Other operating cash		146,228	156,283
Exceptional receipts		0	1,398
Disbursement from the Collection Fund and other cash		7	1
Total cash inflows		1,001,837	1,066,688
Net cash inflow from revenue activities	(1)	54,175	22,866
Servicing of Finance			
Cash outflow –interest paid		-41,130	-30,148
Cash inflow –interest received		1,719	3,066
Net cash outflow from servicing of finance		-39,411	-27,082
Capital activities: cash outflows			
Purchase of fixed assets		-371,836	-94,933
Capital activities: cash inflows			
Sale of fixed assets		337,810	13,345
Capital grants and other receipts		23,584	36,347
Net cash outflow from capital activities		-10,442	-45,241
Total net cash inflow / outflow (-) inflow before financing		4,322	-49,457
Management of liquid resources: Net decrease / increase (-) in short-term deposits		-47,100	39,900
Financing			
Cash outflows – repayments of amounts borrowed		-46,519	-9,585
Cash inflows -new loans raised		87,000	24,000
Net cash inflow from financing		40,481	14,415
Decrease (-) / Increase in cash	(3)	-2,297	4,858

Note 1. Reconciliation of the Surplus on Revenue Accounts to Revenue Activities Net Cash Flow

Reconciliation of the Surplus on Revenue to Revenue Activities Net Cash Flow	£000
Net deficit for year on General Fund, HRA and collection fund	2,456
Items on accruals basis:	
Decrease in stocks	156
Decrease in amounts due to Council	19,197
Decrease in amounts due from Council	-32,072
Items classified elsewhere on the cash flow statement:	
Interest paid	30,148
Interest received	-3,066
Non cash items:	
Contributions to / from reserves	6,047
Revenue activities - net cash flow	22,866

Note 2. Other Government Grants

The main categories of government grants shown in the cash flow statement are:

Other Government Grants	£000
Education and schools	79,580
Council tax benefit and benefits administration	28,445
Supporting People	21,245
Personal social services	19,381
Neighbourhood renewal	13,407
Childrens Fund	3,985
Early Years	4,219
Mental illness and mental health	1,768
Single regeneration budget	1,365
European Community	1,247
Employment	1,190
Social services carers	964
Mandatory students awards	809
Health Education	802
Housing revenue account subsidy	687
Youth training	489
Adult education	651
Asylum accommodation	397
Invest to save	634
Other	164
	181,429

Note 3. Reconciliation of Net Cash Flow to the Movement in Net Debt

Reconciliation of Net Cash Flow to the Movement in Net Debt	Movement 2003-4 £000
Increase in net cash in the period (Note 4)	4,858
Cash flow changes	
Cash inflow from an increase in debt	-14,415
Decrease in liquid resources	-39,900
Movement in net debt in the period	-49,457

Note 4. Analysis of Changes in Net Debt.

Analysis of Changes in Net Debt	Balance 31 March 2003 £000	Change £000	Balance 31 March 2004 £000
Cash in hand	28,243	-554	27,689
Cash overdrawn	-19,509	5,412	-14,097
Debt due within one year	-9,684	2,203	-7,481
Debt due after more than one year	-400,641	-16,618	-417,259
Management of liquid resources - short term investments	126,800	-39,900	86,900
Net Debt	-274,791	-49,457	-324,248

On 24 February 2003 the Council transferred ownership of its housing stock to Bradford Community Housing Trust (BCHT). The 2003-4 figures represent residual transactions such as the final subsidy claim and an increased provision for former tenant miscellaneous debt.

The rules on closure of the HRA mean that this cannot take place until 1 April 2005 at the earliest. When closed any outstanding surplus on the HRA will revert to the General Fund.

Housing Revenue Account	2002-3	2003-4
	£000	£000
Income		
Gross rents – dwellings	44,954	0
Gross rents – non dwelling	597	0
Service charges	3,210	0
Government grants receivable	26,673	537
Major repairs allowance	11,884	0
General Fund contribution	383	0
Total income	87,701	537
Expenditure		
Repairs	15,643	-15
Capital interest charge	16,695	0
Charge for depreciation	11,884	0
Rent rebates	30,902	0
Supervision and management	7,985	0
Special services	4,205	0
Bad debts and write-offs	778	870
Rents, rates and other charges	449	50
Total expenditure	88,541	905
Net cost of services	840	368
Capital charges - interest	-16,695	0
Loan charges - interest	13,061	0
Interest receivable	-622	-150
Net operating expenditure	-3,416	218
Appropriations		
Housing set aside (MRP)	3,406	0
Surplus(-) /deficit for the year	-10	218
Balance at the beginning of year	-251	-261
Balance at the year end	-261	-43

Note 1. Government Grants

	2002-3	2003-4
	£000	£000
Housing subsidy (HRA)	26,493	537
Housing subsidy (PRC dwellings)	179	0
	26,672	537

Although stock transfer took place in 2002-3, the final housing subsidy claim for 2002-3 was settled in January 2004 resulting in £537,000 of subsidy being credited to the Housing Revenue Account in 2003-4.

Note 2. Former Tenants' Arrears

At 31 March 2004 there was a balance outstanding of £1.230m in respect of former tenants' arrears. This was fully covered by a 100% provision for bad debts. These amounts are included in the authority's balance sheet (see note 7 to the balance sheet on page 18).

There is a statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions in respect of non-domestic rates and council tax and the way in which these have been distributed to preceptors and the General Fund. Although a separate income and expenditure account is required, the Collection Fund balances are consolidated into the Council's Consolidated Balance Sheet.

Collection Fund	Note	2002-3 £000	2003-4 £000
Income			
Due from council tax payers (excluding benefits)	(1)	105,543	115,832
Due in respect of council tax benefits		22,912	25,438
Due from business ratepayers	(2)	105,094	103,330
Community charge previous years' adjustment	(3)	7	2
Total income		233,556	244,602
Expenditure			
Precepts			
Bradford Council		110,519	119,814
West Yorkshire Fire and Civil Defence Authority		3,998	5,203
West Yorkshire Police Authority		10,171	11,986
Keighley Town Council & Ilkley Parish Council		82	183
Business rate			
Payment to national pool	(2)	104,321	102,546
Costs of collection		773	784
Write-offs and provision for bad debts (council tax)	(4)	1,860	1,631
Council tax support from council tax surplus		1,111	677
Contribution to/from (-) provision for losses on collection		10	-348
Total Expenditure		232,845	242,476
Net increase / decrease (-) in the fund balance		711	2,126
Balance at beginning of year		5,458	6,169
Collection Fund balance at end of year	(5)	6,169	8,295

Note 1. Council Tax

Council tax income is generated from charges raised on residential properties. Each domestic property is assigned to one of eight bands A-H depending on its capital value. Properties in higher bands are charged more, although the charges may be reduced by council tax benefit and/or single occupier discount. It is calculated that for 2003-4 there are the equivalent of 134,970 properties in the middle band D, and that band D properties should be charged at £1,015.06 (Keighley and Ilkley residents £1,020.06 and £1,024.96 respectively) to cover the precepts of the three authorities.

Note 2. Business Rates

The Council collects business rates (non-domestic rates) for its area. The rate in the £ is set by central government and was 44.4p in 2003-4 (43.7p in 2002-3). The total amount, less certain reliefs and deductions, is paid to a central pool managed by the government, which then redistributes the money to the General Funds of all precepting authorities on the basis of a fixed amount per head of population. Bradford's share of the pool for 2003-4 was £137 m (£144.4m in 2002-3). The business rates income, after reliefs and provisions, was based on an average rateable value for the Council's area of £293,063,364 for 2003-4 (£296,052,015 for 2002-3).

Note 3. Community Charge

Community charge ceased on 31 March 1993. Any arrears which are now collected are available to reduce council tax in subsequent years.

Note 4. Provision for Bad Debts (Council Tax)

The bad debt provision for council tax at 31 March 2004 was £5.824m (£6.164m at 31 March 2003).

Note 5. Fund Balance

The accumulated surplus on the Collection Fund Reserve is attributable to amounts which are deemed to be collectable but of which a substantial amount has not yet been collected.

Collection Fund Balance	2002-3 £000	2003-4 £000
Community Charge		
Surplus b/fwd 1 April	99	106
Surplus in year	7	2
Accumulated surplus c/fwd	106	108
Council Tax		
Surplus b/fwd 1 April	5,359	6,063
Surplus in year	1,815	2,801
Used in council tax support	-1,111	-677
Accumulated surplus c/fwd	6,063	8,187
Accumulated surplus on Fund at 31 March	6,169	8,295

The statutory position is for any surplus or deficit on the Collection Fund to be used as an adjustment to the council tax in future years when the cash is collected.

The West Yorkshire Pension Fund provides for the payment of defined pension benefits to members or their dependents, from participating employers. It publishes its own detailed report and accounts which is available from the Finance Director.

West Yorkshire Pension Fund Fund Account For the Year Ending 31 March 2003	2002-3 £000	2003-4 £000
Contributions and Benefits		
Employers' contributions	100,396	116,176
Special employers' contributions	1,619	0
Employees' contributions	67,354	72,711
Transfers in	32,334	36,616
Other income	7	8
Non-statutory pensions and pensions increases recharged	18,168	18,264
AVC income	2,799	2,369
Income total	222,677	246,144
Pensions	151,284	158,941
Lump sums (including retirement and death grants)	33,985	35,550
Non-statutory pensions and pensions increase	18,168	18,264
Refund of contributions	1,040	1,385
Transfers out	18,824	20,255
Administrative and other expenses borne by the scheme	3,705	3,938
AVC Expenditure	1,741	1,796
Expenditure Total	228,747	240,129
Net withdrawals from dealings with members	-6,070	6,015
Returns on investments		
Investment income	134,463	140,416
Change in market value of investments (realised and unrealised)	-1,060,532	723,862
Stock Lending	591	825
Underwriting commission	0	4
Investment management expenses	-1,172	-1,220
Net return on investments	-926,650	-1,220
Net decrease (-) / increase in the fund during the year	-932,720	869,902
Opening net assets of the scheme	4,641,441	3,708,721
Closing net assets of the scheme	3,708,721	4,578,623
Net Assets Statement		
Investments		
Fixed interest securities	384,521	395,528
Equities (including convertible shares)	2,345,657	3,108,269
Index-linked securities – UK quoted	189,627	223,002
Managed and Unitised funds	357,531	471,846
Other – sterling deposits	381,700	328,200
AVC investments	12,955	15,357
Accrued purchases	-2,273	-6,239
Accrued sales	0	550
Investments at market value 31 March	3,669,718	4,536,513
Current assets and liabilities		
Debtors	41,713	43,935
Creditors	-3,433	-2,062
Cash in hand / overdrawn *	723	237
Net current assets and liabilities	39,003	42,110
Net assets of the scheme at 31 March	3,708,721	4,578,623
* This figure takes account of cheques drawn but not presented, the balance on the bank account at 31 March was £309,586.98		

Note 1 Operations and Membership

The West Yorkshire Pension Fund provides for the payment of defined pension benefits to members or their dependents, from participating employers. It publishes its own detailed report and accounts, which are available from the Finance Director.

Legal Status – It is a statutory scheme and the benefits are paid out under the provisions of the Local Government Pension Scheme Regulations as amended. Contributing members are contracted out of the State Earnings Related Pension Scheme. Exempt approval has been granted by the Inland Revenue for the purposes of the Income and Corporation Taxes Act.

Management – The West Yorkshire Pension Joint Advisory Group is responsible for advising on the administration of the Fund. The group is made up of three elected members from each of the five West Yorkshire MDCs. The Investment Advisory Panel is responsible for advising on the investment of the Fund and comprises two elected members from each of the five West Yorkshire MDCs, two trade union representatives, a city advisor, Finance Director (Department of Finance) of Bradford, and one other district director of finance on a rotational basis.

Participating Employers – There were 165 participating employers at 31 March 2004 whose employees were entitled to be contributors to the Fund.

Membership – Members totalled 86,243 on 31 March 2004, whilst beneficiaries including current pensioners (inclusive of widows' and children's pensions in payment) of 50,764 and preserved pensions of 43,653.

Note 2 Actuary's Report

An actuarial valuation of the Fund was carried out as at 31 March 2001. The valuation showed that the Fund was in surplus in that the value of the Fund's assets represented 107% of the Fund's accrued liabilities at the valuation date. The Fund's net assets had a market value of £4,666m at the time of valuation.

The valuation also showed that a common rate of contribution of 11.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The common rate then falls to be adjusted to have regard to the individual circumstances of each employer. As a result of the valuation, contribution certificates have been prepared for the three years commencing 1 April 2002. The contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

Actuarial Assumptions	For past service liabilities	For future Service Liabilities
	%	%
Investment return	5.6	6.5
Earnings growth	3.8	4.0
Price inflation	2.3	2.5

- plus salary scale for officers to allow for incremental increases.

Note 3 Statement of Accounting Policies

The accounts are prepared in accordance with the Statement of Recommended Practice.

Listed Investments

Listed investments are shown at market value. The market value of the investments based on the middle market quotation of the relevant stock exchange was £4,526.8 m (excluding AVC investments) on 31 March 2004. The book cost of these investments was £3,413.7m on that date.

The Equitable Life Assurance Society and Scottish Widows value AVC investments. Those AVC funds that relate to the with profits fund are valued at contributions plus bonuses accrued to date and an element of final bonus which is guaranteed. The value of the unit linked fund element is based on the bid price of the relevant fund at the year end date.

Currency Translation

Assets and liabilities in foreign currency are translated into Sterling at exchange rates ruling at the financial year end.

Transfers

Transfer Values represent received and paid during the period for individuals and groups who joined or left the Fund.

Investment Income

Investment income is accounted for when receivable except that interest due on short-term investments is accounted for on an accruals basis, and income from UK equities is accounted for on the date when stocks are quoted ex-dividend.

Contributions

Contributions are accounted for when due.

Additional Voluntary Contributions (AVC)

AVCs are accounted for when due, in the same way as other contributions, and the resulting investments are included in the net assets statement.

Expenditure

No account is taken of long-term liabilities to pay benefits.

Note 4. Current assets and liabilities

Current Assets and Liabilities	2003 £000	2004 £000
Assets		
Contributions due from employees	13,446	15,053
Accrued income	22,267	25,463
Other debtors	6,000	3,419
	41,713	43,935
Creditors		
PAYE	1,596	1,684
Other creditors	1,837	378
	3,433	2,062



100% recycled
paper, 75% post
consumer waste